

*In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See "TAX MATTERS" herein with respect to tax consequences relating to the Bonds.*

**\$11,630,000**  
**NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT**  
**(Los Angeles County, California)**  
**2013 General Obligation Refunding Bonds, Series A**  
**(Tax-Exempt)**

**Dated: Date of Delivery**

**Due: August 1, as shown below**

*This cover page contains certain information for general reference only. It is not a summary of this issue. Investors must read the entire official statement to obtain information essential to the making of an informed investment decision. Capitalized terms used in this cover page and not otherwise defined shall have the meanings set forth herein.*

The Norwalk-La Mirada Unified School District (Los Angeles County, California) 2013 General Obligation Refunding Bonds, Series A (Tax-Exempt) (the "Bonds"), in the aggregate principal amount of \$11,630,000 are being issued by the Norwalk-La Mirada Unified School District (the "District") (i) advance refund portions of the outstanding Norwalk-La Mirada Unified School District (Los Angeles County, California) 2005 General Obligation Refunding Bonds, and (ii) to pay the costs associated with the issuance of the Bonds.

The Bonds are general obligations of the District, payable solely from the proceeds of *ad valorem* taxes. The Board of Supervisors of Los Angeles County shall be empowered and obligated to annually levy such *ad valorem* taxes upon all property subject to taxation by the District without limitation of rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds when due.

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (collectively referred to herein as "DTC"). Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds.

The Bonds will be issued as current interest bonds such that interest thereon shall accrue from the date of delivery and be payable semiannually on February 1 and August 1 of each year, commencing August 1, 2013. The Bonds are issuable as fully registered bonds in denominations of \$5,000 or any integral multiple thereof.

Payments of principal of and interest on the Bonds will be made by U.S. Bank National Association, as the designated paying agent, bond registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants (defined herein) who will remit such payments to the Beneficial Owners of the Bonds. U.S. Bank National Association has been appointed as agent of the Treasurer and Tax Collector of the Los Angeles County to act as Paying Agent. See "APPENDIX D – BOOK-ENTRY ONLY SYSTEM" herein.

**The Bonds are not subject to redemption prior to their stated maturity dates.**

---

**MATURITY SCHEDULE**

**(See inside front cover)**

---

*The Bonds are offered when, as and if issued, and received by the Underwriter subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel and Disclosure Counsel. The Bonds, in book-entry form, will be available for delivery through the facilities of the Depository Trust Company in New York, New York on or about January 30, 2013.*

**PiperJaffray®**

Dated: January 10, 2013

## MATURITY SCHEDULE

**\$11,630,000**  
**NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT**  
**(Los Angeles County, California)**  
**2013 General Obligation Refunding Bonds, Series A**  
**(Tax-Exempt)**

**Base CUSIP<sup>†</sup>: 669096**

**\$11,630,000 Serial Bonds**

| <b><u>Maturity</u></b><br><b><u>(August 1)</u></b> | <b><u>Principal</u></b><br><b><u>Amount</u></b> | <b><u>Interest</u></b><br><b><u>Rate</u></b> | <b><u>Yield</u></b> | <b><u>CUSIP<sup>†</sup></u></b> |
|--|---|--|---------------------|---------------------------------|
| 2013   | \$340,000                                       | 2.000%                                       | 0.300%              | RX9                             |
| 2014   | 30,000  | 2.000  | 0.400               | RY7                             |
| 2015   | 35,000  | 2.000  | 0.640               | RZ4                             |
| 2016   | 2,425,000                                       | 4.000  | 0.870               | SA8                             |
| 2017   | 1,890,000                                       | 4.000  | 1.040               | SB6                             |
| 2017   | 780,000   | 2.000  | 1.040               | SE0                             |
| 2018   | 2,925,000                                       | 4.000  | 1.310               | SC4                             |
| 2019   | 3,205,000                                       | 4.000  | 1.450               | SD2                             |

---

<sup>†</sup> CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the Underwriter nor the District is responsible for the selection or correctness of the CUSIP numbers set forth herein.

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the District. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the District.

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Section 3(a)2 and 3(a)12, respectively, for the issuance and sale of municipal securities. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Certain information set forth herein has been obtained from sources outside the District which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

When used in this Official Statement and in any continuing disclosure by the District in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced in this Official Statement, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

The Underwriter has provided the following sentence for inclusion in this Official Statement:

“The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or the completeness of such information” herein.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN SECURITIES DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

The District maintains a website. However, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

**NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT**

**Board of Education**

Ed Hengler, *President*  
Margarita L. Rios, *Vice President*  
Darryl Adams, *Member*  
Karen Morrison, *Member*  
Chris Pflanzner, *Member*  
Jesse Urquidi, *Member*  
Ana Valencia, *Member*

**District Administration**

Ruth Pérez, Ed.D., *Superintendent*  
Estuardo Santillan, *Assistant Superintendent, Business Services*

**PROFESSIONAL SERVICES**

**Bond and Disclosure Counsel**

Stradling Yocca Carlson & Rauth,  
a Professional Corporation  
*San Francisco, California*

**Underwriter**

Piper Jaffray & Co.  
*El Segundo, California*

**Paying Agent and Escrow Agent**

U.S. Bank National Association  
*Los Angeles, California*

**Verification Agent**

Causey Demgen & Moore P.C.  
*Denver, Colorado*

## TABLE OF CONTENTS

|   | <u>Page</u> |
|---|-------------|
| <b>INTRODUCTION .....</b>   | <b>1</b>    |
| CHANGES SINCE DATE OF PRELIMINARY OFFICIAL STATEMENT .....  | 1           |
| THE DISTRICT .....  | 1           |
| PURPOSE OF ISSUE .....  | 2           |
| AUTHORITY FOR ISSUANCE OF THE BONDS .....   | 2           |
| SECURITY AND SOURCES OF PAYMENT FOR THE BONDS .....   | 2           |
| DESCRIPTION OF THE BONDS .....  | 2           |
| TAX MATTERS .....   | 3           |
| OFFERING AND DELIVERY OF THE BONDS.....   | 3           |
| CONTINUING DISCLOSURE .....   | 3           |
| PROFESSIONALS INVOLVED IN THE OFFERING.....   | 3           |
| FORWARD LOOKING STATEMENTS.....   | 4           |
| OTHER INFORMATION .....   | 4           |
| <b>THE BONDS.....</b>   | <b>5</b>    |
| AUTHORITY FOR ISSUANCE .....  | 5           |
| SECURITY AND SOURCES OF PAYMENT .....   | 5           |
| GENERAL PROVISIONS .....  | 6           |
| ANNUAL DEBT SERVICE FOR THE BONDS .....   | 6           |
| REDEMPTION.....   | 7           |
| REGISTRATION, TRANSFER AND EXCHANGE OF BONDS .....  | 7           |
| DEFEASANCE .....  | 7           |
| APPLICATION AND INVESTMENT OF BOND PROCEEDS.....  | 8           |
| <b>ESTIMATED SOURCES AND USES OF FUNDS FOR THE BONDS.....</b>   | <b>9</b>    |
| <b>LOS ANGELES COUNTY TREASURY POOL.....</b>  | <b>10</b>   |
| THE LOS ANGELES COUNTY POOLED SURPLUS INVESTMENTS .....   | 10          |
| <b>TAX BASE FOR REPAYMENT OF BONDS .....</b>  | <b>11</b>   |
| <i>AD VALOREM</i> PROPERTY TAXATION .....   | 11          |
| ASSESSED VALUATIONS.....  | 12          |
| ASSESSED VALUATION BY LAND USE.....   | 14          |
| ASSESSED VALUATIONS BY JURISDICTION.....  | 14          |
| ASSESSED VALUATION OF SINGLE FAMILY HOMES .....   | 15          |
| APPEALS AND ADJUSTMENTS OF ASSESSED VALUATIONS .....  | 15          |
| TAX LEVIES, COLLECTIONS AND DELINQUENCIES .....   | 16          |
| ALTERNATIVE METHOD OF TAX APPORTIONMENT - “TEETER PLAN” .....   | 17          |
| TAX RATES .....   | 18          |
| PRINCIPAL TAXPAYERS.....  | 18          |
| STATEMENT OF DIRECT AND OVERLAPPING DEBT.....   | 19          |
| <b>CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND<br/>APPROPRIATIONS .....</b> | <b>21</b>   |
| ARTICLE XIII A OF THE CALIFORNIA CONSTITUTION .....   | 21          |
| LEGISLATION IMPLEMENTING ARTICLE XIII A.....  | 22          |
| UNITARY PROPERTY .....  | 22          |
| ARTICLE XIII B OF THE CALIFORNIA CONSTITUTION .....   | 22          |
| ARTICLE XIII C AND ARTICLE XIII D OF THE CALIFORNIA CONSTITUTION .....                                  | 23          |
| PROPOSITION 26.....   | 24          |
| PROPOSITIONS 98 AND 111.....  | 24          |
| PROPOSITION 39.....   | 26          |
| PROPOSITION 1 A AND PROPOSITION 22.....   | 27          |
| PROPOSITION 30.....   | 28          |
| STATE CASH MANAGEMENT LEGISLATION .....   | 28          |
| FUTURE INITIATIVES .....  | 29          |

## TABLE OF CONTENTS (cont'd)

|   |             |
|---|-------------|
|   | <u>Page</u> |
| STATE BUDGET .....  | 29          |
| <b>DISTRICT FINANCIAL INFORMATION.....</b>  | <b>35</b>   |
| STATE FUNDING OF EDUCATION .....  | 35          |
| REVENUE SOURCES.....  | 36          |
| BUDGET PROCESS .....  | 37          |
| ACCOUNTING PRACTICES.....   | 40          |
| COMPARATIVE FINANCIAL STATEMENTS.....   | 41          |
| <b>NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT .....</b>  | <b>43</b>   |
| INTRODUCTION .....  | 43          |
| ADMINISTRATION .....  | 43          |
| ENROLLMENT.....   | 44          |
| LABOR RELATIONS .....   | 44          |
| RETIREMENT PROGRAMS .....   | 45          |
| OTHER POST-EMPLOYMENT BENEFITS .....  | 47          |
| RISK MANAGEMENT .....   | 48          |
| DISTRICT DEBT STRUCTURE .....   | 49          |
| <b>TAX MATTERS .....</b>  | <b>52</b>   |
| <b>LEGAL MATTERS .....</b>  | <b>54</b>   |
| LEGALITY FOR INVESTMENT IN CALIFORNIA .....   | 54          |
| CONTINUING DISCLOSURE .....   | 54          |
| ABSENCE OF MATERIAL LITIGATION .....  | 54          |
| INFORMATION REPORTING REQUIREMENTS .....  | 54          |
| LEGAL OPINION .....   | 55          |
| VERIFICATION.....   | 55          |
| <b>MISCELLANEOUS .....</b>  | <b>55</b>   |
| RATINGS .....   | 55          |
| FINANCIAL STATEMENTS .....  | 55          |
| UNDERWRITING .....  | 55          |
| ADDITIONAL INFORMATION .....  | 56          |
| <br>APPENDIX A: FORM OF OPINION OF BOND COUNSEL FOR THE BONDS.....  | <br>A-1     |
| APPENDIX B: EXCERPTS FROM THE DISTRICT'S 2011-12 AUDITED FINANCIAL STATEMENTS .....   | B-1         |
| APPENDIX C: FORM OF CONTINUING DISCLOSURE CERTIFICATE .....   | C-1         |
| APPENDIX D: BOOK ENTRY-ONLY SYSTEM.....   | D-1         |
| APPENDIX E: ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF NORWALK, CITY<br>OF LA MIRADA AND COUNTY OF LOS ANGELES..... | E-1         |

**\$11,630,000**  
**NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT**  
**(Los Angeles County, California)**  
**2013 General Obligation Refunding Bonds, Series A**  
**(Tax-Exempt)**

**INTRODUCTION**

This Official Statement, which includes the cover page and appendices hereto, provides information in connection with the sale of Norwalk-La Mirada Unified School District (Los Angeles County, California) 2013 General Obligation Refunding Bonds, Series A in the principal amount of \$11,630,000 (the “Bonds”).

**This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of Bonds to potential investors is made only by means of the entire Official Statement.**

**Changes Since Date of Preliminary Official Statement**

Subsequent to the publication of the Preliminary Official Statement, the Governor released his proposed State budget for fiscal year 2013-14 (the “Proposed Budget”). For a summary of the Proposed Budget, see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – State Budget – Proposed 2013-14 Budget” herein.

**The District**

The Norwalk-La Mirada Unified School District (the “District”) was established in 1965 and is located in an approximately sixteen square mile area in Los Angeles County (the “County”) approximately 10 miles southeast of the City of Los Angeles. The boundaries of the District include substantial portions of the City of Norwalk (“Norwalk”) and the City of La Mirada (“La Mirada”) as well as small areas lying within the cities of Santa Fe Springs and Whittier and certain unincorporated areas of Los Angeles County. The District operates 17 elementary schools, six middle schools, four high schools, two adult schools, a district office and a maintenance office.

The District is governed by a seven-member Board of Education, each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between three and four available positions. The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day-to-day District operations as well as the supervision of the District’s other key personnel. Dr. Ruth Pérez is the District Superintendent.

See “TAX BASE FOR REPAYMENT OF BONDS” herein for more information regarding the District’s assessed valuation, and “DISTRICT FINANCIAL INFORMATION” and “NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT” herein for more information regarding the District generally.

## **Purpose of Issue**

The proceeds of the Bonds will be used (i) to advance refund the outstanding Norwalk-La Mirada Unified School District (Los Angeles County, California) 2005 General Obligation Refunding Bonds (the “2005 Refunding Bonds”) maturing on August 1, 2016 through and including August 1, 2019, and (ii) to pay the costs associated with the issuance of the Bonds.

The 2005 Refunding Bonds to be refunded with proceeds of the Bonds are referred to herein as the “Refunded Bonds”.

## **Authority for Issuance of the Bonds**

The Bonds are issued pursuant to certain provisions of the State of California Government Code and other applicable law, and pursuant to a resolution adopted by the Board. See “THE BONDS – Authority for Issuance” herein.

## **Security and Sources of Payment for the Bonds**

The Bonds are general obligations of the District, payable solely from the proceeds of *ad valorem* property taxes. The Board of Supervisors of the County (the “County Board”) is empowered and obligated to annually levy *ad valorem* taxes for the payment of the principal of and interest on the Bonds upon all property within the District subject to taxation thereby, without limitation of rate or amount (except as to certain personal property which is taxable at limited rates). See “THE BONDS – Security and Sources of Payment” herein.

## **Description of the Bonds**

***Form, Registration and Denomination.*** The Bonds will be issued in fully registered book-entry form only (without coupons), initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to actual purchasers of the Bonds (the “Beneficial Owners”) in the denominations set forth on the cover page, under the book-entry only system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. See “APPENDIX D – Book-Entry Only System” herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. In event that the book-entry only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolution described herein. See “THE BONDS – Registration, Transfer and Exchange of Bonds” herein.

**So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the “Owners,” “Bond Owners” or “Holders” of the Bonds (other than under the caption “TAX MATTERS” and in APPENDIX A) will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.**

***Denominations.*** Individual purchases of interests in the Bonds will be available to purchasers of the Bonds in the denominations of \$5,000 principal amount or any integral multiple thereof.

***Redemption.*** The Bonds are not subject to redemption prior to their stated maturity dates. See “THE BONDS– Redemption.



**Payments.** The Bonds will be issued as current interest bonds, such that interest thereon will accrue from their initial date of delivery (the “Date of Delivery”), and be payable semiannually on each February 1 and August 1 (each a “Bond Payment Date”), commencing August 1, 2013. Principal on the Bonds is payable on August 1 in the amounts and years as set forth on the cover page hereof. Payments of the principal of and interest on the Bonds will be made by U.S. Bank National Association, acting as the designated paying agent, bond registrar and transfer agent (the “Paying Agent”), to DTC for subsequent disbursement through DTC Participants (defined herein) to the Beneficial Owners of the Bonds. See APPENDIX D– Book-Entry Only System” herein.

## **Tax Matters**

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California (“Bond Counsel”), based on existing statutes, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and the compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. In addition, the difference between the issue price of a Bonds (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the Bonds constitutes original issue discount, and the amount of original issue discount that accrues to the owner of the Bonds is excluded from gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax. See “TAX MATTERS” herein.

## **Offering and Delivery of the Bonds**

The Bonds are offered when, as and if issued, subject to approval as to the validity by Bond Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC in New York, New York on or about January 30, 2013.

## **Continuing Disclosure**

The District will covenant for the benefit of Owners and Beneficial Owners to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain enumerated events in compliance with S.E.C. Rule 15c2-12(b)(5) (the “Rule”). These covenants have been made in order to assist the Underwriter in complying with the Rule. The specific nature of the information to be made available and of the notices of enumerated events required to be provided are summarized in APPENDIX C attached hereto.

## **Professionals Involved in the Offering**

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. U.S. Bank National Association, Los Angeles, California is acting as escrow agent, (“Escrow Agent”) in connection with the issuance of the Bonds. Causey Demgen & Moore P.C. is acting as verification agent for the Bonds.

## **Forward Looking Statements**

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget,” “intend,” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

## **Other Information**

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available from the Norwalk-La Mirada Unified School District, 12820 Pioneer Boulevard, Norwalk, California 90650, telephone: (562) 868-0431. The District may impose a charge for copying, mailing and handling.

No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entireties by reference to each of such documents, statutes and constitutional provisions.

Certain information set forth herein, other than that provided by the District, has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Resolution (defined herein).

## **THE BONDS**

### **Authority for Issuance**

The Bonds are issued pursuant to the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, commencing with Section 53550 *et seq.*, and other applicable law, and pursuant to a resolution adopted by the Board on October 22, 2012 (the “Resolution”).

### **Security and Sources of Payment**

The Bonds are general obligations of the District, payable solely from the proceeds of *ad valorem* property taxes. The Board of Supervisors of the County is empowered and obligated to annually levy *ad valorem* taxes for the payment of the principal of and interest on the Bonds upon all property subject to taxation by the District without limitation as to rate or amount (except certain personal property which is taxable at limited rates). Such taxes, when collected, will be deposited by the County into the “Norwalk-La Mirada Unified School District 2013 General Obligation Refunding Bonds, Series A Debt Service Fund” (the “Debt Service Fund”), respectively, which funds are segregated and maintained by the County and which have been designated for the payment of principal of and interest on the respective series of bonds, when due, and for no other purpose. Although the County is obligated to levy an *ad valorem* tax for the payment of the Bonds, and the County will maintain the Debt Service Fund, the Bonds are not a debt of the County. See “TAX BASE FOR REPAYMENT OF BONDS” herein.

The moneys in the Debt Service Fund, to the extent necessary to pay the principal of and interest on the Bonds, as the same becomes due and payable, will be transferred by the County to the Paying Agent which, in turn, shall pay such moneys to DTC who will thereupon make payment of such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds.

The rate of the annual *ad valorem* taxes levied by the County to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds in any year. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rates to fluctuate. Economic and other factors beyond the District’s control, such as general market decline in land values, disruption in financial markets that may reduce the availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State of California (the “State”) and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the respective annual tax rates. For further information regarding the District’s assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution” and “TAX BASE FOR REPAYMENT OF BONDS” herein.

## General Provisions

The Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co., as nominee for DTC. Beneficial Owners will not receive certificates representing their interests in the Bonds.

Interest with respect to the Bonds accrues from their date of delivery, and is payable semiannually on each Bond Payment Date, commencing August 1, 2013. Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months. Each Bond shall bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month immediately preceding any Bond Payment Date to and including such Bond Payment Date, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before July 15, 2013, in which event it shall bear interest from its date. The Bonds are issuable in denominations of \$5,000 principal amount or any integral multiple thereof and mature on August 1 in the years and amounts set forth on the cover page hereof.

The principal of the Bonds will be payable in lawful money of the United States of America to the registered Owner thereof, upon the surrender thereof at the principal corporate trust office of the Paying Agent. The interest on the Bonds will be payable in lawful money of the United States of America to the person whose name appears on the bond registration books of the Paying Agent as the registered Owner thereof as of the close of business on the 15th day of the month next preceding any Bond Payment Date (a "Record Date"), whether or not such day is a business day, such interest to be paid by check or draft mailed on such Bond Payment Date to such registered Owner at such registered Owner's address as it appears on such registration books or at such address as the registered Owner may have filed with the Paying Agent for that purpose. The interest payments on the Bonds will be made in immediately available funds (e.g., by wire transfer) to any registered Owner of at least \$1,000,000 of outstanding Bonds who shall have requested in writing such method of payment of interest on the Bonds prior to the close of business on the Record Date immediately preceding any Bond Payment Date.

## Annual Debt Service for the Bonds

The following table summarizes the debt service requirements of the District for the Bonds:

| Year<br>Ending<br>(August 1) | Annual<br>Principal<br>Payment | Annual<br>Interest<br>Payment <sup>(1)</sup> | Total Annual<br>Debt Service |
|------------------------------|--------------------------------|--|------------------------------|
| 2013                         | \$340,000                      | \$221,976.39                                 | \$561,976.39                 |
| 2014                         | 30,000                         | 434,700.00                                   | 464,700.00                   |
| 2015                         | 35,000                         | 434,100.00                                   | 469,100.00                   |
| 2016                         | 2,425,000                      | 433,400.00                                   | 2,858,400.00                 |
| 2017                         | 2,670,000                      | 336,400.00                                   | 3,006,400.00                 |
| 2018                         | 2,925,000                      | 245,200.00                                   | 3,170,200.00                 |
| 2019                         | <u>3,205,000</u>               | <u>128,200.00</u>                            | <u>3,333,200.00</u>          |
| Total                        | <u>\$11,630,000</u>            | <u>\$2,233,976.39</u>                        | <u>\$13,863,976.39</u>       |

<sup>(1)</sup> Interest payments on the Bonds will be made semiannually on February 1 and August 1 of each year, commencing August 1, 2013.

See "NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT – District Debt Structure – General Obligation Bonds" for a schedule of the combined debt service requirements for all of the District's outstanding general obligation bonds.

## **Redemption**

**The Bonds are not subject to redemption prior to their stated maturity dates.**

## **Registration, Transfer and Exchange of Bonds**

So long as any of the Bonds remain outstanding, the District will cause the Paying Agent to maintain at its principal office all books and records necessary for the registration, exchange and transfer of such Bonds, which shall at all times be open to inspection by the District, and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register, exchange or transfer or cause to be registered, exchanged or transferred, on said books, Bonds as provided in the Resolution.

*In the event that the book-entry only system as described above is no longer used with respect to the Bonds, the following provisions will govern the registration, transfer, and exchange of the Bonds.*

The principal of the Bonds and interest upon the redemption thereof prior to the maturity will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the office of the Paying Agent, initially located in Los Angeles, California. Interest on the Bonds will be paid by the Paying Agent by check or draft mailed to the person whose name appears on the registration books of the Paying Agent as the registered Owner, and to that person's address appearing on the registration books as of the close of business on the Record Date. At the written request of any registered Owner of at least \$1,000,000 in aggregate principal amount, interest payments shall be wired to a bank and account number on file with the Paying Agent as of the Record Date.

Any Bond may be exchanged for Bonds of like tenor, maturity and Transfer Amount (which with respect to any outstanding Bonds means the principal amount thereof) upon presentation and surrender at the principal office of the Paying Agent, together with a request for exchange signed by the registered Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred only on the Bond Register by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed. Upon exchange or transfer, the Paying Agent shall register, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the Owner equal to the Transfer Amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Neither the District nor the Paying Agent will be required to issue or transfer any Bonds during a period beginning with the opening of business on the 16th business day next preceding any Bond Payment Date or the stated maturity of any of the Bonds and ending with the close of business on the applicable Bond Payment Date or the close of business on the applicable stated maturity date.

## **Defeasance**

All or any portion of the outstanding maturities of the Bonds may be defeased prior to maturity in the following ways:

- (a) Cash: by irrevocably depositing with the Paying Agent or with an independent escrow agent selected by the District an amount of cash which together with amounts transferred

from the Debt Service Fund is sufficient to pay all Bonds outstanding and designated for defeasance (including all principal thereof and interest thereon) at or before their maturity date; or

(b) Government Obligations: by irrevocably depositing with the Paying Agent or with an independent escrow agent selected by the District noncallable Government Obligations together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon and moneys transferred from the Debt Service Fund together with the interest to accrue thereon, be fully sufficient to pay and discharge all Bonds outstanding and designated for defeasance (including all principal thereof and interest thereon) at or before their maturity date;

then, notwithstanding that any Bonds shall not have been surrendered for payment, all obligations of the District and the Paying Agent with respect to all outstanding Bonds shall cease and terminate, except only the obligation of the Paying Agent to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) above, to the Owners of the Bonds not so surrendered and paid all sums due with respect thereto.

“Government Obligations” means direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips), or “prerefunded” municipal obligations rated in the highest rating category by Moody’s Investors Service (“Moody’s”) or Standard & Poor’s Ratings Service, a Standard & Poor’s Financial Services LLC, business (“S&P”). In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in a special account, segregated from the custodian’s general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed “AAA” by S&P or “Aaa” by Moody’s.

### **Application and Investment of Bond Proceeds**

The proceeds of the Bonds will be used (i) to advance refund the Refunded Bonds, and (ii) to pay certain costs associated with the issuance of the Bonds.

The net proceeds from the sale of the Bonds shall be paid to U.S. Bank National Association, acting as the Escrow Agent, to the credit of the “Norwalk-La Mirada Unified School District 2013 General Obligation Refunding Bonds, Series A Escrow Fund” (the “Escrow Fund”). Pursuant to an escrow agreement (the “Escrow Agreement”) by and between the District and the Escrow Agent, the amounts deposited in the Escrow Fund will be used to purchase certain Federal Securities, as defined in the Escrow Agreement, the principal of and interest on which will be sufficient, together with any monies deposited in the Escrow Fund and held as cash, to enable the Escrow Agent to pay the principal and redemption premium (if any) on the Refunded Bonds on the first optional redemption date therefor, as well as interest on the Refunded Bonds due on and before such date.

***Escrow Sufficiency.*** The sufficiency of the amounts on deposit in the Escrow Fund, together with realizable interest and earnings thereon, if any, to pay principal of and interest on the Refunded

Bonds, as described above, will be verified by Causey Demgen & Moore P.C. (the “Verification Agent”). As a result of the deposit and application of funds so provided in the Escrow Agreement, and assuming the accuracy of the Underwriter’s and Verification Agent’s computations, the Refunded Bonds will be defeased and the obligation of the County to levy *ad valorem* taxes for payment of the Refunded Bonds will terminate.

The accrued interest and surplus moneys in the Escrow Fund, when received by the District from the sale of the Bonds or following the redemption of the Refunded Bonds, shall be kept separate and apart in the Debt Service Fund and used only for payment of principal of and interest on the Bonds. Any excess proceeds of the Bonds not needed for the authorized purposes for which the Bonds are being issued shall be transferred to the Debt Service Fund and applied to the payment of principal of and interest on the Bonds. If, after payment in full of the Federally Bonds, there remain excess proceeds, any such excess amounts shall be transferred to the general fund of the District.

Moneys in the Service Fund are expected to be invested through the Los Angeles County Investment Pool. See “LOS ANGELES COUNTY INVESTMENT POOL” herein.

**ESTIMATED SOURCES AND USES OF FUNDS FOR THE BONDS**

The estimated sources and uses of funds with respect to the Bonds are as follows:

**Sources of Funds**

|                               |                     |
|-------------------------------|---------------------|
| Principal Amount of the Bonds | \$11,630,000.00     |
| Original Issue Premium        | <u>1,466,199.35</u> |
| Total Sources                 | \$13,096,199.35     |

**Uses of Funds**

|                                  |                   |
|----------------------------------|-------------------|
| Escrow Fund                      | 12,871,734.43     |
| Costs of Issuance <sup>(1)</sup> | <u>224,464.92</u> |
| Total Uses                       | \$13,096,199.35   |

---

<sup>(1)</sup> Includes all costs of issuance, including the Underwriter’s discount, legal fees, printing costs, rating agency fees, the costs and fees of the Paying Agent, Escrow Agent and Verification Agent, and other costs of issuance of the Bonds.

## LOS ANGELES COUNTY TREASURY POOL

*The following information has been provided by the Treasurer (defined herein), and the District and Underwriter do not take any responsibility for the accuracy or completeness thereof. Further information may be obtained from the County Treasurer at <http://ttc.lacounty.gov>.*

### The Los Angeles County Pooled Surplus Investments

The Treasurer of the County has the delegated authority to invest funds on deposit in the County Treasury (the "Treasury Pool"). As of November 30, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts in the following amounts:

| <u>Local Agency</u>                         | <u>Invested Funds<br/>(in billions)</u> |
|---|---|
| County of Los Angeles and Special Districts | \$8.353                                 |
| Schools and Community Colleges              | 11.429                                  |
| Independent Public Agencies                 | <u>2.795</u>                            |
| Total                                       | \$22.577                                |

Of these entities, the involuntary participants accounted for approximately 87.63%, and all discretionary participants accounted for 12.37% of the total Treasury Pool.

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer's prior approval. In Los Angeles County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State of California, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the Los Angeles County Board of Supervisors on an annual basis. The Investment Policy adopted on March 20, 2012, reaffirmed the following criteria and order of priority for selecting investments:

1. Safety of Principal
2. Liquidity
3. Return on Investment

The Treasurer prepares a monthly Report of Investments (the "Investment Report") summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors. According to the Investment Report dated December 31, 2012, the November 30, 2012 book value of the Treasury Pool was approximately \$22.577 billion and the corresponding market value was approximately \$22.641 billion.

An internal controls system for monitoring cash accounting and investment practices is in place. The Treasurer's Compliance Auditor, who operates independently from the Investment Officer, reconciles cash and investments to fund balances daily. The Compliance Auditor's staff also reviews each investment trade for accuracy and compliance with the Board adopted Investment Policy. On a quarterly basis, the County's outside independent auditor (External Auditor) reviews the cash and investment reconciliations for completeness and accuracy. Additionally, the External Auditor reviews investment transactions on a quarterly basis for conformance with the approved Investment Policy and annually accounts for all investments.



The following table identifies the types of securities held by the Treasury Pool as of November 30, 2012.

| <u>Type of Investment</u>              | <u>% of Pool</u> |
|--|------------------|
| U.S. Government and Agency Obligations | 49.59            |
| Certificates of Deposit                | 18.04            |
| Commercial Paper                       | 30.52            |
| Municipal Obligations                  | 0.08             |
| Corporate Notes & Deposit Notes        | <u>1.77</u>      |
| Total                                  | 100.00           |

The Treasury Pool is highly liquid. As of November 30, 2012 approximately 47.64% of the investments mature within 60 days, with an average of 558 days to maturity for the entire portfolio.

Neither the District nor the Underwriter have made an independent investigation of the investments in the Treasury Pool and have made no assessment of the current County investment policy. The value of the various investments in the Treasury Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the County Treasurer, with the consent of the County Board of Supervisors may change the County investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Treasury Pool will not vary significantly from the values described herein.

### **TAX BASE FOR REPAYMENT OF BONDS**

*The information in this section describes ad valorem property taxation, assessed valuation, and other measures of the tax base of the District. The Bonds are payable solely from ad valorem taxes levied and collected by the County on taxable property in the District. The District's general fund is not a source for the repayment of the Bonds.*

#### ***Ad Valorem Property Taxation***

District property taxes are assessed and collected by the County at the same time and on the same rolls as all other *ad valorem* taxes. Assessed valuations are the same for both District and the County taxing purposes.

The valuation of secured property is established as of January 1 and is subsequently equalized in August. Property taxes are payable in two installments due November 1 and February 1, respectively, and become delinquent on December 10 and April 10 for each respective installment. Taxes on unsecured property (personal property and leasehold) are due on August 31 of each year based on the preceding fiscal year's secured tax rate and become delinquent on October 31.

State law exempts from taxation \$7,000 of the full cash value of an owner-occupied dwelling, but this exemption does not result in any loss of revenue to local agencies, since the State reimburses local agencies for the value of the exemptions.

All property is assessed using full cash value as defined by Article XIII A of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions.

Future assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, 2% inflation) will be allocated on the basis of “situs” among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of “base” revenues from the tax rate area. Each year’s growth allocation becomes part of each agency’s allocation in the following year.

For assessment and collection purposes, property is classified as either “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State-assessed property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Unsecured property comprises all property not attached to land such as personal property or business property. Boats and airplanes are examples of unsecured property. Unsecured property is assessed on the “unsecured roll.”

### **Assessed Valuations**

The assessed valuation of property in the District is established by the tax assessing authority for the county in which such property is located, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the “full cash value” of the property, as defined in Article XIII A of the California Constitution. For a discussion of how properties currently are assessed, see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS” herein.

Certain classes of property, such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls.

Property within the District had a total assessed valuation for fiscal year 2012-13 of \$9,720,151,475. The following table represents a five-year history of assessed valuations in the District:

For assessment and collection purposes, property is classified as either “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State-assessed property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Unsecured property comprises all property not attached to land such as personal property or business property. Boats and airplanes are examples of unsecured property. Unsecured property is assessed on the “unsecured roll.”

[REMAINDER OF PAGE LEFT BLANK]

The following table represents the 13-year history of assessed valuations in the District:

**NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT  
ASSESSED VALUATIONS  
FISCAL YEARS 2000-01 THROUGH 2012-13**

| <u>Fiscal Year</u> | <u>Local Secured <sup>(1)</sup></u> | <u>Utility</u> | <u>Unsecured</u> | <u>Total</u>    |
|--------------------|-------------------------------------|----------------|------------------|-----------------|
| 2000-01            | \$5,144,588,735                     | \$7,459,385    | \$339,501,458    | \$5,491,549,578 |
| 2001-02            | 5,567,187,479                       | 7,610,928      | 388,078,367      | 5,962,876,774   |
| 2002-03            | 5,928,639,488                       | 9,827,834      | 385,438,930      | 6,323,906,252   |
| 2003-04            | 6,394,246,728                       | 6,674,440      | 412,436,209      | 6,813,357,377   |
| 2004-05            | 6,918,472,647                       | 6,658,321      | 384,660,567      | 7,309,791,535   |
| 2005-06            | 7,559,532,000                       | 6,672,843      | 413,871,910      | 7,980,076,753   |
| 2006-07            | 8,347,126,355                       | 6,293,272      | 453,889,970      | 8,807,309,597   |
| 2007-08            | 9,076,972,065                       | 2,557,453      | 480,649,721      | 9,560,179,239   |
| 2008-09            | 9,403,050,171                       | 2,715,838      | 492,552,729      | 9,898,318,738   |
| 2009-10            | 8,908,494,804                       | 2,715,838      | 507,229,450      | 9,418,440,092   |
| 2010-11            | 8,837,664,620                       | 2,715,838      | 484,679,552      | 9,325,060,010   |
| 2011-12            | 9,005,820,618                       | 2,221,429      | 477,982,176      | 9,486,024,223   |
| 2012-13            | 9,263,243,142                       | 2,221,429      | 454,686,904      | 9,720,151,475   |

<sup>(1)</sup> Includes utility.

Source: California Municipal Statistics, Inc..

Economic and other factors beyond the District's control, such as general market decline in property values, disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood or toxic contamination, could cause a reduction in the assessed value of taxable property within the District. Any such reduction would result in a corresponding increase in the annual tax rates levied by the County to pay the debt service with respect to the Bonds. See "THE BONDS – Security and Sources of Payment" herein.

[REMAINDER OF PAGE LEFT BLANK]

## Assessed Valuation by Land Use

The following table is an analysis of the District's fiscal year 2012-13 secured assessed valuation by land use:

### ASSESSED VALUATION AND PARCELS BY LAND USE Norwalk-La Mirada Unified School District Fiscal Year 2012-13

|                                 | 2012-13<br><u>Assessed Valuation</u> <sup>(1)</sup> | % of<br><u>Total</u> | No. of<br><u>Parcels</u> | % of<br><u>Total</u> |
|---------------------------------|---|----------------------|--------------------------|----------------------|
| <b>Non-Residential:</b>         |   |                      |                          |                      |
| Commercial                      | \$829,466,952                                       | 8.95%                | 805                      | 2.52%                |
| Vacant Commercial               | 57,939,791  | 0.63                 | 169                      | 0.53                 |
| Industrial                      | 1,376,141,458                                       | 14.86                | 519                      | 1.62                 |
| Vacant Industrial               | 74,381,238  | 0.80                 | 130                      | 0.41                 |
| Recreational                    | 34,426,212  | 0.37                 | 45                       | 0.14                 |
| Government/Social/Institutional | 13,592,666  | 0.15                 | 362                      | 1.13                 |
| Miscellaneous                   | <u>11,934,051</u>                                   | <u>0.13</u>          | <u>173</u>               | <u>0.54</u>          |
| Subtotal Non-Residential        | \$2,397,882,368                                     | 25.89%               | 2,203                    | 6.88%                |
| <b>Residential:</b>             |   |                      |                          |                      |
| Single Family Residence         | \$5,818,559,238                                     | 62.81%               | 25,946                   | 81.08%               |
| Condominium/Townhouse           | 449,427,683   | 4.85                 | 2,425                    | 7.58                 |
| Mobile Home Park                | 5,145,037   | 0.06                 | 4                        | 0.01                 |
| 2-4 Residential Units           | 95,661,223  | 1.03                 | 317                      | 0.99                 |
| 5+ Residential Units/Apartments | 456,277,989   | 4.93                 | 273                      | 0.85                 |
| Vacant Residential              | <u>40,289,604</u>                                   | <u>0.43</u>          | <u>833</u>               | <u>2.60</u>          |
| Subtotal Residential            | \$6,865,360,774                                     | 74.11%               | 29,798                   | 93.12%               |
| <b>Total</b>                    | <b>\$9,263,243,142</b>                              | <b>100.00%</b>       | <b>32,001</b>            | <b>100.00%</b>       |

<sup>(1)</sup> Total local secured assessed valuation, excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

## Assessed Valuations by Jurisdiction

The following table shows the assessed valuation by jurisdiction in the District for fiscal year 2012-13.

### ASSESSED VALUATION BY JURISDICTION<sup>(1)</sup> Norwalk-La Mirada Unified School District Fiscal Year 2012-13

| <u>Jurisdiction:</u>              | Assessed<br>Valuation<br><u>in District</u> | % of<br><u>District</u> | Assessed Valuation<br><u>of Jurisdiction</u> | % of Jurisdiction<br><u>in District</u> |
|-----------------------------------|---|-------------------------|--|---|
| City of Bellflower                | \$1,785,957                                 | 0.02%                   | \$4,262,552,161                              | 0.04%                                   |
| City of Downey                    | 200   | 0.00                    | 8,820,914,579                                | 0.00                                    |
| City of La Mirada                 | 4,114,810,353                               | 42.33                   | 5,063,120,343                                | 81.27                                   |
| City of Norwalk                   | 4,196,885,417                               | 43.18                   | 5,776,629,334                                | 72.65                                   |
| City of Santa Fe Springs          | 1,327,335,708                               | 13.66                   | 6,206,250,051                                | 21.39                                   |
| Unincorporated Los Angeles County | <u>79,333,840</u>                           | <u>0.82</u>             | 84,156,194,531                               | 0.09                                    |
| Total Los Angeles County          | \$9,720,151,475                             | 100.00%                 | 1,088,622,723,328                            | 0.89                                    |

<sup>(1)</sup> Before deduction of redevelopment incremental valuation.

Source: California Municipal Statistics, Inc.

## Assessed Valuation of Single Family Homes

The following table is an analysis of the District's fiscal year 2012-13 per parcel assessed valuation of single family homes:

### ASSESSED VALUATION OF SINGLE FAMILY HOMES Norwalk-La Mirada Unified School District Fiscal Year 2012-13

|                           | No. of<br><u>Parcels</u> | 2012-13<br><u>Assessed Valuation</u> | Average<br><u>Assessed Valuation</u> | Median<br><u>Assessed Valuation</u> |
|---------------------------|--------------------------|--------------------------------------|--------------------------------------|-------------------------------------|
| Single Family Residential | 25,946                   | \$5,818,559,238                      | \$224,257                            | \$223,440                           |

  

| 2012-13<br><u>Assessed Valuation</u> | No. of<br><u>Parcels<sup>(1)</sup></u> | % of<br><u>Total</u> | Cumulative<br><u>% of Total</u> | Total<br><u>Valuation</u> | % of<br><u>Total</u> | Cumulative<br><u>% of Total</u> |
|--------------------------------------|--|----------------------|---------------------------------|---------------------------|----------------------|---------------------------------|
| \$0 - \$24,999                       | 75                                     | 0.289%               | 0.289%                          | \$1,527,734               | 0.026%               | 0.026%                          |
| 25,000 - 49,999                      | 1,661                                  | 6.402                | 6.691                           | 67,058,884                | 1.152                | 1.179                           |
| 50,000 - 74,999                      | 2,210                                  | 8.518                | 15.209                          | 139,431,844               | 2.396                | 3.575                           |
| 75,000 - 99,999                      | 1,364                                  | 5.257                | 20.466                          | 117,007,781               | 2.011                | 5.586                           |
| 100,000 - 124,999                    | 1,081                                  | 4.166                | 24.632                          | 122,129,225               | 2.099                | 7.685                           |
| 125,000 - 149,999                    | 1,128                                  | 4.347                | 28.979                          | 155,965,624               | 2.680                | 10.365                          |
| 150,000 - 174,999                    | 1,451                                  | 5.592                | 34.572                          | 236,624,644               | 4.067                | 14.432                          |
| 175,000 - 199,999                    | 1,857                                  | 7.157                | 41.729                          | 349,145,201               | 6.001                | 20.433                          |
| 200,000 - 224,999                    | 2,305                                  | 8.884                | 50.613                          | 490,903,269               | 8.437                | 28.870                          |
| 225,000 - 249,999                    | 2,274                                  | 8.764                | 59.377                          | 539,294,427               | 9.269                | 38.138                          |
| 250,000 - 274,999                    | 2,312                                  | 8.911                | 68.288                          | 606,119,572               | 10.417               | 48.555                          |
| 275,000 - 299,999                    | 2,055                                  | 7.920                | 76.208                          | 588,535,508               | 10.115               | 58.670                          |
| 300,000 - 324,999                    | 1,497                                  | 5.770                | 81.978                          | 467,000,803               | 8.026                | 66.696                          |
| 325,000 - 349,999                    | 1,261                                  | 4.860                | 86.838                          | 424,978,722               | 7.304                | 74.000                          |
| 350,000 - 374,999                    | 989                                    | 3.812                | 90.650                          | 357,234,523               | 6.140                | 80.139                          |
| 375,000 - 399,999                    | 596                                    | 2.297                | 92.947                          | 230,506,883               | 3.962                | 84.101                          |
| 400,000 - 424,999                    | 420                                    | 1.619                | 94.566                          | 172,862,690               | 2.971                | 87.072                          |
| 425,000 - 449,999                    | 282                                    | 1.087                | 95.653                          | 123,105,072               | 2.116                | 89.188                          |
| 450,000 - 474,999                    | 204                                    | 0.786                | 96.439                          | 94,215,698                | 1.619                | 90.807                          |
| 475,000 - 499,999                    | 146                                    | 0.563                | 97.001                          | 71,043,084                | 1.221                | 92.028                          |
| 500,000 and greater                  | 778                                    | 2.999                | 100.000                         | 463,868,050               | 7.972                | 100.000                         |
| Total                                | 25,946                                 | 100.000%             |                                 | \$5,818,559,238           | 100.000%             |                                 |

<sup>(1)</sup> Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.  
Source: California Municipal Statistics, Inc.

## Appeals and Adjustments of Assessed Valuations

Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. Such reductions are subject to yearly reappraisals and may be adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution" herein.

A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

No assurance can be given that property tax appeals in the future will not significantly reduce the assessed valuation of property within the District.

### **Tax Levies, Collections and Delinquencies**

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the District as of the preceding January 1. A supplemental tax is levied when property changes hands or new construction is completed which produces additional revenue.

A 10% penalty attaches to any delinquent payment for secured roll taxes. In addition, property on the secured roll with respect to which taxes are delinquent becomes tax-defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty (i.e., interest) to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to auction sale by the County.

In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1 of the fiscal year, and a lien is recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on specific property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office in order to obtain a lien on specified property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Beginning in 1978-79, Proposition 13 and its implementing legislation provided for each county to levy and collect all property taxes, and prescribed how levies on county-wide property values (except for levies to support prior voter-approved indebtedness) are to be shared with local taxing entities within each county.

Secured *ad valorem* tax collections within the District are not subject to the Teeter Plan (as defined herein), and therefore subject to delinquencies. See “—Alternative Method of Tax Apportionment – ‘Teeter Plan’” herein. The following table sets forth secured tax charges and delinquency rates within the District for the years 2001-02 through 2011-12:

**NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT  
SECURED TAX CHARGES AND DELINQUENCIES  
FISCAL YEARS 2001-02 TO 2011-12**

|         | Secured<br><u>Tax Charge</u> <sup>(1)</sup> | Amount<br>Delinquent<br><u>June 30</u> | % Delinquent<br><u>June 30</u> |
|---------|---|--|--------------------------------|
| 2001-02 | \$10,659,599.42                             | \$271,890.88                           | 2.55%                          |
| 2002-03 | 11,478,729.92                               | 299,844.05                             | 2.61                           |
| 2003-04 | 12,318,967.23                               | 270,233.41                             | 2.19                           |
| 2004-05 | 13,318,606.39                               | 313,090.44                             | 2.35                           |
| 2005-06 | 14,557,066.85                               | 375,428.91                             | 2.58                           |
| 2006-07 | 15,903,006.16                               | 600,164.12                             | 3.77                           |
| 2007-08 | 17,510,048.76                               | 875,024.61                             | 5.00                           |
| 2008-09 | 18,059,969.30                               | 845,988.80                             | 4.68                           |
| 2009-10 | 17,198,974.40                               | 589,705.04                             | 3.43                           |
| 2010-11 | 17,108,994.52                               | 410,264.29                             | 2.40                           |
| 2011-12 | 17,472,663.34                               | 364,323.76                             | 2.09                           |

|         | Secured<br><u>Tax Charge</u> <sup>(2)</sup> | Amount<br>Delinquent<br><u>June 30</u> | % Delinquent<br><u>June 30</u> |
|---------|---|--|--------------------------------|
| 2001-02 |   | -- Not available --                    |                                |
| 2002-03 |   | -- Not available --                    |                                |
| 2003-04 | \$3,466,531.16                              | \$53,449.99                            | 1.54%                          |
| 2004-05 | 3,631,440.15                                | 72,529.95                              | 2.00                           |
| 2005-06 | 3,997,088.85                                | 98,326.64                              | 2.46                           |
| 2006-07 | 4,155,513.56                                | 188,456.81                             | 4.54                           |
| 2007-08 | 4,683,434.18                                | 283,437.83                             | 6.05                           |
| 2008-09 | 5,731,184.71                                | 292,562.55                             | 5.10                           |
| 2009-10 | 5,362,706.57                                | 154,728.07                             | 2.89                           |
| 2010-11 | 5,395,613.72                                | 104,375.10                             | 1.93                           |
| 2011-12 | 5,784,066.52                                | 97,030.53                              | 1.68                           |

<sup>(1)</sup> 1% General Fund apportionment. Excludes redevelopment agency impounds. Reflects countywide delinquency rate.

<sup>(2)</sup> Debt service levy only.

Source: California Municipal Statistics, Inc.

**Alternative Method of Tax Apportionment - "Teeter Plan"**

Certain counties in the State operate under a statutory program entitled Alternate Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"). Under the Teeter Plan local taxing entities receive 100% of their tax levies net of delinquencies, but do not receive interest or penalties on delinquent taxes collected by the county. **The County has not adopted the Teeter Plan, and consequently the Teeter Plan is not available to local taxing entities within the County, such as the District. The District's receipt of property taxes is therefore subject to delinquencies.**

The District is a member of the California Statewide Delinquent Tax Finance Authority ("CSDTFA"). CSDTFA is a joint exercise of powers agency formed for the purpose of purchasing delinquent *ad valorem* property taxes of its members in accordance with Section 6516.6 of the Government Code of the State of California. The District anticipates that CSDTFA will from time to

time purchase delinquent *ad valorem* tax receivables from the District at a purchase price equal to 108.5% of such receivable. Any penalty charges collected with respect to such delinquencies will be retained by CSDTFA.

## Tax Rates

The following table summarizes the total *ad valorem* tax rates levied by all taxing entities in a typical tax rate area (“TRA”) within the District from fiscal year 2007-08 through 2012-13.

### SUMMARY OF AD VALOREM TAX RATES (TRA 6768) Norwalk-La Mirada Unified School District Fiscal Years 2007-08 through 2012-13

|   | <u>2007-08</u> | <u>2008-09</u> | <u>2009-10</u> | <u>2010-11</u> | <u>2011-12</u> | <u>2012-13</u> |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| General                                   | 1.000000%      | 1.000000%      | 1.000000%      | 1.000000%      | 1.000000%      | 1.000000%      |
| Norwalk-La Mirada Unified School District | .052262        | .062712        | .061102        | .061974        | .064959        | .069971        |
| Cerritos Community College District       | .010707        | .009942        | .018543        | .026773        | .017822        | .025942        |
| Metropolitan Water District               | <u>.004500</u> | <u>.004300</u> | <u>.004300</u> | <u>.003700</u> | <u>.003700</u> | <u>.003500</u> |
| Total                                     | 1.067469%      | 1.076954%      | 1.083945%      | 1.092447%      | 1.086481%      | 1.099413%      |

Source: California Municipal Statistics, Inc.

## Principal Taxpayers

The following table lists the major taxpayers in the District based on their 2012-13 secured assessed valuations:

### LARGEST LOCAL SECURED TAXPAYERS Norwalk-La Mirada Unified School District Fiscal Year 2012-13

|     | <u>Property Owner</u>                  | <u>Primary Land Use</u> | <u>2012-13<br/>Assessed Valuation</u> | <u>% of<br/>Total<sup>(1)</sup></u> |
|-----|--|-------------------------|---------------------------------------|-------------------------------------|
| 1.  | Golden Springs Development Company LLC | Industrial              | \$284,342,734                         | 3.07%                               |
| 2.  | Norwalk MM LLC                         | Office Building         | 59,130,000                            | 0.64                                |
| 3.  | Vons Companies Inc.                    | Industrial              | 47,228,441                            | 0.51                                |
| 4.  | Price REIT Inc.                        | Shopping Center         | 45,913,183                            | 0.50                                |
| 5.  | USF Propco I LLC                       | Industrial              | 42,875,742                            | 0.46                                |
| 6.  | IMT Capital II Palm Country Club LLC   | Apartments              | 42,567,975                            | 0.46                                |
| 7.  | Avalon California Value III LLC        | Apartments              | 41,544,711                            | 0.45                                |
| 8.  | Levian Family Norwalk LLC              | Shopping Center         | 33,392,468                            | 0.36                                |
| 9.  | PPF Industrial Valley View LP          | Industrial              | 33,034,448                            | 0.36                                |
| 10. | 14141 Alondra LP                       | Industrial              | 32,095,944                            | 0.35                                |
| 11. | Sam Menlo                              | Apartments              | 30,391,808                            | 0.33                                |
| 12. | MC and CJA LLC                         | Industrial              | 28,543,077                            | 0.31                                |
| 13. | Southwest Forest Industries Inc.       | Industrial              | 27,540,000                            | 0.30                                |
| 14. | Prologis California I LLC              | Industrial              | 25,153,392                            | 0.27                                |
| 15. | UDR Rosebreach Apartments II LP        | Apartments              | 23,918,111                            | 0.26                                |
| 16. | Lautrup Investment Partnership         | Mobile Home Park        | 22,950,000                            | 0.25                                |
| 17. | Imperial Development Sub A LLC         | Industrial              | 21,309,532                            | 0.23                                |
| 18. | Realty Income Properties II LLC        | Movie Theater           | 20,000,000                            | 0.22                                |
| 19. | Bukewihge Properties LLC               | Industrial              | 19,626,460                            | 0.21                                |
| 20. | A and J Enterprises LLC                | Apartments              | <u>18,973,530</u>                     | <u>0.20</u>                         |
|     |  |                         | \$900,531,556                         | 9.72%                               |

<sup>(1)</sup> 2012-13 Local Secured Assessed Valuation: \$9,263,243,142.

Source: California Municipal Statistics, Inc.



## **Statement of Direct and Overlapping Debt**

Set forth on the following page is a direct and overlapping debt report (the “Debt Report”) prepared by California Municipal Statistics, Inc. and effective as of November 1, 2012. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The first column in the table names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. Column 2 shows the percentage of each overlapping agency’s assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in column 3, which is the apportionment of each overlapping agency’s outstanding debt to taxable property in the District.

[REMAINDER OF PAGE LEFT BLANK]

# STATEMENT OF DIRECT AND OVERLAPPING DEBT Norwalk-La Mirada Unified School District

2012-13 Assessed Valuation: \$9,720,151,475

| <u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>              | <u>% Applicable</u> | <u>Debt 11/1/12</u>               |
|---|---------------------|-----------------------------------|
| Los Angeles County Flood Control District                           | 0.915%              | \$340,334                         |
| Metropolitan Water District   | 0.463               | 910,003                           |
| Cerritos Community College District                                 | 26.757              | 50,364,380                        |
| <b>Norwalk-La Mirada Unified School District</b>                    | <b>100.000</b>      | <b>142,592,323</b> <sup>(1)</sup> |
| Los Angeles County Regional Park and Open Space Assessment District | 0.893               | 1,275,829                         |
| <b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>         |                     | <b>\$195,482,869</b>              |

| <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>                               |                |                     |
|--|----------------|---------------------|
| Los Angeles County General Fund Obligations                                    | 0.893%         | \$15,945,534        |
| Los Angeles County Superintendent of Schools Certificates of Participation     | 0.893          | 92,669              |
| <b>Norwalk-La Mirada Unified School District Certificates of Participation</b> | <b>100.000</b> | <b>2,770,165</b>    |
| City of Bellflower Certificates of Participation                               | 0.042          | 4,484               |
| City of La Mirada General Fund Obligations                                     | 81.270         | 10,329,417          |
| City of Norwalk General Fund Obligations                                       | 72.653         | 11,639,011          |
| Los Angeles County Sanitation District No. 2 Authority                         | 3.041          | 868,641             |
| Los Angeles County Sanitation District No. 18 Authority                        | 26.626         | 4,251,916           |
| <b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>                    |                | <b>\$45,901,837</b> |
| Less: Los Angeles County supported obligations                                 |                | 149,115             |
| City of Norwalk supported obligations  |                | 6,128,280           |
| <b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>                      |                | <b>\$39,624,442</b> |

| <u>OVERLAPPING TAX INCREMENT DEBT:</u>       |         |                      |
|--|---------|----------------------|
| La Mirada Industrial-Commercial Project Area | 57.572% | \$6,188,990          |
| La Mirada Combined Project Area              | 67.508  | 38,580,152           |
| Norwalk Redevelopment Agency                 | 78.119  | 43,688,051           |
| Santa Fe Springs Redevelopment Agency        | 17.436  | 19,407,749           |
| <b>TOTAL OVERLAPPING TAX INCREMENT DEBT</b>  |         | <b>\$107,864,942</b> |

|                                  |                                     |
|----------------------------------|-------------------------------------|
| <b>GROSS COMBINED TOTAL DEBT</b> | <b>\$349,249,648</b> <sup>(2)</sup> |
| <b>NET COMBINED TOTAL DEBT</b>   | <b>\$342,972,253</b>                |

(1) Excludes the Bonds described herein.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

## Ratios to 2012-13 Assessed Valuation:

|  |              |
|--|--------------|
| <b>Direct Debt (\$142,592,323)</b>                   | <b>1.47%</b> |
| Total Direct and Overlapping Tax and Assessment Debt | 2.01%        |
| <b>Combined Direct Debt (\$145,362,488)</b>          | <b>1.50%</b> |
| Gross Combined Total Debt                            | 3.59%        |
| Net Combined Total Debt                              | 3.53%        |

## Ratios to Redevelopment Incremental Valuation (\$2,336,153,669):

|                                |       |
|--------------------------------|-------|
| Overlapping Tax Increment Debt | 4.62% |
|--------------------------------|-------|

(1) Excludes issue to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

## **CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS**

*The principal of and interest on the Bonds will be payable solely from the proceeds of an ad valorem tax levied by the County for the payment thereof. See “THE BONDS – Security and Sources of Payment” Articles XIII A, XIII B, XIII C and XIII D of the Constitution, Propositions 98 and 111, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the County to levy taxes on behalf of the District and the District to spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy taxes for payment of the Bonds. The tax levied by the County for payment of the Bonds was approved by the voters of the District in compliance with Article XIII A, Article XIII C, and all applicable laws.*

### **Article XIII A of the California Constitution**

Article XIII A (“Article XIII A”) of the State Constitution limits the amount of *ad valorem* taxes on real property to 1% of “full cash value” as determined by the county assessor. Article XIII A defines “full cash value” to mean “the county assessor’s valuation of real property as shown on the 1975-76 bill under “full cash value,” or thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment,” subject to exemptions in certain circumstances of property transfer or reconstruction. Determined in this manner, the full cash value is also referred to as the “base year value.” The full cash value is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIII A has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the adjusted base year value described above. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the County to pay debt service on the Bonds. See “THE BONDS – Security and Sources of Payment” and “TAX BASE FOR REPAYMENT OF BONDS – Assessed Valuations” herein.

Article XIII A requires a vote of two-thirds or more of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem*, sales or transaction tax on real property. Article XIII A exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, or (b) as the result of an amendment approved by State voters on July 3, 1986, on any bonded indebtedness approved by two-thirds or more of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. The tax for payment of the Bonds falls within the exception described in (c) of the immediately preceding sentence. In addition, Article XIII A requires the approval of two-thirds of all members of the state legislature to change any state taxes for the purpose of increasing tax revenues.

## **Legislation Implementing Article XIII A**

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the relevant county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment not to exceed 2% are allocated among the various jurisdictions in the “taxing area” based upon their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property value included in this Official Statement is shown at 100% of taxable value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

Both the United States Supreme Court and the California State Supreme Court have upheld the general validity of Article XIII A.

## **Unitary Property**

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions (“unitary property”). Under the State Constitution, such property is assessed by the State Board of Equalization (“SBE”) as part of a “going concern” rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

The California electric utility industry has been undergoing significant changes in its structure and in the way in which components of the industry are regulated and owned. Sale of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation may be proposed or adopted in response to industry restructuring, or whether any future litigation may affect ownership of utility assets or the State’s methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District. So long as the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State’s school financing formula. See “DISTRICT FINANCIAL INFORMATION – State Funding of Education” herein.

## **Article XIII B of the California Constitution**

Article XIII B (“Article XIII B”) of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. As amended, Article XIII B defines

- (a) “change in the cost of living” with respect to school districts to mean the percentage change in California per capita income from the preceding year, and
- (b) “change in population” with respect to a school district to mean the percentage change in the average daily attendance of the school district from the preceding fiscal year.

For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year pursuant to the provisions of Article XIII B, as amended.

The appropriations of an entity of local government subject to Article XIII B limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain state subventions to that entity. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues.

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for debt service such as the Bonds, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIII B includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Article XIII B also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution. See “—Propositions 98 and 111” below.

### **Article XIII C and Article XIII D of the California Constitution**

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the “Right to Vote on Taxes Act.” Proposition 218 added to the California Constitution Articles XIII C and XIII D (respectively, “Article XIII C” and “Article XIII D”), which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the “Title and Summary” of Proposition 218 prepared by the California Attorney General, Proposition 218 limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” Among other things, Article XIII C establishes that every tax is either a “general tax” (imposed for general governmental purposes) or a “special tax” (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIII C

further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4. Article XIII D deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIII C or XIII D will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

The District does not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. It does, however, receive a portion of the basic 1% *ad valorem* property tax levied and collected by the County pursuant to Article XIII A of the California Constitution. The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

### **Proposition 26**

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) A fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity.

### **Propositions 98 and 111**

On November 8, 1988, voters approved Proposition 98, a combined initiative constitutional amendment and statute called the “Classroom Instructional Improvement and Accountability Act” (the “Accountability Act”). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State’s appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as “K-14 school districts”) at a level equal to the greater of (a) the same percentage of general fund revenues as the percentage appropriated to such districts in 1986-87, and (b) the amount actually appropriated to such districts from the general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period.

The Accountability Act also changes how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount would, instead of being returned to taxpayers, be transferred to K-14 school districts. Any such transfer to K-14 school districts would be excluded from the appropriations limit for K-14 school districts and the K-14 school district appropriations limit for the next year would automatically be increased by the amount of such transfer. These additional moneys would enter the base funding calculation for K-14 school districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year following an Article XIII B surplus. The maximum amount of excess tax revenues which could be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

Since the Accountability Act is unclear in some details, there can be no assurances that the Legislature or a court might not interpret the Accountability Act to require a different percentage of general fund revenues to be allocated to K-14 school districts, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget.

On June 5, 1990, the voters approved Proposition 111 (Senate Constitutional Amendment No. 1) called the "Traffic Congestion Relief and Spending Limit Act of 1990" ("Proposition 111") which further modified Article XIII B and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and school funding priority and allocation.

The most significant provisions of Proposition 111 are summarized as follows:

- a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.
- b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.
- c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation

funding package approved by the Legislature and the Governor, which expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

- d. Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.
- e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (the "Test 1") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment (the "Test 2"). Under Proposition 111, schools will receive the greater of (1) the Test 1, (2) the Test 2, or (3) a third test ("Test 3"), which will replace the Test 2 in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capita personal income. Under the Test 3, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If the Test 3 is used in any year, the difference between the Test 3 and the Test 2 will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

### **Proposition 39**

On November 7, 2000, California voters approved an amendment (commonly known as Proposition 39) to the California Constitution. This amendment (1) allows school facilities bond measures to be approved by 55% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1% limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another Statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, including the District, community college districts, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1% of the value of property. Property taxes could only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to buy or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55% vote requirement applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 places certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate levied as the result of any single election be no more than \$60 (for a unified school district), \$30 (for an elementary or high school district), or \$25



(for a community college district), per \$100,000 of taxable property value, when assessed valuation is projected to increase in accordance with Article XIII A of the Constitution. These requirements are not part of this proposition and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

### **Proposition 1A and Proposition 22**

On November 2, 2004, California voters approved Proposition 1A, which amends the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State can not (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies and eliminates the State's authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State's authority to use State fuel tax revenues to pay debt service on state transportation bonds, to borrow or change the distribution of state fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for state mandated costs. Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst's Office (the "LAO") on July 15, 2010, the reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 was projected to be approximately \$1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1% of the State's total general fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's general fund costs by approximately \$1 billion annually for several decades.

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos*, finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all redevelopment agencies in California were dissolved as of February 1, 2012, and all net tax increment revenues, after payment of redevelopment bonds debt service and administrative costs, will be distributed to cities, counties, special districts and school districts. The Court also found that ABx1 27, a companion bill to ABx1 26, violated the California Constitution, as amended by Proposition 22. ABx1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to school districts and county offices of education, totaling \$1.7 billion statewide. The District can make no representations regarding what affect the implementation of ABx1 26 will have on the District's future receipt of tax increment revenues.

### **Proposition 30**

On November 6, 2012, voters approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as “Proposition 30”), which temporarily increases the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposes an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2017. Proposition 30 also imposes an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or other consumption in the State. This excise tax will be levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending January 1, 2019. Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,000 for single filers (over \$340,000 but less than \$408,000 for joint filers), (ii) 2% for taxable income over \$300,000 but less than \$500,000 for single filers (over \$408,000 but less than \$608,000 for joint filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$608,000 for joint filers).

The revenues generated from the temporary tax increases will be included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 98 and 111” herein. From an accounting perspective, the revenues generated from the temporary tax increases will be deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the “EPA”). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to schools districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than \$200 per unit of A.D.A. and no community college district will receive less than \$100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that, the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

### **State Cash Management Legislation**

Since 2002, the State has engaged in the practice of deferring certain apportionments to school districts in order to manage the State’s cash flow. This practice has included deferring certain apportionments from one fiscal year to the next. These “cross-year” deferrals have been codified and are expected to be on-going. Legislation enacted with respect to fiscal year 2012-13 provides for additional inter-fiscal year deferrals

On May 23, 2012, the Governor signed into law Assembly Bill 103 (“AB 103”), which extends certain provisions of existing law designed to manage the State’s cash resources. AB 103 authorizes the deferral of State apportionments during fiscal year 2012-13, as follows: (i) \$700 million from July 2012 to September 2012, (ii) \$500 million from July 2012 to January 2013, (iii) \$600 million from August 2012 to January 2013, (iv) \$800 million from October 2012 to January 2013, and (v) \$900 million from March 2013 to April 2013. Collectively, these deferrals are referred to as the “Cash Management Deferrals” herein.

As in the prior fiscal years, AB 103 provides for an exemption to the Cash Management Deferrals for a school district that would be unable to meet its expenditure obligations if its State apportionments are delayed. The District, however, has not applied for nor received an exemption from any of the Cash Management Deferrals. In the event any of the Cash Management Deferrals are implemented, the State Controller, State Treasurer and State Director of Finance are required to review, as necessary but no less than monthly, the actual State general fund cash receipts and disbursements in comparison to the Governor's most recent revenue and expenditure projections. If the Controller, Treasurer and Director of Finance determine that sufficient cash is available to pay the State apportionments being deferred while maintaining a prudent cash reserve, such State apportionments are required to be paid as soon as feasible. AB 103 authorizes the Cash Management Deferrals to be accelerated or delayed by up to one month, except that the March 2013 deferral must be paid no later than April 29, 2013.

### **Future Initiatives**

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and Propositions 22, 26, 98 and 111 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

### **State Budget**

*The following information concerning the State's budgets has been obtained from publicly available information which the District believes to be reliable; however, the District does not guarantee the accuracy or completeness of this information and has not independently verified such information.*

**2012-13 Budget.** On June 27, 2012, the Governor signed into law the State budget for fiscal year 2012-13. Prior to the conclusion of the State's regular legislative session, the Legislature adopted a series of trailer bills which made various amendments to the budget bill approved by the Governor. Collectively, the budget bill and related trailer bills are referred to as the "2012-13 Budget." The Legislative Analyst's Office (the "LAO") has released a report entitled "California Spending Plan," which summarizes provisions of the 2012-13 Budget (the "LAO Budget Summary"). The following information is drawn from the LAO Budget Summary.

The 2012-13 Budget seeks to close a budget gap of \$15.7 billion through a combination of measures totaling \$16.4 billion. Specifically, the 2012-13 Budget authorizes \$4.7 billion of expenditure reductions, \$8.8 billion of net revenue increases, and \$5.8 billion of other measures. The 2012-13 Budget assumed voter approval of a modified tax initiative proposed by the Governor in his May revision to the proposed State budget. The tax initiative, labeled as "Proposition 30," was approved by the voters at the November 6, 2012 general election. The 2012-13 Budget estimates that Proposition 30 will generate approximately \$8.5 billion in additional revenues for fiscal years 2011-12 and 2012-13. Pursuant to the provisions of Proposition 30, these additional revenues will be placed into an Education Protection Account and included in the calculation of the Proposition 98 minimum funding guarantee. As a result, the minimum funding guarantee is projected to increase by \$2.9 billion, resulting in a net benefit to the State general fund of \$5.6 billion. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 30."

With the implementation of all measures, the 2012-13 Budget assumes, for fiscal year 2011-12, total revenues of \$86.8 billion and expenditures of \$87.0 billion. The State is projected to end fiscal year

2011-12 with a total budget deficit of \$3.6 billion. For the current fiscal year, the 2012-13 Budget projects total revenues of \$95.9 billion and authorizes total expenditures of \$91.3 billion. This represents an increase of \$9 billion, or approximately 10%, from the prior year. The State is projected to end the 2012-13 fiscal year with a total budget surplus of \$948 million.

The 2012-13 Budget authorized an additional \$6 billion of trigger reductions which were to become effective in the event Proposition 30 did not pass. The trigger reductions would have included approximately \$5.4 billion of reductions to schools and community college funding.

For fiscal year 2011-12, the Proposition 98 minimum funding guarantee is revised at \$46.9 billion, including \$33.1 billion from the State general fund. This amount is approximately \$1.7 billion less than the level set by the State budget for fiscal year 2011-12. This reduction primarily reflects lower than estimated State general fund revenues and updated estimates of local property tax collections, offset by Proposition 30 revenues attributable to fiscal year 2011-12. To bring ongoing Proposition 98 funding in line with the reduced funding guarantee, the 2012-13 Budget redirects \$893 million of fiscal year 2011-12 appropriations towards other uses. Specifically, (i) \$672 million is counted towards meeting legal settlement obligations under the Quality Education Investment Act of 2006, and (ii) \$221 million replaces ongoing Proposition 98 funds with one-time funds unspent from prior years. The LAO notes that this accounting adjustment does not affect the amount of funding schools and community colleges receive.

For fiscal year 2012-13, the Proposition 98 minimum funding guarantee is set at \$53.5 billion, including \$36.8 billion from the State general fund. This funding level reflects an increase of \$6.6 billion, or approximately 14%, from the prior year. The funding increase is supported by a \$3.7 billion growth in baseline revenues and \$2.9 billion of Proposition 30 revenues.

Proposition 98 funding for K-12 education for fiscal year 2012-13 is set at \$47.2 billion, reflecting an increase of \$6 billion (or 14%) above the revised 2011-12 level. Programmatic spending remains relatively flat, as most of the additional funding is designated for existing Proposition 98 obligations. The 2012-13 Budget provides that \$3.3 billion will be used to backfill one-time spending decisions made in fiscal year 2011-12, and \$2.2 billion will be designated to pay down existing apportionment deferrals. The LAO also notes that other spending increases will have no net programmatic effect. The 2012-13 Budget provides \$110 million to more closely align K-12 and community college educational mandate funding, \$99 million to complete the shift in responsibility for mental health services from county health agencies to schools, and \$60 million for anticipated student growth in a few categorical programs.

Significant features relating to K-12 education funding include the following:

- *Deferral Reduction.* The 2012-13 Budget provides \$2.2 billion in Proposition 98 funding to reduce school district and community college apportionment deferrals.
- *Charter Schools.* The 2012-13 Budget includes several changes to existing law that provide charter schools with additional access to facility space and short-term cash. The plan includes provisions that give charter schools priority to lease or purchase surplus school district property, and authorizes county offices of education and county treasurers to provide short-term loans to charter schools. Charter schools are further authorized to issue their own tax and revenue anticipation notes or have their respective county office of education issue such notes on their behalf.

- *Educational Mandates.* The 2012-13 Budget provides \$167 million to fund a discretionary block grant for K-12 educational mandates. Participating school districts and county offices of education would receive a \$28 per-unit of ADA allocation, while participating charter schools would receive \$14 per-unit of ADA allocation. In addition, county offices of education are to receive \$1 per-unit of ADA for all ADA served within their respective counties. Local educational agencies that choose not to participate in this block grant program could continue to seek reimbursement for mandated activities through the existing claims process, subject to audits by the State Controller. The 2012-13 Budget continues to suspend the same educational mandates that were suspended by the 2011-12 State budget legislation, and does not eliminate any further mandates.
- *Child Care and Preschool Programs.* The 2012-13 Budget provides \$2.2 billion in funding for subsidized child care and preschools programs. This represents a decrease of \$185 million, or 8%, from the prior year. The 2012-13 Budget also consolidates the State's subsidized preschool program by funding all part-day/part-year preschool slots within Proposition 98. The LAO notes that this consolidation is an accounting change, with no programmatic effect.
- *Gubernatorial Vetoes.* As part of approving the enacting legislation, the Governor vetoed (i) all funding for the Early Mental Health Initiative, for an expected savings of \$15 million, (ii) \$10 million in Proposition 98 funding for child nutrition in private schools and child care centers, and (iii) \$8.1 million in one-time Proposition 98 funding for the support of regional activities and statewide administration of the Advancement Via Individual Determination program.

The 2012-13 Budget assumes that schools and community colleges will receive \$3.2 billion in revenues in fiscal year 2012-13 resulting from the dissolution of redevelopment agencies, including \$2.5 billion for school districts and \$165 million for county offices of education. This figure is composed of (i) \$1.7 billion of anticipated residual property tax revenues and (ii) \$1.5 billion in cash and other liquid assets of former redevelopment agencies. These increased revenues would offset Proposition 98 spending by an identical amount. The budget package also establishes a series of sanctions and incentives to encourage successor agency participation with redevelopment dissolution laws. The LAO notes that while the State currently backfills school districts if local property taxes fall short of budgetary assumptions, there has previously been no similar requirement for community colleges and K-12 special education. The 2012-13 Budget provides authority for the State to do so if the sums anticipated from the dissolution of redevelopment agencies do not meet such assumptions.

Additional information regarding the 2012-13 Budget may be obtained from the LAO at [www.lao.ca.gov](http://www.lao.ca.gov). However, such information is not incorporated herein by any reference.

***Fiscal Outlook Report.*** In November 2012, the LAO released a summary of its revised projections for State general fund tax revenues and related spending (the "Fiscal Outlook Report"). The following information is drawn from the Fiscal Outlook Report.

The Fiscal Outlook Report provides the LAO's projections of the State's general fund revenues and expenditures for fiscal years 2012-13 through 2017-18 under current law, absent any actions to close the projected State budgetary deficit, as further discussed below. The LAO's projections primarily reflect current-law spending requirements and tax provisions, while relying on the LAO's independent assessment of the outlook for the State's economy, demographics, revenues, and expenditures. The LAO

notes that its revenue estimates take into account a number of voter initiatives approved at the November 2012 general election, including Proposition 30.

Absent corrective action, the LAO projects that the State will end the 2012-13 fiscal year with a \$943 million deficit. This would eliminate the \$948 million surplus projected by the 2012-13 Budget, and reflects an overall \$1.9 billion budgetary gap. This gap is a product of (i) \$625 million of lower revenue estimates for fiscal years 2011-12 and 2012-13, (ii) \$2.7 billion in higher expenditures and (iii) an offsetting positive adjustment of \$1.4 billion to the fiscal year 2010-11 ending fund balance.

The LAO notes that its revised revenue estimates are driven primarily by lower than anticipated personal income tax and corporate tax collections (totaling \$153 million and \$558 million, respectively) for both fiscal years 2011-12 and 2012-13. Notwithstanding the overall reduction in projected revenues, the LAO notes that the passage of Proposition 39 at the November 2012 general election—which changes the way multistate corporations calculate taxable income—contributes to an increase in the Proposition 98 minimum funding guarantee. The LAO's revised minimum funding guarantee is estimated to be \$53.8 billion.

The LAO's projected increase results in part from lower expected savings to the State general fund from the distribution of redevelopment agency assets. The LAO projects a \$1.4 billion savings to from such assets, a figure approximately \$1.8 billion lower than the savings projected by the 2012-13 Budget. The LAO attributes this to several factors: (i) lower than expected distributions of liquid assets and residual property taxes to school and community colleges, (ii) recent information suggesting that redevelopment agencies had higher than anticipated debt, and (iii) distributions of property taxes to basic aid districts that do not offset State education costs. The LAO notes, however, that estimates relating to redevelopment agencies are subject to considerable uncertainty, and are likely to change prior to the deadline for adopting the State budget for the upcoming year.

Additional information regarding the Fiscal Outlook Report may be obtained from the LAO at [www.lao.ca.gov](http://www.lao.ca.gov). However, such information is not incorporated herein by any reference.

***Proposed 2013-14 Budget.*** On January 10, 2013, the Governor released his proposed State budget for fiscal year 2013-14 (the "Proposed Budget"). The following information is drawn from the LAO's summary of the Proposed Budget.

The Proposed Budget reflects a projected improvement to State finances due to a continuing modest economic recovery, prior budgetary actions, and voter approval of certain revenue-raising measures at the November 6, 2012 general election. For fiscal year 2012-13, the Proposed Budget currently projects year-end revenues of \$95.4 billion and expenditures of \$93 billion. The State is currently expected to end the current fiscal year with a surplus of \$167 million. For fiscal year 2013-14, the Proposed Budget projects revenues of \$98.5 billion and expenditures of \$97.7 billion. The State is projected to end fiscal year 2013-14 with a \$1 billion surplus. The Governor's multi-year forecast projects that revenues will continue to exceed expenditures annually, accumulating to a projected \$2.5 billion general fund surplus by fiscal year 2016-17.

For fiscal year 2012-13, the Proposed Budget revises the Proposition 98 minimum funding guarantee at \$53.5 billion, approximately \$54 million less than the level set by the current State budget. To bring Proposition 98 spending in line with the reduced guarantee, the Proposed Budget reclassifies a fiscal year 2012-13 appropriation towards prefunding legal settlement obligations under the Quality Education Investment Act of 2006 (the "QEIA"). For fiscal year 2013-14, the minimum funding guarantee is set at \$56.2 billion, including \$40.9 billion from the State general fund. This represents a net

increase of \$2.7 billion (or 9%) over the revised funding level for fiscal year 2012-13. The increase in spending is driven largely by year-to-year increases in baseline State revenues and the minimum funding guarantee's share of Proposition 30 revenues.

Proposition 98 funding for K-12 education in fiscal year 2013-14 is set at \$49.2 billion, including \$36.1 billion from the State general fund. This represents an increase of approximately \$2.1 billion (or 4%) from the prior year. Significant features include the following:

- *Deferral Reduction.* The 2012-13 Budget provides \$1.9 billion to pay down school district and community college apportionment deferrals. The Proposed Budget includes a plan to eliminate all remaining apportionment deferrals by fiscal year 2016-17.
- *Growth Funding.* The 2012-13 Budget provides \$63 million to fund a 1.65% cost-of-living adjustment to certain categorical programs, including special education, child nutrition, and California American Indian Education Centers. The Proposed Budget also funds a 0.10% increase in K-12 ADA, but assumes no increase in funded enrollment levels at community colleges.
- *New K-12 Funding Formula.* The Proposed Budget would significantly restructure State funding for K-12 education by consolidating revenue limits and almost all categorical programs into a single funding formula. This formula would provide a base funding grant per pupil, with supplemental funding for school districts that serve English learners and students from low income families, provide lower class sizes in grades K-3, or offer career technical education classes in high school. The Proposed Budget allocates \$1.6 billion to begin increasing funding levels to a target base rate, with supplemental grants adjusted in tandem with the base increase. The Proposed Budget estimates the new formula will be fully implemented by fiscal year 2019-20.
- *Energy Efficiency Projects.* The 2012-13 Budget allocates supplemental corporate tax revenues raised by Proposition 39 (approved at the November 2012 general election) to schools and community colleges. Proposition 39 requires most interstate businesses to determine their taxable income using a single sales factor method, and provides that all revenues raised from the measure be transferred to a Clean Energy Job Creation Fund to support energy efficiency and alternative energy projects. The Proposed Budget would allocate all Proposition 39-related funding over the next five years exclusively to schools and community colleges, in an amount equal to \$450 million in fiscal year 2012-13 and \$550 million annually thereafter. For fiscal year 2013-14, this would include \$400.5 million for school districts. Under the proposal, the California Department of Education and California Community College Chancellor's Office, in consultation with the California Energy Commission and California Public Utilities Commission, would develop guidelines for schools and community colleges in prioritizing the use of the funds.
- *Adult Education.* The Proposed Budget includes several changes to adult education funding, including narrowing State support to core instructional programs such as adult elementary and secondary education, vocational training, English as a second language, and citizenship. The Proposed Budget would also eliminate school district adult education categorical programs and consolidate the associated funding (approximately \$600 million) into the proposed new K-12 funding formula. Adult education, under the

Governor's plan, would be funded entirely through the community college system. The Proposed Budget would provide \$300 million to create a new adult education categorical program within the statewide community college budget. Funds would be distributed to colleges based on the number of students served in the prior fiscal year. While community colleges would be responsible for administering adult education, they would be authorized to contract with school districts to provide instruction through the latter's adult schools.

- *K-12 Educational Mandates.* The Proposed Budget provides \$100 million to augment the existing block grant program, reflecting the addition of two large educational mandates within the program: the Graduation Requirements ("GR") mandate and Behavioral Intervention Plans ("BIP"). Unlike other mandates included in the block grant program, the Proposed Budget does not provide school districts the option to submit independent claims for reimbursement in connection with GR and BIP.
- *Retiring K-14 Obligations.* The Proposed Budget would use half of the projected year-to-year growth in Proposition 98 spending in fiscal years 2013-14 through 2015-16 to reduce outstanding obligations to schools and community colleges, including the reduction of all apportionment deferrals, funding settle-up payments to reduce outstanding mandate claims, and retiring the State's obligations associated with the Emergency Repair Program and the QEIA.
- *Redevelopment Agency Funds.* The Proposed Budget assumes lower State general fund savings from the distribution of offsetting residual property tax revenues and redevelopment agency liquid assets. For the current year, the Proposed Budget projects that redevelopment-related distributions will be \$1.1 billion less than what was assumed by the State budget for fiscal year 2012-13. For fiscal year 2013-14, the Proposed Budget projects that such distributions will be \$494 million less than previously assumed. The LAO notes that, while the Governor's projections are reasonable, the process for dissolving redevelopment agencies has yet to be fully implemented, subjecting associated State general fund savings projections to considerable uncertainty.

Additional information regarding the Proposed Budget is available from the LAO at [www.lao.ca.gov](http://www.lao.ca.gov). However, such information is not incorporated herein by any reference.

***Recent Litigation Regarding Budgetary Provisions.*** On September 28, 2011, the California School Boards Association, the Association of California School Administrators, the Los Angeles Unified School District, the San Francisco Unified School District and the Turlock Unified School District filed a petition for a writ of mandate in the Superior Court of the State of California in and for the County of San Francisco (the "CSBA Petition"). The petitioners allege that the fiscal year 2011-12 State budget improperly diverted sales tax revenues away from the State general fund, resulting in a reduction to the minimum funding guarantee of approximately \$2.1 billion. The CSBA Petition seeks an order from the Court compelling the State Director of Finance, Superintendent of Public Instruction and the State Controller to recalculate the minimum funding guarantee in accordance with the provisions of the California Constitution. On May 31, 2012, the court denied the CSBA Petition, finding that Proposition 98 does not prohibit the State from assigning sales tax revenues to a special fund that previously were deposited into the State general fund. The court also found that, upon doing so, the State was not required to rebench the minimum funding guarantee. On July 27, 2012, the petitioners filed a notice of appeal of the court's decision.



The District makes no representations regarding the viability of the claims in the CSBA Petition, nor can the District predict whether the petitioners will be successful. Moreover, the District makes no representations as to how a final decision by the Superior Court would affect the State's ability to fund education in future fiscal years.

***Future Actions.*** The District cannot predict what actions will be taken in the future by the State legislature and the Governor to address changing State revenues and expenditures. The District also cannot predict the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State's ability to fund schools. Continued State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the District.

## **DISTRICT FINANCIAL INFORMATION**

*The information in this section concerning the State funding of public education is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from State revenues. The Bonds will be payable solely from the proceeds of an ad valorem tax which is required to be levied by the County in an amount sufficient for the payment thereof.*

### **State Funding of Education**

Most California school districts receive a significant portion of their funding from State appropriations. As a result, changes in State revenues may affect appropriations made by the Legislature to school districts.

Annual State apportionments of basic and equalization aid to school districts are computed based on a revenue limit per unit of ADA. Generally, these apportionments amount to the difference between the district's revenue limit and its property tax allocation. The revenue limit calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type.

Certain schools districts, known as "basic aid" districts, have local property tax collections of such a large magnitude that, when compared to the district's total revenue limit, result in the receipt of the minimum State aid of \$120 per pupil. This amount is defined in the State's constitution as basic aid. The implication for basic aid districts is that the legislatively determined annual cost of living adjustment and other politically determined factors are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The District is not a basic aid district.

The following table reflects the District's ADA and the ADA base revenue limit per student for the last six years, and a projection for fiscal year 2012-13.

**AVERAGE DAILY ATTENDANCE AND REVENUE LIMIT  
Norwalk-La Mirada Unified School District  
Fiscal Years 2006-07 to 2012-13**

| <u>Fiscal Year</u>     | <u>Average Daily Attendance<sup>(1)</sup></u> | <u>Base Revenue Limited per ADA</u> | <u>Deficit Revenue Limit Per ADA<sup>(3)</sup></u> |
|------------------------|---|-------------------------------------|--|
| 2006-07                | 21,227  | \$5,543.83                          | \$5,543.83   |
| 2007-08                | 20,799  | 5,795.83                            | 5,795.83   |
| 2008-09                | 20,348  | 6,124.83                            | 5,644.44   |
| 2009-10                | 19,971  | 6,386.83                            | 4,961.54   |
| 2010-11                | 19,541  | 6,379.96                            | 5,233.93   |
| 2011-12                | 19,175  | 6,523.37                            | 5,179.43   |
| 2012-13 <sup>(2)</sup> | 18,795  | 6,716.83                            | 5,220.88 <sup>(4)</sup>                            |

<sup>(1)</sup> Excludes average daily attendance in county operated and non-public schools.

<sup>(2)</sup> Projected.

<sup>(3)</sup> The State's practice of deficit revenue limit funding, which reduces the amount of revenue limit funds received by school districts, was eliminated effective in fiscal year 2000-01, reinstated beginning in fiscal year 2003-04, eliminated again effective in fiscal year 2006-07, and reinstated again beginning in fiscal year 2008-09.

<sup>(4)</sup> Funded revenue limit per A.D.A. reflects approval of Proposition 30. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 30" herein.

Source: Norwalk-La Mirada Unified School District.

## Revenue Sources

Major revenue sources of the District are described below.

**Revenue Limit Sources.** For the 2009-10 fiscal year, the District received \$101,517,713 of revenue limit sources income, accounting for approximately 53.2% of its general fund revenues. For the 2010-11 fiscal year, the District received \$105,430,284 from revenue limit sources, accounting for approximately 56.8% of its general fund revenues. For the 2011-12 fiscal year, the District received \$103,351,837 from revenue limit sources income, accounting for approximately 62.6% of its general fund revenues. For fiscal year 2012-13, the District has projected \$101,962,251 of revenue limit sources income, accounting for approximately 63.5% of budgeted general fund revenues.

**Federal Revenues.** The federal government provides funding for several District programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as Drug-Free Schools. The federal revenues, most of which are restricted, equaled approximately 15.5% of general fund revenues in 2009-10, approximately 11.2% of general fund revenues in 2010-11, and approximately 10.4% of general fund revenues in 2011-12. The District has projected federal revenues to equal approximately 8.9% of budgeted general fund revenues for fiscal year 2012-13.

**Other State Revenues.** In addition to State apportionment revenue discussed above, the District receives substantial other State revenues ("State Sources"). State Sources equaled approximately 30.0% of total general fund revenues in 2009-10, approximately 30.6% of general fund revenues in 2010-11, and approximately 25.6% of general fund revenues in 2011-12. The District has projected State Sources to equal approximately 26.1% of budgeted general fund revenues for fiscal year 2012-13.

**Other Local Revenues.** In addition to property taxes, the District receives additional local revenues. These other local revenues equaled approximately 1.3% of total general fund revenues in 2009-10, approximately 1.4% of general fund revenues in 2010-11, and approximately 1.5% of general

fund revenues in 2011-12. The District has projected other local revenues to equal approximately 1.5% of budgeted general fund revenues for fiscal year 2012-13.

**Developer Fees.** The following table shows a seven-year history of developer fees collected on residential and commercial development within the District.

**DEVELOPER FEES COLLECTIONS**  
**Norwalk-La Mirada Unified School District**  
**Fiscal Years 2006-07 through 2011-12**

| <u>Fiscal Year</u>     | <u>Developer Fees<br/>Collected</u> |
|------------------------|-------------------------------------|
| 2006-07                | \$411,402                           |
| 2007-08                | 192,421                             |
| 2008-09                | 164,267                             |
| 2009-10                | 147,456                             |
| 2010-11                | 47,566                              |
| 2011-12 <sup>(1)</sup> | 78,496                              |

<sup>(1)</sup> Projected.

*Source: Norwalk-La Mirada Unified School District.*

## **Budget Process**

The District is required by provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by A.B. 1200, which became law on October 14, 1991. Portions of A.B. 1200 are summarized below.

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. A district may be on either a dual or single budget cycle. The dual budget option requires a revised and readopted budget by September 15 that is subject to State-mandated standards and criteria. The revised budget must reflect changes in projected income and expenses subsequent to July 1. The single budget is only readopted if it is disapproved by the county office of education, or as needed. The District is on a single budget cycle and adopts its budget on or before July 1.

For both dual and single budgets submitted on July 1, the county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, will determine if the budget allows the district to meet its current obligations and will determine if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before August 15, the county superintendent will approve, conditionally approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by August 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than August 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. No later than August 20, the county

superintendent must notify the Superintendent of Public Instruction of all school districts whose budget has been disapproved.

For all dual budget options and for single budget option districts whose budgets have been disapproved, the district must revise and readopt its budget by September 15, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets and not later than October 8 will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code § 42127.1. Until a district's budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

The District has never had an adopted budget disapproved by the County Superintendent of Schools. The District's Board approved a "self-qualified" certification on its 1<sup>st</sup> Interim Financial Report and 2<sup>nd</sup> Interim Financial Report for fiscal year 2011-12 pursuant to A.B. 1200. For the 1<sup>st</sup> Interim Financial Report for fiscal year 2012-13, the District approved a positive certification.

The following table summarizes the District's adopted general fund budgets for fiscal years 2009-10 through 2012-13, and audited ending results for fiscal years 2008-09 through 2010-11, and unaudited results for fiscal year 2011-12.

[REMAINDER OF PAGE LEFT BLANK]

**GENERAL FUND BUDGETING**  
**Norwalk-La Mirada Unified School District**  
**Fiscal Years 2009-10 through 2011-12<sup>(1)</sup>**

|   | <b>Fiscal Year<br/>2009-10</b> |                            | <b>Fiscal Year<br/>2010-11</b> |                            | <b>Fiscal Year<br/>2011-12</b> |                            |
|---|--------------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|----------------------------|
|   | <u>Budgeted</u>                | <u>Audited</u>             | <u>Budgeted</u>                | <u>Audited</u>             | <u>Budgeted</u>                | <u>Audited</u>             |
| <b>REVENUES:</b>  |                                |                            |                                |                            |                                |                            |
| Revenue Limit Sources:  | \$107,538,125                  | \$101,517,713              | \$99,905,963                   | \$105,430,284              | \$97,803,956                   | \$103,351,836              |
| Federal Revenue   | 26,084,433                     | 29,541,254                 | 20,171,818                     | 20,749,335                 | 18,097,213                     | 17,114,383                 |
| Other State Revenue   | 50,718,577                     | 57,211,336                 | 51,022,135                     | 56,677,181                 | 40,436,474                     | 46,186,436                 |
| Other Local Revenue   | <u>2,220,429</u>               | <u>2,458,529</u>           | <u>2,282,518</u>               | <u>2,629,839</u>           | <u>2,036,913</u>               | <u>2,458,660</u>           |
| <b>TOTAL REVENUES</b>   | 186,561,564 <sup>(2)</sup>     | 190,728,832 <sup>(2)</sup> | 173,382,434 <sup>(3)</sup>     | 185,486,639 <sup>(3)</sup> | 158,374,556 <sup>(4)</sup>     | 169,111,315 <sup>(4)</sup> |
| <b>EXPENDITURES:</b>  |                                |                            |                                |                            |                                |                            |
| Certificated Salaries   | 82,016,179                     | 84,249,556                 | 80,181,382                     | 79,063,046                 | 79,401,238                     | 79,767,870                 |
| Classified Salaries   | 29,872,973                     | 29,866,845                 | 30,243,993                     | 29,390,648                 | 31,021,130                     | 30,642,520                 |
| Employee Benefits   | 33,980,937                     | 37,731,519                 | 32,262,110                     | 36,589,040                 | 33,153,286                     | 38,584,830                 |
| Books & Supplies  | 8,870,938                      | 7,562,181                  | 9,351,550                      | 7,071,127                  | 8,140,601                      | 6,368,094                  |
| Services & Other Operating Expenditures   | 12,618,160                     | 10,850,570                 | 11,556,562                     | 10,240,851                 | 11,014,100                     | 11,599,344                 |
| Other Outgo   | 20,432,982                     | 19,163,642                 | 15,532,139                     | 16,507,561                 | 2,219,295                      | 2,698,571                  |
| Capital outlay  | 741,927                        | 1,078,960                  | 758,509                        | 559,574                    | 581,054                        | 643,794                    |
| Debt Service - Principal  | --                             | 133,660                    | 128,112                        | 145,332                    | --                             | 20,737                     |
| Debt Service - Interest   | --                             | <u>24,697</u>              | <u>30,245</u>                  | <u>18,910</u>              | --                             | --                         |
| <b>TOTAL EXPENDITURES</b>   | 188,534,096 <sup>(2)</sup>     | 190,661,630 <sup>(2)</sup> | 180,044,602 <sup>(3)</sup>     | 179,586,089 <sup>(3)</sup> | 165,530,704 <sup>(4)</sup>     | 170,325,760 <sup>(4)</sup> |
| <b>EXCESS (DEFICIENCY) OF<br/>REVENUES OVER (UNDER)<br/>EXPENDITURES</b>  | (1,972,532)                    | 67,202                     | (6,662,168)                    | 5,900,550                  | (7,156,148)                    | (1,214,445)                |
| <b>OTHER FINANCING SOURCES (USES)</b>   |                                |                            |                                |                            |                                |                            |
| Operating Transfers In  | 250,000                        | 3,501,764                  | 1,178,273                      | 210,249                    | 1,151,291                      | 3,825,803                  |
| Other Sources   | --                             | --                         | --                             | --                         | --                             | 58,634                     |
| Operating Transfers Out   | <u>(320,001)</u>               | <u>(4,957,164)</u>         | <u>(4,642,286)</u>             | <u>(4,657,342)</u>         | <u>(5,632,351)</u>             | <u>(4,638,994)</u>         |
| <b>TOTAL OTHER FINANCING SOURCES<br/>(USES)</b>   | (70,001)                       | (1,455,400)                | (3,464,013)                    | (4,447,093)                | (4,481,060)                    | (754,557)                  |
| <b>EXCESS (DEFICIENCY) OF REVENUES &amp;<br/>OTHER FINANCING SOURCES OVER<br/>(UNDER) EXPENDITURES &amp; OTHER<br/>USES</b> | (2,042,533)                    | (1,388,198)                | (10,126,181)                   | 1,453,457                  | (11,637,208)                   | (1,969,002)                |
| <b>FUND BALANCE, JULY 1</b>   | 43,741,035                     | 43,741,035                 | 42,352,837                     | 42,352,837                 | 48,686,340                     | 48,686,340                 |
| <b>Restatement</b>  | --                             | --                         | <u>4,880,046</u>               | <u>4,880,046</u>           | --                             | --                         |
| <b>FUND BALANCE, JUNE 30</b>  | <u>\$41,698,502</u>            | <u>\$42,352,837</u>        | <u>\$37,106,702</u>            | <u>\$48,686,340</u>        | <u>\$37,049,132</u>            | <u>\$46,717,338</u>        |

<sup>(1)</sup> From the District's Comprehensive Audited Financial Statements for fiscal years 2009-10 through 2011-12, respectively.

<sup>(2)</sup> On behalf payments of \$3,658,201 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

<sup>(3)</sup> On behalf payments of \$3,453,155 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts. In addition, due to the consolidation of Fund 20, Special Reserve Fund for Postemployment Benefits for reporting purposes into the general fund, additional revenues and expenditures pertaining to this fund is included in the Actual (GAPP Basis) revenues and expenditures, however is not included in the original general fund budget.

<sup>(4)</sup> On behalf payments of \$3,974,006 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts. In addition, due to the consolidation of Fund 20, Special Reserve Fund for Postemployment Benefits for reporting purposes into the general fund, additional revenues and expenditures pertaining to this fund is included in the Actual (GAPP Basis) revenues and expenditures, however is not included in the original general fund budget.

Source: Norwalk-La Mirada Unified School District.

**GENERAL FUND BUDGETING**  
**Norwalk-La Mirada Unified School District**  
**Fiscal Year 2012-13**

|   | <b>Fiscal Year<br/>2012-13</b> |   |
|---|--------------------------------|---|
|   | <u>Budgeted<sup>(1)</sup></u>  | <u>Projected<br/>Totals<sup>(2)</sup></u> |
| <b>REVENUES:</b>  |                                |   |
| Revenue Limit Sources:  | \$94,088,284                   | \$101,962,251                             |
| Federal Revenue   | 14,042,582                     | 14,325,049                                |
| Other State Revenue   | 41,396,259                     | 41,916,933                                |
| Other Local Revenue   | <u>2,118,000</u>               | <u>2,407,037</u>                          |
| <b>TOTAL REVENUES</b>   | 151,645,125                    | 160,611,270                               |
| <b>EXPENDITURES:</b>  |                                |   |
| Certificated Salaries   | 77,549,006                     | 80,245,315                                |
| Classified Salaries   | 32,255,356                     | 32,557,297                                |
| Employee Benefits   | 32,753,370                     | 33,373,274                                |
| Books & Supplies  | 5,441,278                      | 7,030,343                                 |
| Services & Other Operating Expenditures   | 12,198,651                     | 13,701,555                                |
| Capital outlay  | 447,563                        | 572,760                                   |
| Other Outgo (excluding Transfers of Indirect Costs)   | 2,791,795                      | 2,770,649                                 |
| Other Outgo Transfers of Indirect Costs   | <u>(367,926)</u>               | <u>(366,634)</u>                          |
| <b>TOTAL EXPENDITURES</b>   | 163,069,093                    | 169,884,559                               |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER)<br/>EXPENDITURES</b>  | (11,423,968)                   | (9,273,289)                               |
| <b>OTHER FINANCING SOURCES (USES)</b>   |                                |   |
| Operating Transfers In  | 1,368,705                      | 2,547,460                                 |
| Other Sources   | --                             |   |
| Operating Transfers Out   | <u>(3,917,547)</u>             | <u>(3,937,207)</u>                        |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>   | (2,548,842)                    | (1,389,747)                               |
| <b>EXCESS (DEFICIENCY) OF REVENUES &amp; OTHER<br/>FINANCING SOURCES OVER (UNDER)<br/>EXPENDITURES &amp; OTHER USES</b> | (13,972,810)                   | (10,663,036)                              |
| <b>FUND BALANCE, JULY 1</b>   | <u>41,690,967</u>              | <u>41,690,967</u>                         |
| <b>FUND BALANCE, JUNE 30</b>  | <u>\$27,718,157</u>            | <u>\$31,027,931</u>                       |

<sup>(1)</sup> From the District's 2011-12 Unaudited Actuals adopted by the Board on September 12, 2012. The District assumed Proposition 30 would not be approved by voters at the November 6, 2012 election when creating its 2012-13 Budget. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 30" – and "State Budget Measures" herein.

<sup>(2)</sup> As reported in the District's First Interim Financial Report for fiscal year 2012-13 adopted by the Board on December 10, 2012.

Source: Norwalk-La Mirada Unified School District.

## Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all California school districts. Revenues are recognized in the period in which they become both measurable and available to

finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

### **Comparative Financial Statements**

The District's audited financial statements for the year ended June 30, 2012 are included for reference in APPENDIX B hereto. Audited financial statements for the District for the fiscal year ended June 30, 2012, and prior fiscal years are on file with the District and available for public inspection at the Office of the Assistant Superintendent, Business Services of the District, 12820 Pioneer Boulevard, Norwalk, California 90650, telephone: (562) 868-0431.

The table on the following page reflects the District's revenues, expenditures and fund balances for fiscal years 2007-08 through 2011-12.

[REMAINDER OF PAGE LEFT BLANK]

**AUDITED STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**  
**Norwalk-La Mirada Unified School District**  
**2007-08 through 2011-12**

|   | <b>Audited<br/>Fiscal Year<br/><u>2007-08</u></b> | <b>Audited<br/>Fiscal Year<br/><u>2008-09</u></b> | <b>Audited<br/>Fiscal Year<br/><u>2009-10</u></b> | <b>Audited<br/>Fiscal Year<br/><u>2010-11</u></b> | <b>Audited<br/>Fiscal Year<br/><u>2011-12</u></b> |
|---|---|---|---|---|---|
| <b>REVENUES:</b>                                    |   |   |   |   |   |
| Revenue Limit Sources:                              | \$123,721,853                                     | \$118,303,323                                     | \$101,517,713                                     | \$105,430,284                                     | \$103,351,836                                     |
| Federal Revenue                                     | 13,582,220  | 20,181,482  | 29,541,254  | 20,749,335  | 17,114,383  |
| Other State Revenue                                 | 61,606,079  | 56,785,981  | 57,211,336  | 56,677,181  | 46,186,436  |
| Other Local Revenue                                 | <u>3,785,757</u>                                  | <u>3,189,075</u>                                  | <u>2,458,529</u>                                  | <u>2,629,839</u>                                  | <u>2,458,660</u>                                  |
| <b>TOTAL REVENUES</b>                               | <b>202,695,909</b>                                | <b>198,459,861</b>                                | <b>190,728,832</b>                                | <b>185,486,639</b>                                | <b>169,111,315</b>                                |
| <b>EXPENDITURES:</b>                                |   |   |   |   |   |
| Instruction   | 112,658,143                                       | 108,537,605                                       | 112,538,577                                       | 106,011,453                                       | 107,779,145                                       |
| Instruction Related Activities"                     |   |   |   |   |   |
| Supervision of instruction                          | 11,342,806  | 10,055,299  | 9,512,845   | 9,626,171   | 10,625,592  |
| Instructional library, media and technology         | 1,744,090   | 1,064,470   | 372,387   | 598,308   | 706,614   |
| School site administration                          | 10,766,495  | 10,526,051  | 9,622,695   | 9,166,611   | 9,245,831   |
| Pupil Service                                       |   |   |   |   |   |
| Home-to-school transportation                       | 4,906,497   | 4,629,293   | 4,553,455   | 4,529,398   | 4,707,882   |
| Food Services                                       | 4,051   | 4,277   | 21,006  | 26,452  | 44,972  |
| All other Pupil Services                            | 7,716,796   | 7,507,459   | 7,018,054   | 6,710,753   | 6,713,439   |
| Administration                                      |   |   |   |   |   |
| Data Processing                                     | 1,946,056   | 1,547,421   | 1,327,737   | 1,178,234   | 1,296,062   |
| All other Administration                            | 5,383,644   | 6,485,457   | 6,847,408   | 5,890,540   | 6,360,473   |
| Plant Service                                       | 21,178,040  | 20,804,374  | 18,506,635  | 18,115,194  | 18,714,826  |
| Facility acquisition and construction               | 1,100,034   | 382,033   | 448,153   | 385,037   | 297,224   |
| Ancillary Services                                  | 332,517   | 237,873   | 209,535   | 202,495   | 535,458   |
| Community Services                                  | 45,252  | 75,363  | 103,312   | 84,052  | 131,683   |
| Other Outgo   | 17,488,193  | 17,496,817  | 19,416,118  | 16,896,335  | 3,143,747   |
| Enterprise Services                                 | --  | 27  | 5,356   | 814   | 2,075   |
| Debt Service  |   |   |   |   |   |
| Principal   | 122,795   | 140,112   | 132,542   | 145,332   | 20,737  |
| Interest  | <u>35,562</u>                                     | <u>30,245</u>                                     | <u>25,815</u>                                     | <u>18,910</u>                                     | --  |
| <b>TOTAL EXPENDITURES</b>                           | <b>196,770,971</b>                                | <b>189,524,176</b>                                | <b>190,661,630</b>                                | <b>179,586,089</b>                                | <b>170,325,760</b>                                |
| <b>Excess (Deficiency) of Revenues Over (Under)</b> |   |   |   |   |   |
| <b>Expenditures</b>                                 | 5,924,938   | 8,935,685   | 67,202  | 5,900,550   | (1,214,445)                                       |
| <b>OTHER FINANCING SOURCES (USES)</b>               |   |   |   |   |   |
| Transfers In  | 250,000   | 2,630,267   | 3,501,764   | 210,249   | 3,825,803   |
| Other sources                                       | --  | 23,345  | --  | --  | 58,634  |
| Transfers Out                                       | <u>(1,681,247)</u>                                | <u>(3,488,097)</u>                                | <u>(4,957,164)</u>                                | <u>(4,657,342)</u>                                | <u>(4,638,994)</u>                                |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>         | <b>(1,431,247)</b>                                | <b>(834,485)</b>                                  | <b>(1,455,400)</b>                                | <b>(4,447,093)</b>                                | <b>(754,557)</b>                                  |
| <b>Net Change in Fund Balances</b>                  | <b>4,493,691</b>                                  | <b>8,101,200</b>                                  | <b>(1,388,198)</b>                                | <b>1,453,457</b>                                  | <b>(1,969,002)</b>                                |
| <b>FUND BALANCE, JULY 1</b>                         | <b>31,146,144</b>                                 | <b>35,639,835</b>                                 | <b>43,741,035</b>                                 | <b>42,352,837</b>                                 | <b>48,686,340</b>                                 |
| <b>RESTATEMENT</b>                                  | <b>--</b>   | <b>--</b>   | <b>--</b>   | <b><u>4,880,046</u><sup>(1)</sup></b>             | <b>--</b>   |
| <b>FUND BALANCE, JUNE 30</b>                        | <b><u>\$35,639,835</u></b>                        | <b><u>\$43,741,035</u></b>                        | <b><u>\$42,352,837</u></b>                        | <b><u>\$48,686,340</u></b>                        | <b><u>\$46,717,338</u></b>                        |

<sup>(1)</sup> The District's prior year fund balances for the general fund and for the non-major governmental funds have been restated as of June 30, 2011 to conform to GASB Statement No. 54's definition of governmental funds. Accordingly, the beginning fund balance for Fund 20, Special Reserve Fund for Postemployment Benefits, as presented in the non-major governmental fund opinion unit, are reported as a restatement to the beginning fund balance of the general fund. The restatement does not change the total fund balance amounts reported in the District's audited financial statements..

Source: Norwalk-La Mirada Unified School District.



## NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

*The information in this section concerning the operations of the District and the District's operating budget are provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds will be payable solely from the proceeds of an ad valorem tax which is required to be levied by the County in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources for Payment" herein.*

### Introduction

The District was established in 1965 and is located in an approximately 16 square mile area in Los Angeles County approximately 10 miles southeast of the City of Los Angeles. The boundaries of the District include substantial portions of the City of Norwalk ("Norwalk") and the City of La Mirada ("La Mirada") as well as small areas lying within the cities of Santa Fe Springs and Whittier and certain unincorporated areas of Los Angeles County. The District operates 17 elementary schools, six middle schools, four high schools, two adult schools, a district office and a maintenance office.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the district and copies of the most recent and subsequent audited financial reports of the District may be obtained by contacting: Norwalk-La Mirada Unified School District, 12820 Pioneer Boulevard, Norwalk, California 90650, Attention: Superintendent.

### Administration

The District is governed by a seven-member Board of Education, each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between three and four available positions. The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day-to-day District operations as well as the supervision of the District's other key personnel. Current members of the Board, together with their office and the date their term expires, are listed below:

| <u>Name</u>       | <u>Office</u>  | <u>Term Expires</u> |
|-------------------|----------------|---------------------|
| Ed Hengler        | President      | November 2013       |
| Margarita L. Rios | Vice President | November 2013       |
| Darryl Adams      | Member         | November 2013       |
| Karen Morrison    | Member         | November 2015       |
| Chris Pflanzner   | Member         | November 2015       |
| Jesse Urquidi     | Member         | November 2015       |
| Ana Valencia      | Member         | November 2013       |

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. Currently, Ruth Pérez, Ed.D., is the District Superintendent. The Assistant Superintendent for Business Services is the chief financial officer of the District. Currently, Estuardo Santillan, is the District's Assistant Superintendent for Business Services. Brief biographies of the Superintendent and the Assistant Superintendent for Business Services follow:

***Ruth Pérez, Ed.D., Superintendent.*** On July 1, 2009, Dr. Pérez became the District's Superintendent. Dr. Pérez has worked in the field of education for over 20 years. Prior to joining the District, Dr. Pérez was the Chief Academic Officer for the Charlotte-Mecklenburg School District in North Carolina.

***Estuardo Santillan, Assistant Superintendent for Business Services.*** Mr. Santillan joined the District in 2011 as the Assistant Superintendent for Business Services. Prior thereto he worked for 10 years as the Business Manager and Interim Assistant Superintendent at the Moreno Valley Unified School District.

## Enrollment

The following table shows a six-year enrollment history for the District, along with a projection for fiscal year 2012-13.

### HISTORICAL ENROLLMENT Norwalk-La Mirada Unified School District Fiscal Years 2006-07 through 2012-13

| <u>Fiscal Year</u>     | <u>Enrollment</u> |
|------------------------|-------------------|
| 2006-07                | 22,551            |
| 2007-08                | 22,092            |
| 2008-09                | 21,512            |
| 2009-10 <sup>(1)</sup> | 21,059            |
| 2010-11 <sup>(1)</sup> | 20,554            |
| 2011-12                | 20,221            |
| 2012-13 <sup>(2)</sup> | 19,772            |

<sup>(1)</sup> *New State and District reporting systems implemented in 2009-10 and 2010-11 resulted in variances from reported CBED figures to the Department of Education.*

<sup>(2)</sup> *Estimated enrollment*

*Source: Norwalk-La Mirada Unified School District.*

## Labor Relations

As of November 1, 2012, the District employed 992 full-time certificated employees and 388 full-time classified employees. In addition, the District employed 747 part-time faculty and staff. District employees, except management and some part-time employees, are represented by the two bargaining units as noted below:

### BARGAINING UNITS Norwalk-La Mirada Unified School District

| <u>Labor Organization</u>                       | <u>Number of<br/>Employees<br/>In Bargaining Unit</u> | <u>Contract<br/>Expiration Date</u> |
|---|---|-------------------------------------|
| Teachers' Association of Norwalk-La Mirada Area | 963   | August 31, 2012 <sup>(1)</sup>      |
| California Schools Employee Association         | 1,052   | June 30, 2013                       |

<sup>(1)</sup> *Employees continue to work under the terms of expired contract.*

*Source: Norwalk-La Mirada Unified School District.*

## Retirement Programs

*The information set forth below regarding the District's retirement programs, other than the information provided by the District regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not to be construed as a representation by either the District or the Underwriter.*

**CalSTRS.** All full-time certificated employees, as well as certain classified employees, are members of the State Teachers' Retirement System ("CalSTRS"). CalSTRS provides retirement, disability and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. The District is currently required by such statutes to contribute 8.25% of eligible salary expenditures, while participants currently contribute 8% of their respective salaries. The State also contributes to CalSTRS, currently in an amount equal to 2.791% of teacher payroll. The State's contribution reflects a base contribution of 2.017% and a supplemental contribution of 0.774% that will vary from year-to-year based on statutory criteria.

The District's contribution to CalSTRS was \$7,068,387 in fiscal year 2009-10, \$6,676,478 in fiscal year 2010-11, and \$6,720,757 in fiscal year 2011-12. The District has budgeted \$6,479,516 as its contribution to CalSTRS for fiscal year 2012-13.

**CalPERS.** Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("CalPERS"). CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended, with the Public Employees' Retirement Laws. The District is currently required to contribute to CalPERS at an actuarially determined rate, which is 11.417% of eligible salary expenditures for fiscal year 2012-13, while participants contribute 7% of their respective salaries.

School district contributions to CalPERS are capped at 13.02% of gross expenditures for any given fiscal year. To the extent a district's contribution rate to CalPERS is less than 13.02%, the State will reduce the such district's revenue limit for that year by the difference between the maximum contribution rate and a district's actual contribution rate. Alternatively, if such district's contribution rate is greater than 13.02%, the State is required to provide additional revenue limit allocations to such district to make up the difference.

The District's contributions to CalPERS was \$2,924,167 in fiscal year 2009-10, \$3,149,808 in fiscal year 2010-11, and \$3,294,860 in fiscal year 2011-12. The District has budgeted \$3,546,345 as its contribution to CalPERS for fiscal year 2012-13.

**State Pension Trusts.** Each of CalSTRS and CalPERS issues a separate comprehensive financial report that includes financial statements and required supplemental information. Copies of such financial reports may be obtained from each of CalSTRS and CalPERS as follows: (i) CalSTRS, P.O. Box 15275, Sacramento, California 95851-0275; (ii) CalPERS, P.O. Box 942703, Sacramento, California 94229-2703. Moreover, each of CalSTRS and CalPERS maintains a website, as follows: (i) CalSTRS: [www.calstrs.com](http://www.calstrs.com); (ii) CalPERS: [www.calpers.ca.gov](http://www.calpers.ca.gov). However, the information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference.

Both CalSTRS and CalPERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions.

The following table summarizes information regarding the actuarially-determined accrued liability for both CalSTRS and CalPERS.

**FUNDED STATUS**  
**STRS (Defined Benefit Program) and PERS**  
**As of the June 30, 2011 Valuation Date**  
**(Dollar Amounts in Millions) <sup>(1)</sup>**

| <u>Plan</u>   | <u>Accrued Liability</u> | <u>Value of Trust Assets</u> | <u>Unfunded Liability</u> |
|---|--------------------------|------------------------------|---------------------------|
| Public Employees Retirement Fund (CalPERS)                        | \$58,358                 | \$45,901 <sup>(2)</sup>      | \$(12,457)                |
| State Teachers' Retirement Fund Defined Benefit Program (CalSTRS) | 208,405                  | 143,930 <sup>(3)</sup>       | (64,475)                  |

<sup>(1)</sup> Amounts may not add due to rounding.

<sup>(2)</sup> Reflects market value of assets as of June 30, 2011.

<sup>(3)</sup> Reflects actuarial value of assets as of June 30, 2011.

*Source: CalPERS State & Schools Actuarial Valuation; CalSTRS Defined Benefit Program Actuarial Valuation.*

Unlike CalPERS, CalSTRS contribution rates for participant employers, employees hired prior to the Implementation Date (defined herein) and the State are set by statute and do not currently vary from year-to-year based on actuarial valuations. As a result of the Reform Act (defined below), the contribution rate for CalSTRS participants hired after the Implementation Date (defined below) will vary from year-to-year based on actuarial valuations. See “—California Public Employees’ Pension Reform Act of 2013” below. As a result, and due in part to investment losses, the unfunded liability of CalSTRS has increased significantly. This unfunded liability is expected to continue to increase in the absence of legislation requiring additional or increased contributions. The District can make no representations regarding the future program liabilities of CalSTRS, or whether the District will be required to make larger contributions to CalSTRS in the future. The District can also provide no assurances that the District’s required contributions to CalPERS will not increase in the future.

***California Public Employees’ Pension Reform Act of 2013.*** On September 12, 2012, the Governor signed into law the California Public Employee’s Pension Reform Act of 2013 (the “Reform Act”), which makes changes to both CalSTRS and CalPERS, most substantially affecting new employees hired after January 1, 2013 (the “Implementation Date”). For CalSTRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled to for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety CalPERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to CalPERS and CalSTRS, the Reform Act also: (i) requires all new participants enrolled in CalPERS and CalSTRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires CalSTRS and CalPERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (currently 12 months for CalSTRS members who retire with 25 years of service), and (iii) caps “pensionable

compensation” for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution and benefit base for members participating in Social Security or 120% for members not participating in social security, while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

### **Other Post-Employment Benefits**

**Benefits Plan.** The Postemployment Benefits Plan (the “Plan”) is a single-employer defined benefit healthcare plan administered by the District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses (the “Benefits”). In addition, the District has entered into an agreement with the former superintendent whereby the District will provide fully paid medical and dental benefits for the lifetime of the superintendent. As of June 30, 2012, the Plan consisted of 128 retirees currently receiving Benefits 20 terminated Plan members entitled to but not yet receiving Benefits, and 1,639 active Plan members.

**Funding Policy.** The contribution requirements of plan members and the District are established and may be amended by the District and the Teachers Association (CEA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund Benefits as determined annually through the agreements between the District, FEA, CSEA and the unrepresented groups. For fiscal year 2010-2011, the District contributed \$985,842 to the plan, all of which was used for current premiums (approximately 49 percent of total premiums). Plan members receiving Benefits contributed \$1,030,201, or approximately 52 percent of the total premiums. Expenditures for the Benefits are recognized on a pay-as-you-go basis covering the cost of premiums paid for current retirees. For fiscal year 2011-12, the District recognized \$1,017,073 of expenditures for the Benefits all of which has been used for current premiums (approximately 77 percent of the total premiums). For fiscal year 2012-13, the District has budgeted \$1,082,651 for such expenditures.

In addition, the District currently has deposited approximately \$5 million in an internal service to begin funding its unfunded actuarial accrued liability (discussed herein) with respect to the Benefits. This fund, however, has not been irrevocably pledged to the payment of the Benefits, and may be accessed for other purposes upon Board agreement with the various employee unions.

**Accrued Liability.** District has implemented GASB Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, pursuant to which the District has commissioned and received several actuarial studies of its accrued liability in connection with the Benefits provided by the Plan. The most recent of these studies, prepared by Total Compensation Systems, Inc. and dated as of April 24, 2012, concluded the District’s total unfunded actuarial accrued liability (the “AAL”) for such Benefits, as of December 1, 2011, was \$31,112,925, and that the District’s annual required contribution (“ARC”) in respect of such Benefits was \$3,758,749, beginning December 1, 2011. The ARC is the amount that would be necessary to fund of the value of future Benefits earned by current employees during each fiscal year (the “Normal Cost”), and to amortize the AAL in accordance with GASB Statements Nos. 43 and 45.

As of June 30, 2012, the District recognized a long-term obligation (the “Net OPEB Obligation”) of \$14,438,021 with respect to its accrued liability for the Benefits. The Net OPEB Obligation is based on the District’s contributions towards the ARC during fiscal year 2011-12. See “DISTRICT FINANCIAL INFORMATION – District Debt Structure – Long-Term Debt” and “APPENDIX B –

EXCERPTS FROM THE DISTRICT'S 2011-12 AUDITED FINANCIAL STATEMENTS – Note 11” herein.

## **Risk Management**

***Employee Medical Benefits.*** The District has contracted with the Alliance of Schools for Cooperative Insurance Programs (ASCIP) public entity risk pool to provide employee dental benefits. The District also purchases medical, vision, and life insurance from various vendors for health care coverage. The District is not self-funded for employee medical benefits but has chosen to report the costs of health and welfare payments for all employees plus retirees in the internal service fund ( the “Internal Service Fund”).

***Property and Liability.*** 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. To mitigate this potential loss, the District has established an Internal Service Fund to account for and finance its uninsured risks of loss for property and liability coverage. Under this program, the Internal Service Fund provides coverage for up to a maximum of \$50,000 for each general liability claim and \$25,000 for each property damage claim. During fiscal year ending June 30, 2012, the District participated in the ASCIP public entity risk pool for property and liability insurance coverage in excess of self-insured limits. Settled claims have not exceeded the insured coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year. In addition, the District purchases commercial insurance for property and liability claims in excess of coverage provided by the Internal Service Fund and for all other risks of loss.

***Worker' Compensation and Property and Liability.*** Since 1985, the District has self-insured itself for workers' compensation coverage, retaining the risk of loss. The District has established an Internal Service Fund to account for and finance its uninsured risks of loss for workers' compensation coverage. Under this program, the Internal Service Fund provides coverage for up to a maximum of \$350,000 for each workers' compensation claim. The District purchases commercial insurance for workers' compensation claims in excess of coverage provided by the Fund from the Schools Excess Liability Fund (SELF) JPA.

Funding of the Internal Service Fund is based on estimates of the amounts needed to pay prior and current year claims. Workers' Compensation claims are charged to the respective funds which generate the liability and the Property and Liability claims are paid by the general fund.

See also “APPENDIX B – EXCERPTS FROM THE DISTRICT'S 2011-12 AUDITED FINANCIAL STATEMENTS – Note 12” herein.

## District Debt Structure

**Long-Term Debt.** A schedule of changes in long-term debt for the fiscal year ended June 30, 2012, is shown below:

|  | Balance<br>July 1, 2011 | Additions           | Deductions         | Balance<br>June 30, 2012 |
|--|-------------------------|---------------------|--------------------|--------------------------|
| 2002 General Obligation Bonds, Series B                              | \$59,266,803            | \$2,900,124         | \$525,000          | \$61,641,927             |
| Premium on issuance  | 468,532                 | --                  | 24,660             | 443,872                  |
| 2005 Refunding General Obligation Bonds                              | 39,620,000              | --                  | 1,635,000          | 37,985,000               |
| Premium on issuance  | 2,267,502               | --                  | 251,945            | 2,015,557                |
| 2002 General Obligation Bonds, Series C                              | 25,514,306              | 806,250             | --                 | 26,320,556               |
| Premium on issuance  | 550,152                 | --                  | 25,007             | 525,145                  |
| 2002 General Obligation Bonds, Series D                              | 10,868,188              | 787,912             | --                 | 11,656,100               |
| Premium on issuance  | 404,052                 | --                  | 17,567             | 386,485                  |
| 2009 Refunding General Obligation Bonds                              | 11,760,000              | --                  | 890,000            | 10,870,000               |
| Premium on issuance  | 362,384                 | --                  | 32,944             | 329,440                  |
| 2002 General Obligation Bonds, Series E                              | 23,145,843              | 1,474,922           | --                 | 24,620,765               |
| Premium on issuance  | 1,133,532               | --                  | 40,125             | 1,093,407                |
| 2005 Certificates of Participation<br>(Qualified Academy Zone Bonds) | 2,770,165               | --                  | --                 | 2,770,165                |
| Capital leases   | --                      | 58,634              | 20,737             | 37,897                   |
| Accumulated vacation – net   | 1,968,986               | 67,504              | --                 | 2,036,490                |
| Claims liability   | 8,492,962               | 2,344,037           | 2,160,334          | 8,676,665                |
| Supplemental Early Retirement Plan (SERP)                            | 2,581,132               | --                  | 645,283            | 1,935,849                |
| Other postemployment benefits (OPEB)                                 | 11,629,903              | 2,808,118           | --                 | 14,438,021               |
| SELF workers' compensation assessment                                | 284,186                 | --                  | 122,470            | 161,716                  |
|  | <u>\$203,088,628</u>    | <u>\$11,247,501</u> | <u>\$6,391,072</u> | <u>\$207,945,057</u>     |

Source: Norwalk-La Mirada Unified School District.

**General Obligation Bonds.** The District received authorization at an election held on November 5, 2002 (the “Authorization”), at which the requisite 55% or more of the persons voting on the proposition voted to authorize the issuance and sale of \$165,000,000 principal amount of general obligation bonds of the District. In June 2003, the District issued \$60,000,000.00 of its General Obligation Bonds, Election of 2002, Series 2003A (the “Series A Bonds”). In May 2005, the District issued \$44,995,644.45 of its General Obligation Bonds, Election of 2002, Series 2005B (the “Series B Bonds”) and \$57,105,000.00 of its 2005 General Obligation Refunding Bonds (the “2005 Refunding Bonds”), the proceeds of which were used to advance refund a portion of the Series A Bonds. In December 2007, the District issued \$29,200,602.20 of its General Obligation Bonds, Election of 2002, Series 2007C (the “Series C Bonds”). In July 2009, the District issued \$9,410,103.00 of its Election of 2002 General Obligation Bonds, Series 2009D and \$13,580,500.00 of its 2009 General Obligation Refunding Bonds. In October 2009, the District issued \$21,392,349.40 of its Election of 2002 General Obligation Bonds, Series 2009E (the “Series E Bonds”). There is no remaining unissued Authorization.

The following table summarizes the total annual debt service requirements of the District for all general obligation bonded debt (assuming no optional redemptions are made)

The following table shows the total debt service with respect to the District's outstanding general obligation bonded debt, including the Bonds.

**ANNUAL GENERAL OBLIGATION BOND DEBT SERVICE**  
**Norwalk-La Mirada Unified School District**

| Year<br>Ending<br>August 1 | 2005<br>Refunding Bonds <sup>(1)</sup> | Series B Bonds          | Series C Bonds         | Series D Bonds              | 2009<br>Refunding Bonds | Series E Bonds         | The Bonds              | Total Annual<br>Debt Service |
|----------------------------|--|-------------------------|------------------------|-----------------------------|-------------------------|------------------------|------------------------|------------------------------|
| 2013                       | \$3,343,500.00                         | \$690,600.00            | \$590,225.00           | --                          | \$1,680,075.00          | --                     | \$561,976.39           | \$6,866,376.39               |
| 2014                       | 5,248,500.00                           | 726,200.00              | 634,800.00             | --                          | 400,875.00              | --                     | 464,700.00             | 7,475,075.00                 |
| 2015                       | 5,708,000.00                           | 764,400.00              | 682,625.00             | --                          | 400,875.00              | --                     | 469,100.00             | 8,025,000.00                 |
| 2016                       | 3,639,250.00                           | 800,000.00              | 737,225.00             | --                          | 900,875.00              | --                     | 2,858,400.00           | 8,935,750.00                 |
| 2017                       | 3,827,000.00                           | 845,000.00              | 784,225.00             | --                          | 1,580,375.00            | --                     | 3,006,400.00           | 10,043,000.00                |
| 2018                       | 4,023,000.00                           | 885,000.00              | 838,825.00             | --                          | 1,947,000.00            | --                     | 3,170,200.00           | 10,864,025.00                |
| 2019                       | 4,221,000.00                           | 935,000.00              | 900,625.00             | --                          | 1,910,050.00            | --                     | 3,333,200.00           | 11,299,875.00                |
| 2020                       | --                                     | 8,460,000.00            | 1,398,875.00           | --                          | 1,929,500.00            | --                     | --                     | 11,788,375.00                |
| 2021                       | --                                     | 8,895,000.00            | 1,485,875.00           | --                          | 1,932,000.00            | --                     | --                     | 12,312,875.00                |
| 2022                       | --                                     | 9,355,000.00            | 1,576,375.00           | \$2,000,000.00              | --                      | \$818,125.00           | --                     | 13,749,500.00                |
| 2023                       | --                                     | 9,840,000.00            | 1,669,425.00           | 2,000,000.00                | --                      | 818,125.00             | --                     | 14,327,550.00                |
| 2024                       | --                                     | 10,350,000.00           | 1,769,237.50           | 2,000,000.00                | --                      | 818,125.00             | --                     | 14,937,362.50                |
| 2025                       | --                                     | 10,885,000.00           | 785,625.00             | 500,000.00                  | --                      | 2,438,125.00           | --                     | 14,608,750.00                |
| 2026                       | --                                     | 11,455,000.00           | --                     | 500,000.00                  | --                      | 3,269,025.00           | --                     | 15,224,025.00                |
| 2027                       | --                                     | 12,050,000.00           | --                     | 500,000.00                  | --                      | 3,414,325.00           | --                     | 15,964,325.00                |
| 2028                       | --                                     | 12,675,000.00           | --                     | 500,000.00                  | --                      | 4,033,950.00           | --                     | 17,208,950.00                |
| 2029                       | --                                     | 13,335,000.00           | --                     | --                          | --                      | 4,525,950.00           | --                     | 17,860,950.00                |
| 2030                       | --                                     | --                      | 13,555,000.00          | --                          | --                      | 6,280,000.00           | --                     | 19,835,000.00                |
| 2031                       | --                                     | --                      | 14,260,000.00          | 8,000,000.00                | --                      | --                     | --                     | 22,260,000.00                |
| 2032                       | --                                     | --                      | 15,005,000.00          | 8,000,000.00                | --                      | --                     | --                     | 23,005,000.00                |
| 2033                       | --                                     | --                      | --                     | 17,275,000.00               | --                      | 2,858,367.60           | --                     | 20,133,367.60                |
| 2034                       | --                                     | --                      | --                     | 2,500,000.00 <sup>(1)</sup> | --                      | 13,518,441.60          | --                     | 16,018,441.60                |
| 2035                       | --                                     | --                      | --                     | --                          | --                      | 13,519,290.15          | --                     | 13,519,290.15                |
| 2036                       | --                                     | --                      | --                     | --                          | --                      | 13,518,849.10          | --                     | 13,518,849.10                |
| 2037                       | --                                     | --                      | --                     | --                          | --                      | 13,520,903.00          | --                     | 13,520,903.00                |
| 2038                       | --                                     | --                      | --                     | --                          | --                      | 13,520,000.00          | --                     | 13,520,000.00                |
| Total                      | <u>\$30,010,250.00</u>                 | <u>\$112,946,200.00</u> | <u>\$56,673,962.50</u> | <u>\$43,775,000.00</u>      | <u>\$12,681,625.00</u>  | <u>\$96,871,601.45</u> | <u>\$13,863,976.39</u> | <u>\$366,822,615.34</u>      |

<sup>(1)</sup> Does not include debt service on the Refunded Bonds to be refunded with proceeds of the Bonds.



**Qualified Zone Academy Bond.** In December 2005, the District issued \$2,770,164.90 of its 2005 Certificates of Participation (QZAB Program) (the “2005 QZAB”) to fund certain capital improvements in accordance with the District’s Qualified Zone Academy Bond Program Application dated March 30, 2005. The 2005 QZAB mature on December 29, 2020. The payment of principal of the 2005 QZAB is secured by an initial lease payment of \$600,000, made by the District on the date of issuance, and annual lease payments of \$95,722. Lease payments made with respect to the 2005 QZAB are invested pursuant to an investment agreement with Bank of America, N.A., expected to produce a value at maturity of the 2005 QZAB sufficient to pay the principal thereof.

**Capital Leases.** The District has entered into agreements to lease equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District’s liability on lease agreements with options to purchase is summarized below:

|                       |                 |
|-----------------------|-----------------|
| Balance, July 1, 2011 | --              |
| Additions             | \$62,211        |
| Payments              | <u>20,737</u>   |
| Balance, July 1, 2012 | <u>\$41,474</u> |

Future payments on capital leases are as follows:

| Year Ending<br>(June 30)                | Total<br>Payments |
|---|-------------------|
| 2013                                    | \$20,737          |
| 2014                                    | <u>20,737</u>     |
| Total                                   | 41,474            |
| Less: Amounts Representing Interest     | <u>(3,577)</u>    |
| Present Value of Minimum Lease Payments | <u>\$37,897</u>   |

**Supplemental Early Retirement Plan.** During 2010, the District adopted a supplemental early retirement plan whereby certain eligible employees are provided an annuity to supplement the retirement benefits they are entitled to through the California State Teachers' Retirement System. The annuities offered to the employees are to be paid over a five-year period. The annuities, which were purchased for 54 employees who retired during 2009-2010 school year, were purchased from United of Omaha Life Insurance Company.

During 2011, the District adopted a supplemental early retirement plan whereby certain eligible employees are provided an annuity to supplement the retirement benefits they are entitled to through the California Public Employees' Retirement System. The annuities offered to the employees are to be paid over a five-year period. The annuities, which were purchase purchased for 20 employees who retired during 2010-2011 school year, were purchased from United of Omaha Life Insurance Company.

As of June 30, 2012, the outstanding obligation for the aforementioned Supplemental Early Retirement Plans was \$12,935,849.

| Year Ending<br>(June 30) | Total<br>Payments  |
|--------------------------|--------------------|
| 2013                     | \$645,283          |
| 2014                     | 645,283            |
| <u>2015</u>              | <u>645,283</u>     |
| Total                    | <u>\$1,935,849</u> |

***Workers' Compensation Assessment.*** The District was a member of School Excess Liability Fund (SELF), a cost sharing Joint Powers Authority (JPA) for the purpose of providing the District excess workers' compensation insurance. The SELF board of directors declared an entity assessment to the member districts. At June 30, 2012, the District's outstanding obligation to their pro-rata share of equity assessed was \$161,716

## **TAX MATTERS**

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of corporations.

The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of the same series and maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner's basis in the Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of the Bond is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The Internal Revenue Service (the “IRS”) has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE BONDS, THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX TREATMENT OF THE INTEREST ON THE BONDS OR THE MARKET VALUE OF THE BONDS. LEGISLATIVE CHANGES HAVE BEEN PROPOSED IN CONGRESS, WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME TAX BEING IMPOSED ON CERTAIN OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. THE INTRODUCTION OR ENACTMENT OF ANY OF SUCH CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. NO ASSURANCE CAN BE GIVEN THAT, SUBSEQUENT TO THE ISSUANCE OF THE BONDS, SUCH CHANGES (OR OTHER CHANGES) WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

Bond Counsel’s opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) on the Bonds for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth.

Although Bond Counsel has rendered an opinion that interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes provided that the District continues to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

A copy of the proposed form of opinion of Bond Counsel for the Bonds is attached hereto as APPENDIX A.

## **LEGAL MATTERS**

### **Legality for Investment in California**

Under provisions of the California Financial Code, the Bonds are legal investments for commercial banks in California to the extent that the Bonds, in the informed opinion of the bank, are prudent for the investment of funds of depositors, and under provisions of the California Government Code, are eligible for security for deposits of public moneys in the State.

### **Continuing Disclosure**

In connection with the issuance of the Bonds, the District has covenanted for the benefit of Owners and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the “Annual Reports”) by not later than nine months following the end of the District’s fiscal year (which currently ends June 30), commencing with the report for the 2012-13 Fiscal Year, and to provide notices of the occurrence of certain enumerated events. The Annual Reports and notices of material events will be filed by the District in accordance with the requirements of the Rule. The specific nature of the information to be contained in the Annual Reports or the notices of material events is included in “APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS” attached hereto. These covenants have been made in order to assist the Underwriter in complying with the Rule.

Within the past five years, the District failed to file its annual reports for the fiscal years 2006-07, 2007-08, 2008-09, 2009-10 and 2010-11, as well as certain material event notices with respect to rating downgrades of municipal bond insurers that have insured certain of its outstanding obligations, as required by its then-existing continuing disclosure obligations. The District has since filed the required information and, for such five year period, is currently in compliance with its existing continuing disclosure obligations.

### **Absence of Material Litigation**

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished to purchasers at the time of the original delivery of the Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District’s ability to receive *ad valorem* taxes or to collect other revenues or contesting the District’s ability to issue and retire the Bonds.

There are a small number of lawsuits and claims pending against the District. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the finances of the District.

### **Information Reporting Requirements**

On May 17, 2006, the President signed the Tax Increase Prevention and Reconciliation Act of 2005 (“TIPRA”). Under Section 6049 of the Internal Revenue Code of 1986, as amended by TIPRA, interest paid on tax-exempt obligations is subject to information reporting in a manner similar to interest paid on taxable obligations. The effective date of this provision is for interest paid after December 31, 2005, regardless of when the tax-exempt obligations were issued. The purpose of this change was to assist in relevant information gathering for the IRS relating to other applicable tax provisions. TIPRA provides that backup withholding may apply to such interest payments made after March 31, 2007 to any

bondholder who fails to file an accurate Form W-9 or who meets certain other criteria. The information reporting and backup withholding requirements of TIPRA do not affect the excludability of such interest from gross income for federal income tax purposes.

### **Legal Opinion**

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, as Bond Counsel. A copy of the proposed form of such legal opinion is attached to this Official Statement as APPENDIX A.

### **Verification**

Upon delivery of the Bonds, Causey Demgen & Moore P.C. will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to them by the Underwriter relating to the adequacy of the amounts in the Escrow Fund to pay the redemption price of and accrued interest on the Refunded Bonds.

## **MISCELLANEOUS**

### **Ratings**

The Bonds have been assigned ratings of “Aa3” and “A+” by Moody’s Investors Service (“Moody’s”) and Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”), respectively. The ratings reflect only the view of the rating agencies, and any explanation of the significance of such ratings should be obtained from the rating agencies at the following addresses: Moody’s Investors Service, 7 World Trade Center at 250 Greenwich Street, New York, NY 10007; Standard & Poor’s, 55 Water Street, 45th Floor, New York, New York 10041. There is no assurance that the ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agencies if, in the judgment of the rating agencies, circumstances so warrant. The District undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the ratings obtained may have an adverse effect on the market price of the Bonds.

### **Financial Statements**

Excerpts from the financial statements with supplemental information for the year ended June 30, 2012, the independent auditor’s report of the District, and the related statements of activities and of cash flows for the year then ended, and the report of Vavrinek, Trine, Day & Co., LLP (the “Auditor”) dated December 5, 2012, are included in this Official Statement as APPENDIX B. In connection with the inclusion herein, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

### **Underwriting**

The Bonds are being purchased by Piper Jaffray & Co. (the “Underwriter”). The Underwriter has agreed to purchase the Bonds at a price of \$12,979,899.35, which is equal to the initial principal amount of the Bonds of \$11,630,000.00, plus premium of \$1,466,199.35, and less the Underwriter’s discount of \$116,300.00.

The Purchase Contract for the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said agreement, the approval of certain legal matters by counsel and certain other conditions. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the cover page. The offering prices may be changed from time to time by the Underwriter.

The Underwriter has entered into a distribution agreement (the “Distribution Agreement”) with Charles Schwab & Co., Inc. (“CS&Co.”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Distribution Agreement, CS&Co. will purchase Bonds from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

### **Additional Information**

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds, the Resolution providing for issuance of the Bonds, and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

Some of the data contained herein has been taken or constructed from District records. Appropriate District officials, acting in their official capacities, have reviewed this Official Statement and have determined that, as of the date hereof, the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading. This Official Statement has been approved by the District.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended only as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Owners, beneficial or otherwise, of any of the Bonds. This Official Statement and the delivery thereof have been duly approved and authorized by the District.

### **NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT**

By \_\_\_\_\_ /s/ Dr. Ruth Pérez  
Superintendent

## APPENDIX A

### FORM OF OPINION OF BOND COUNSEL FOR THE BONDS

*Upon issuance of the Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion with respect to the Bonds in substantially the following form:*

January 30, 2013

Board of Education  
Norwalk-La Mirada Unified School District

Members of the Board of Education:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of \$11,630,000 Norwalk-La Mirada Unified School District (Los Angeles County, California) 2013 General Obligation Refunding Bonds, Series A (Tax-Exempt) (the “Bonds”). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and a resolution (the “Resolution”) of the Board of Education of the Norwalk-La Mirada Unified School District (the “District”).
2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.
3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that, with respect to corporations, such interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of such corporations.
4. Interest on the Bonds is exempt from State of California personal income tax.
5. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bondowner will increase the Bondowner’s basis in the applicable Bond. Original issue discount that accrues to the Bondowner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of

the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

6. The amount by which a Bondowner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Bond premium reduces the Bondowner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bondowner realizing a taxable gain when a Bond is sold by the Bondowner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bondowner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than ourselves. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Bonds.

The opinions expressed herein as to the exclusion from gross income of interest (and original issue discount) on the Bonds are based upon certain representations of fact and certifications made by the District and others and are subject to the condition that the District complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

It is possible that subsequent to the issuance of the Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,



**APPENDIX B**

**EXCERPTS FROM THE 2011-12 AUDITED FINANCIAL  
STATEMENTS OF THE DISTRICT**



**NORWALK-LA MIRADA  
UNIFIED SCHOOL DISTRICT**

---

**ANNUAL FINANCIAL REPORT**

---

**JUNE 30, 2012**



To the Governing Board  
Norwalk-La Mirada Unified School District  
Norwalk, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Norwalk-La Mirada Unified School District for the year ended June 30, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated March 1, 2012. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Norwalk-La Mirada Unified School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2011-2012. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were management's estimates of the claims liability for self-insured programs and the claims liability for postemployment benefits (OPEB), both of which are actuarially determined. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

##### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

##### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We noted no corrected or uncorrected misstatements of the financial statements.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 5, 2012.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Governing Board and management of Norwalk-La Mirada Unified School District and is not intended to be and should not be used by anyone other than these specified parties.

*Varrinck, Irwin, Day & Co., LLP*

Rancho Cucamonga, California  
December 5, 2012

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## TABLE OF CONTENTS

JUNE 30, 2012

---

### **FINANCIAL SECTION**

|   |    |
|---|----|
| Independent Auditors' Report  | 2  |
| Management's Discussion and Analysis  | 4  |
| Basic Financial Statements  |    |
| Government-Wide Financial Statements  |    |
| Statement of Net Assets   | 16 |
| Statement of Activities   | 17 |
| Fund Financial Statements   |    |
| Governmental Funds - Balance Sheet  | 18 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets   | 19 |
| Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances  | 20 |
| Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities | 21 |
| Proprietary Funds - Statement of Net Assets   | 23 |
| Proprietary Funds - Statement of Revenues, Expenses, and Changes in Fund Net Assets   | 24 |
| Proprietary Funds - Statement of Cash Flows   | 25 |
| Fiduciary Funds - Statement of Net Assets   | 26 |
| Fiduciary Funds - Statement of Changes in Net Assets  | 27 |
| Notes to Financial Statements   | 28 |

### **REQUIRED SUPPLEMENTARY INFORMATION**

|   |    |
|---|----|
| General Fund - Budgetary Comparison Schedule                        | 64 |
| Special Education Pass-Through Fund - Budgetary Comparison Schedule | 65 |
| Adult Education Pass-Through Fund - Budgetary Comparison Schedule   | 66 |
| Schedule of Other Postemployment Benefits (OPEB) Funding Progress   | 67 |

### **SUPPLEMENTARY INFORMATION**

|  |    |
|--|----|
| Schedule of Expenditures of Federal Awards   | 69 |
| Local Education Agency Organization Structure  | 72 |
| Schedule of Average Daily Attendance   | 73 |
| Schedule of Instructional Time   | 74 |
| Reconciliation of Annual Financial and Budget Report With Audited Financial Statements | 75 |
| Schedule of Financial Trends and Analysis  | 76 |
| Combining Statements - Non-Major Governmental Funds                                    |    |
| Combining Balance Sheet  | 77 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances            | 78 |
| General Fund Selected Financial Information  | 79 |
| Cafeteria Fund Selected Financial Information  | 80 |
| Note to Supplementary Information  | 81 |

### **SUPPLEMENTARY INFORMATION - UNAUDITED**

|   |    |
|---|----|
| Continuing Disclosure for Bond Issuance       | 84 |
| Note to Supplementary Information - Unaudited | 85 |

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## TABLE OF CONTENTS

JUNE 30, 2012

---

### ***INDEPENDENT AUDITORS' REPORTS***

|  |    |
|--|----|
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters<br>Based on an Audit of Financial Statements Performed in Accordance With <i>Government<br/>Auditing Standards</i> | 87 |
| Report on Compliance with Requirements that Could Have a Direct and Material Effect on<br>Each Major Program and on Internal Control Over Compliance in Accordance With<br>OMB Circular A-133              | 89 |
| Report on State Compliance   | 91 |

### ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

|  |    |
|--|----|
| Summary of Auditors' Results                 | 94 |
| Financial Statement Findings                 | 95 |
| Federal Awards Findings and Questioned Costs | 96 |
| State Awards Findings and Questioned Costs   | 97 |
| Summary Schedule of Prior Audit Findings     | 98 |
| Management Letter                            | 99 |

---

---

***FINANCIAL SECTION***

---

---

*This page left blank intentionally.*





## INDEPENDENT AUDITORS' REPORT

Governing Board  
Norwalk-La Mirada School District  
Norwalk, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Norwalk-La Mirada Unified School District (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express 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 2011-2012*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Norwalk-La Mirada Unified School District, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the Notes to the basic financial statements, the State of California continues to suffer the effects of a recessionary economy, which directly impacts the funding requirements of the State of California to the K-12 educational community.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2012, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 15, budgetary comparison information and other postemployment benefits information on pages 64 through 66 and 67, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The Schedule of Expenditures of Federal Awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* (Circular A-133) and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *supplementary information* is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information – unaudited, such as the *Continuing Disclosure for Bond Issuance* is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Varrinck, Irwin, Day & Co., LLP*

Rancho Cucamonga, California  
December 5, 2012



*Where EVERY Student is Given EVERY Opportunity to  
Demonstrate EXCELLENCE*

12820 PIONEER BOULEVARD, NORWALK, CALIFORNIA 90650-2894  
PHONE (562) 868-0431 • FAX (562) 868-7077

This section of Norwalk-La Mirada Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2012. Please read it in conjunction with the District's financial statements, which immediately follow this section.

## OVERVIEW OF THE FINANCIAL STATEMENTS

### The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the District (including capital assets), as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental, business-type, and fiduciary.

The *Governmental Activities* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Business-Type Activities* are prepared using the economic resources measurement focus and the accrual basis of accounting. The fiduciary activities are agency funds, which only report a balance sheet and do not have a measurement focus. *Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements* is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Norwalk-La Mirada Unified School District.

---

#### BOARD OF EDUCATION

DARRYL R. ADAMS  
President  
MARGARITA L. RIOS  
Member

ED HENGLER  
Vice President  
JESSE UROUIDI  
Member

KAREN L. MORRISON  
Member  
ANA VALENCIA  
Member

CHRIS PFLANZER  
Member  
DR. RUTH PÉREZ  
Superintendent



# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

---

### REPORTING THE DISTRICT AS A WHOLE

#### **The Statement of Net Assets and the Statement of Activities**

The *Statement of Net Assets* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. Net assets are the difference between assets and liabilities, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its *financial health* is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results*. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Assets* and the *Statement of Activities*, we separate the District activities as follows:

**Governmental Activities** - Most of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

**Business-Type Activities** - The District charges fees to help it cover the costs of certain services it provides. The District's child care program is included here.

### REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

#### **Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

---

**Governmental funds** - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. 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 near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

**Proprietary funds** - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Assets* and the *Statement of Revenues, Expenses, and Changes in Fund Net Assets*. In fact, the District's enterprise funds are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities, such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

## THE DISTRICT AS A TRUSTEE

### Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities and scholarships. The District's fiduciary activities are reported in the *Statement of Fiduciary Net Assets* and the *Statement of Revenues, Expenses, and Changes in Fund Net Assets*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

### THE DISTRICT AS A WHOLE

#### Net Assets

The District's net assets were \$187.9 million for the fiscal year ended June 30, 2012. Of this amount, \$35.8 million was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use those net assets for day-to-day operations. Our analysis below, in summary form, focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's activities.

Table 1

| (Amounts in millions)                              | Governmental Activities |                 | Business-Type Activities |             | School District Activities |                 |
|--|-------------------------|-----------------|--------------------------|-------------|----------------------------|-----------------|
|  | 2012                    | 2011            | 2012                     | 2011        | 2012                       | 2011            |
| <b>ASSETS</b>                                      |                         |                 |                          |             |                            |                 |
| Current and other assets                           | \$ 149.8                | \$ 158.6        | \$ -                     | \$ -        | \$ 149.8                   | \$ 158.6        |
| Capital assets                                     | 265.2                   | 267.0           | -                        | -           | 265.2                      | 267.0           |
| <b>Total Assets</b>                                | <b>415.0</b>            | <b>425.6</b>    | <b>-</b>                 | <b>-</b>    | <b>415.0</b>               | <b>425.6</b>    |
| <b>LIABILITIES</b>                                 |                         |                 |                          |             |                            |                 |
| Current liabilities                                | 19.2                    | 23.5            | -                        | -           | 19.2                       | 23.5            |
| Long-term obligations                              | 207.9                   | 203.1           | -                        | -           | 207.9                      | 203.1           |
| <b>Total Liabilities</b>                           | <b>227.1</b>            | <b>226.6</b>    | <b>-</b>                 | <b>-</b>    | <b>227.1</b>               | <b>226.6</b>    |
| <b>NET ASSETS</b>                                  |                         |                 |                          |             |                            |                 |
| Invested in capital assets,<br>net of related debt | 116.6                   | 141.0           | -                        | -           | 116.6                      | 141.0           |
| Restricted   | 35.5                    | 37.5            | -                        | -           | 35.5                       | 37.5            |
| Unrestricted                                       | 35.8                    | 20.5            | -                        | -           | 35.8                       | 20.5            |
| <b>Total Net Assets</b>                            | <b>\$ 187.9</b>         | <b>\$ 199.0</b> | <b>\$ -</b>              | <b>\$ -</b> | <b>\$ 187.9</b>            | <b>\$ 199.0</b> |

The \$35.8 million in unrestricted net assets of activities represents the accumulated results of all past years' operations. These unrestricted assets put the District in a position, if required, to take care of its obligations, but still have a sufficient fund balance. The Board of Education has been especially prudent in light of continuing declining enrollment to provide direction to staff.

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

### Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 17. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

| (Amounts in millions)                | Governmental Activities |                 | Business-Type Activities |                 | School District Activities |                 |
|--------------------------------------|-------------------------|-----------------|--------------------------|-----------------|----------------------------|-----------------|
|                                      | 2012                    | 2011            | 2012                     | 2011            | 2012                       | 2011            |
| <b>Revenues</b>                      |                         |                 |                          |                 |                            |                 |
| Program revenues:                    |                         |                 |                          |                 |                            |                 |
| Charges for services                 | \$ 2.5                  | \$ 2.9          | \$ 0.7                   | \$ 0.6          | \$ 3.2                     | \$ 3.5          |
| Operating grants and contributions   | 64.4                    | 64.4            | -                        | -               | 64.4                       | 64.4            |
| Capital grants and contributions     | 0.1                     | 0.1             | -                        | -               | 0.1                        | 0.1             |
| General revenues:                    |                         |                 |                          |                 |                            |                 |
| Federal and State aid not restricted | 112.7                   | 114.8           | -                        | -               | 112.7                      | 114.8           |
| Property taxes                       | 21.2                    | 22.3            | -                        | -               | 21.2                       | 22.3            |
| Other general revenues               | 10.1                    | 7.8             | -                        | -               | 10.1                       | 7.8             |
| <b>Total Revenues</b>                | <b>211.0</b>            | <b>212.3</b>    | <b>0.7</b>               | <b>0.6</b>      | <b>211.7</b>               | <b>212.9</b>    |
| <b>Expenses</b>                      |                         |                 |                          |                 |                            |                 |
| Instruction-related                  | 138.7                   | 136.4           | -                        | -               | 138.7                      | 136.4           |
| Student support services             | 20.8                    | 20.7            | -                        | -               | 20.8                       | 20.7            |
| Administration                       | 8.3                     | 7.1             | -                        | -               | 8.3                        | 7.1             |
| Maintenance and operations           | 20.6                    | 19.5            | -                        | -               | 20.6                       | 19.5            |
| Other                                | 33.9                    | 33.0            | 0.5                      | 0.5             | 34.4                       | 33.5            |
| <b>Total Expenses</b>                | <b>222.3</b>            | <b>216.7</b>    | <b>0.5</b>               | <b>0.5</b>      | <b>222.8</b>               | <b>217.2</b>    |
| <b>Excess (Deficiency)</b>           |                         |                 |                          |                 |                            |                 |
| Transfers                            | 0.2                     | 0.2             | (0.2)                    | (0.2)           | -                          | -               |
| <b>Change in Net Assets</b>          | <b>\$ (11.1)</b>        | <b>\$ (4.2)</b> | <b>\$ -</b>              | <b>\$ (0.1)</b> | <b>\$ (11.1)</b>           | <b>\$ (4.3)</b> |

### Governmental Activities

As reported in the *Statement of Activities* on page 17, the cost of all of our governmental activities this year was \$222.3 million, an increase of \$5.6 million or 2.6 percent over the prior year. However, the amount that our taxpayers ultimately financed for these activities through local taxes is only a small portion equating to 9.5 percent of overall expenditures and the vast majority of expenditures were paid by those who benefited from the programs (\$2.5 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$64.5 million). We paid for the remaining "public benefit" portion of our governmental activities with \$122.8 million from Federal and State unrestricted funds and from other revenue sources, such as interest and general entitlements.

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2012**

In Table 3, we have presented the cost and net cost of each of the District's largest functions: regular program instruction, including special instruction programs and other instruction-related programs, student support services, including student transportation and school food services, administration, maintenance and operations, and all other remaining functional costs. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

**Table 3**

(Amounts in millions)

|                            | Total Cost of Services |                 | Net Cost of Services |                 |
|----------------------------|------------------------|-----------------|----------------------|-----------------|
|                            | 2012                   | 2011            | 2012                 | 2011            |
| Instruction-related        | \$ 138.7               | \$ 136.4        | \$ 98.1              | \$ 95.4         |
| Student support services   | 20.8                   | 20.7            | 7.7                  | 7.6             |
| Administration             | 8.3                    | 7.1             | 6.9                  | 5.6             |
| Maintenance and operations | 20.6                   | 19.5            | 20.1                 | 19.0            |
| Other                      | 33.9                   | 33.0            | 22.5                 | 21.7            |
| <b>Total</b>               | <b>\$ 222.3</b>        | <b>\$ 216.7</b> | <b>\$ 155.3</b>      | <b>\$ 149.3</b> |

## THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$102.9 million, which is a decrease of \$4.7 million from last year. An itemized chart is provided below labeled as Table 4.

**Table 4**

(Amounts in millions)

|                                     | Balances and Activity |                 |                 |                 |
|-------------------------------------|-----------------------|-----------------|-----------------|-----------------|
|                                     | July 01, 2011         | Revenues        | Expenditures    | June 30, 2012   |
| General Fund                        | \$ 48.7               | \$ 175.0        | \$ 177.0        | \$ 46.7         |
| Special Education Pass-Through Fund | -                     | 13.9            | 13.9            | -               |
| Adult Education Fund                | 1.8                   | 4.5             | 6.3             | -               |
| Building Fund                       | 29.7                  | 0.4             | 1.7             | 28.4            |
| Child Development Fund              | 0.6                   | 7.5             | 7.7             | 0.4             |
| Cafeteria Fund                      | 4.9                   | 10.5            | 9.0             | 6.4             |
| Deferred Maintenance Fund           | 2.0                   | 0.8             | 0.9             | 1.9             |
| Pupil Transportation Fund           | -                     | 0.1             | 0.1             | -               |
| Capital Facilities Fund             | 1.1                   | -               | 0.2             | 0.9             |
| County School Facilities Fund       | 6.5                   | 0.1             | 3.1             | 3.5             |
| Special Reserve Fund for            |                       |                 |                 |                 |
| Capital Outlay Projects             | 7.4                   | 5.1             | 2.9             | 9.6             |
| Bond Interest and Redemption Fund   | 4.9                   | 6.2             | 6.0             | 5.1             |
| <b>Total</b>                        | <b>\$ 107.6</b>       | <b>\$ 224.1</b> | <b>\$ 228.8</b> | <b>\$ 102.9</b> |



# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

---

The primary reasons for these decreases are:

- The General Fund difference is inclusive of the Special Reserve Fund for Postemployment Benefits (Fund 20) in accordance with GASB 54 Fund Balance Regulations. The fund balance was reduced from \$48.7 million down to \$46.7, a change of \$2.0 million as a result of the following:
  - The General Fund is our principal operating fund and decreased by \$1.63 million, making up 82 percent of the total ending fund balance decrease of \$2.0 million. Unrestricted fund balance revenues were lower than expenditures by \$1.02 million, mostly attributed to lower State Aid revenues. The District has been experiencing declining enrollment since 2002-2003, and through prudent planning has been able to operate without deficits, however, the additional negative cost of living adjustment of negative 1.04 percent in the Base Revenue Limit, resulted in a loss of \$1.1 million to the District above declining enrollment.
  - Restricted fund balances decreased by \$0.61 million because of one-time expenditures for various categorical programs. Medi-Cal decreased \$0.76 million, Restricted Lottery increased \$0.42 million, Special Education Mental Health increased \$0.33 million, Economic Impact Aid decreased \$0.46 million, and Restricted Routine Maintenance decreased \$0.14 million.
  - The Special Reserve Fund for Postemployment Benefits decreased by \$0.34 million, or 17 percent of the total General Fund ending balance decrease of \$2.0 million. The Post Retirement Fund was established in 2008-2009 to fund the 2009 memorandum of understanding between the District and employee associations to support the cost of retiree medical premiums. The funds received come from one-time mandated costs reimbursements from the State of California. For 2011-2012, the District received \$0.69 million in funding and transferred out \$1.02 million to cover the pay-as-you-go amount for OPEB.
- The Adult Education Fund balance was reduced by \$1.8 million as a result of the District utilizing State SBX3\_4 Categorical Flexibility and making a one-time inter-fund transfer to the General Fund to be used for any educational purpose to mitigate deficit spending and stabilize the General Fund.
- The Building Fund decreased from \$29.7 million to \$28.4 million, a decrease of \$1.3 million, or roughly 28 percent of the total \$4.7 million fund balances decrease. The Building Fund utilized Bond Proceeds to begin planning on the final two school site modernization projects of the District.

### General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on May 21, 2012. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 64.

- In total, budgetary revisions for the 2011-2012 fiscal year projected a decrease in the estimated fund balance of \$7.2 million. Final actuals resulted in a fund balance decrease of \$2.0 million, which was explained in the section above. The total difference between the final budget and actual was \$5.2 million. Revenue changes were \$8.9 million higher than original anticipated, inclusive of transfers in; and expenditures were higher by \$4.4 million, inclusive of transfers out, from the Adopted Budget.

# **NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2012**

---

- Noteworthy budget revisions to revenues are outlined below:
  - Revenue Limit funding originally included the per-ADA Trigger reduction of \$330/ADA, which was later rescinded, increasing base funding by \$5.6 million.
  - Federal revenues were slightly higher by \$0.24 million. The District had higher one-time deferred revenues from 2010-2011 for Title I and Title II.
  - State mental health services were transferred from counties to local educational agencies in 2011-2012, to provide services to special education students, resulting in \$1.6 million in additional income.
  - Local revenues changes for use of facilities and site donations increased by \$0.37 million, while inter-agency agreements for special education pupils decreased by \$0.1 million.
  - Contributions and transfers in increased by \$1.2 million. A memorandum of understanding (MOU) was reached with the both bargaining unit associations to make a one-time contribution of \$1.0 million for health and welfare. Additionally, a board approved transfer from the academic recreational and childcare program to support the General Fund was increased by \$0.2 million.
- Noteworthy budget revisions to expenditures are outlined below:
  - Certificated salaries were \$1.1 million higher than the Adopted Budget to due additional classroom teacher positions to support educational programs for students. Classified salaries were also \$0.24 million higher than projections, due to the transfer of facility management positions from the Building Fund to the General Fund. Employee benefits were increased \$0.6 million due to the corresponding salary increases for certificated and classified positions mentioned above; and to also cover one-time \$1.0 million health and welfare MOU from negotiations.
  - Books and supply budgets were \$0.15 million lower than the original budget because of lower than anticipated costs for transportation parts, other program carryovers, site operating savings, and unspent allocations.
  - Other operating expenditures and capital outlay increased by \$2.09 million reflecting additional contracted services for mental health services, utilities, and the purchase of additional maintenance and operations equipment.
  - Transfers out decreased in total by \$0.35 million, as a result of the District receiving additional one-time mandated cost reimbursement funds which were utilized to support the one-time MOU for health and welfare benefits.

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2012, the District had \$265.2 million in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of \$1.8 million, or 0.7 percent, from last year (Table 5).

**Table 5**

| (Amounts in millions)      | Governmental Activities |                 | Business-Type Activities |             | Total           |                 |
|----------------------------|-------------------------|-----------------|--------------------------|-------------|-----------------|-----------------|
|                            | 2012                    | 2011            | 2012                     | 2011        | 2012            | 2011            |
| Land and construction      |                         |                 |                          |             |                 |                 |
| in progress                | \$ 11.6                 | \$ 10.0         | \$ -                     | \$ -        | \$ 11.6         | \$ 10.0         |
| Buildings and improvements | 250.0                   | 254.0           | -                        | -           | 250.0           | 254.0           |
| Furniture and equipment    | 3.6                     | 3.0             | -                        | -           | 3.6             | 3.0             |
| <b>Total</b>               | <b>\$ 265.2</b>         | <b>\$ 267.0</b> | <b>\$ -</b>              | <b>\$ -</b> | <b>\$ 265.2</b> | <b>\$ 267.0</b> |

Capital assets represent one of the largest investments for the District. Modernization and construction projects continue to progress and a more detailed explanation is outlined on Table 5.

Outlined below are the significant additions over prior year commitments due to modernization projects:

| <u>School Site</u>       | <u>Amounts</u>            |
|--------------------------|---------------------------|
| Benton Middle School     | \$708,648                 |
| Corvallis Middle School  | 643,075                   |
| Dolland Elementary       | 560                       |
| Escalona Elementary      | 7,706                     |
| Moffitt Elementary       | 5,008                     |
| Los Alisos Middle School | 25,996                    |
| Morrison Elementary      | 32,583                    |
| Waite Middle School      | 27,728                    |
| Glenn High School        | 114,254                   |
| La Mirada High School    | 11,896                    |
| Norwalk High School      | 116,540                   |
| <b>Total</b>             | <b><u>\$1,693,994</u></b> |

This year's additions included closed-circuit television (CCTV), middle school academy classroom updates, and other classroom equipment such as computers. No debt was issued for these additions.

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

### Long-Term Obligations

At the end of this year, the District had \$207.9 million in long-term obligations outstanding versus \$203.1 million last year, an increase of two percent. Those obligations consisted of:

Table 6

| (Amounts in millions)  | Governmental Activities |                 | Business-Type Activities |             | Total           |                 |
|--|-------------------------|-----------------|--------------------------|-------------|-----------------|-----------------|
|  | 2012                    | 2011            | 2012                     | 2011        | 2012            | 2011            |
| General obligation bonds - net<br>(financed with property taxes) | \$ 177.9                | \$ 175.4        | \$ -                     | \$ -        | \$ 177.9        | \$ 175.4        |
| Certificates of participation                                    | 2.8                     | 2.8             | -                        | -           | 2.8             | 2.8             |
| Postemployment benefits  | 14.4                    | 11.6            | -                        | -           | 14.4            | 11.6            |
| Other  | 12.8                    | 13.3            | -                        | -           | 12.8            | 13.3            |
| <b>Total</b>   | <b>\$ 207.9</b>         | <b>\$ 203.1</b> | <b>\$ -</b>              | <b>\$ -</b> | <b>\$ 207.9</b> | <b>\$ 203.1</b> |

The District's general obligation bond rating continues to be AAA and Aaa assigned by Standard and Poor's and Moody's, respectively, and has not changed since the prior year. The State limits the amount of general obligation debt that districts can issue to five percent of the assessed value of all taxable property within the district's boundaries. The District's outstanding general obligation debt of \$177.9 million is significantly below the voter-approved threshold statutorily imposed limits.

Other obligations include compensated absences payable and other long-term obligations. We present more detailed information regarding our long-term obligations in Note 8 of the financial statements.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2012-2013 year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Base revenue limit is budgeted at \$4,799.86, a decrease of \$399.57 per ADA from the 2011-2012 funding level. This is a result of the District including the potential reduction of \$441 per ADA from the Governor's May Revision, which includes potential trigger language if voter approved initiatives are not passed. Revenue Limit funding also includes a positive 3.24 percent cost-of-living adjustment, or \$212 per ADA, which is offset by an increase in the deficit factor from 20.602 percent to 22.272 percent. Projected Second Period Apportionment (P2 ADA) is calculated at 19,173 including Special Education, County Operated Programs, and Independent Study. Enrollment projections indicate a decline in student population that directly effects revenue limit funding. Under the funding provision for base revenue limit, the District is eligible to claim the higher totals between current and prior year ADA; consequently, budget projections for 2012-2013 are based using 2011-2012 generated ADA.
2. Property tax revenues are budgeted at \$13.7 million, or 8.93 percent of total revenues.

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

---

3. Revenue limit income is projected at \$94.09 million, a decrease of \$9.3 million over prior year estimated actuals. This adjustment includes a negative 9.58 percentage change in per-pupil funding, as result of the deficit mentioned above and the student enrollment decline of 429.
4. Federal income decreased by \$4.3 million, or 23 percent from the previous year, and is budgeted at \$14.0 million. The decline in funding can be attributed to the loss of one-time Federal stimulus dollars received through the American Recovery and Reinvestment Act Education Jobs Fund.
5. State income is budgeted at \$41.4 million, a decrease of \$1.56 million from prior year estimates. Special Education pass-through funding for our SELPA was previously included in the General Fund, but is now included in Fund 10. State revenue sources include; Lottery, Categorical Flexibility Programs, Class-Size Reduction, Transportation, Special Education, and various Restricted programs.
6. Local revenues are projected to be \$0.2 million, or 8.3 percent lower than prior year estimates, and are budgeted at \$2.12 million. Income includes interest income, use-of-facilities proceeds, income from other local agency agreements, and locally restricted LAUP preschool program reimbursements.

Expenditures are based on the following forecasts:

|                                   | Staffing Ratio | Enrollment |
|-----------------------------------|----------------|------------|
| Grades kindergarten through third | 28:1           | 5,589      |
| Grades four through five          | 31:1           | 2,869      |
| Grades six through eight          | 30:1           | 4,354      |
| Grades nine through twelve        | 28.8:1         | 6,161      |

The new items specifically addressed in the budget are:

1. Certificated and classified salaries and benefits total over 85 percent of total expenditures and reflect staffing ratios approved in policy. Certificated salaries have been reduced significantly from the previous year due to the loss Federal funding from the Ed Jobs and Medicaid Act of \$3.9 million.
2. Employee benefits are budgeted at \$32.75 million, and include statutory benefits for all positions as follows: (STRS 8.25 percent, PERS 11.417 percent, OASDI 6.2 percent, Medicare 1.45 percent, SUI 1.10 percent, Workers' Comp 2.83 percent, Alternative Retirement 4.57 percent, and OPEB 0.054 percent.) Additionally, eligible employees for health and welfare benefits receive \$9,000 to be combined into the Self-Insurance Fund to cover the cost of medical insurance.
3. \$24.43 million, or 14.63 percent of the total General Fund operating budget is spread among books, supplies, other operating expenses and services, capital outlay, and other outgo and uses.
4. Lottery revenues are budgeted using \$141.75/ADA and estimated ADA of 22,123, which reflects new regulations freezing the funded ADA at 2007-2008 levels through 2012-2013. Revenues are projected at \$3.14 million which are used to directly support various school site expenditures.
5. Staff discussed with the Board the use of Categorical Flexibility and recommended to use additional funding to offset the loss of revenue limit funding. Adult Education funding received will be withheld by an additional \$0.5 million, and the Deferred Maintenance State Match will also be withheld an additional \$0.2 million to be used for any educational purpose and to decrease deficit spending levels in the unrestricted portion of the General Fund.

# **NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2012**

---

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, students, and 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 about this report or need any additional financial information, contact Estuardo Santillan, Assistant Superintendent, Business Services at Norwalk-La Mirada Unified School District, 12820 Pioneer Blvd, Norwalk, California, 90650, or e-mail at [esantillan@nlmusd.k12.ca.us](mailto:esantillan@nlmusd.k12.ca.us).

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## STATEMENT OF NET ASSETS

JUNE 30, 2012

|   | Governmental<br>Activities | Business-Type<br>Activities | Total                 |
|---|----------------------------|-----------------------------|-----------------------|
| <b>ASSETS</b>                                   |                            |                             |                       |
| Deposits and investments                        | \$ 88,785,152              | \$ 35,219                   | \$ 88,820,371         |
| Receivables                                     | 56,892,549                 | 1,514                       | 56,894,063            |
| Prepaid expenses                                | 11,468                     | 1,842                       | 13,310                |
| Stores inventories                              | 497,565                    | -                           | 497,565               |
| Deferred cost of issuance                       | 2,831,712                  | -                           | 2,831,712             |
| Deferred charges on refunding                   | 832,511                    | -                           | 832,511               |
| Capital assets                                  |                            |                             |                       |
| Land and construction in process                | 11,602,938                 | -                           | 11,602,938            |
| Other capital assets                            | 336,616,988                | 12,795                      | 336,629,783           |
| Less: accumulated depreciation                  | (83,006,873)               | (12,632)                    | (83,019,505)          |
| Total Capital Assets                            | 265,213,053                | 163                         | 265,213,216           |
| <b>Total Assets</b>                             | <b>415,064,010</b>         | <b>38,738</b>               | <b>415,102,748</b>    |
| <b>LIABILITIES</b>                              |                            |                             |                       |
| Accounts payable                                | 17,329,425                 | 10,681                      | 17,340,106            |
| Accrued interest payable                        | 1,219,740                  | -                           | 1,219,740             |
| Deferred revenue                                | 646,202                    | 24,028                      | 670,230               |
| Long-term obligations                           |                            |                             |                       |
| Current portion of long-term obligations        | 6,293,993                  | -                           | 6,293,993             |
| Noncurrent portion of long-term obligations     | 201,651,064                | -                           | 201,651,064           |
| Total Long-Term Obligations                     | 207,945,057                | -                           | 207,945,057           |
| <b>Total Liabilities</b>                        | <b>227,140,424</b>         | <b>34,709</b>               | <b>227,175,133</b>    |
| <b>NET ASSETS</b>                               |                            |                             |                       |
| Invested in capital assets, net of related debt | 116,564,538                | 163                         | 116,564,701           |
| Restricted for:                                 |                            |                             |                       |
| Debt service                                    | 5,226,629                  | -                           | 5,226,629             |
| Capital projects                                | 4,420,967                  | -                           | 4,420,967             |
| Educational programs                            | 3,009,356                  | -                           | 3,009,356             |
| Other activities                                | 22,927,370                 | 3,866                       | 22,931,236            |
| Unrestricted                                    | 35,774,726                 | -                           | 35,774,726            |
| <b>Total Net Assets</b>                         | <b>\$ 187,923,586</b>      | <b>\$ 4,029</b>             | <b>\$ 187,927,615</b> |

The accompanying notes are an integral part of these financial statements.

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2012

| Functions/Programs                              | Expenses              | Program Revenues                     |  |  |
|---|-----------------------|--------------------------------------|--|--|
|   |                       | Charges for<br>Services and<br>Sales | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |
| <b>Governmental Activities:</b>                 |                       |                                      |  |  |
| Instruction                                     | \$ 115,067,174        | \$ 538,975                           | \$ 32,422,246                            | \$ 53,212                              |
| Instruction-related activities:                 |                       |                                      |  |  |
| Supervision of instruction                      | 12,251,146            | 125,347                              | 6,696,472                                | -                                      |
| Instructional library, media,<br>and technology | 730,846               | -                                    | 173,691                                  | -                                      |
| School site administration                      | 10,620,926            | 28                                   | 613,072                                  | -                                      |
| Pupil services:                                 |                       |                                      |  |  |
| Home-to-school transportation                   | 4,837,832             | 3,460                                | 1,313,636                                | -                                      |
| Food services                                   | 8,547,852             | 1,543,821                            | 8,132,788                                | -                                      |
| All other pupil services                        | 7,503,236             | 48,441                               | 2,194,449                                | -                                      |
| Administration:                                 |                       |                                      |  |  |
| Data processing                                 | 1,386,810             | -                                    | -  | -                                      |
| All other administration                        | 6,864,203             | 72,220                               | 1,320,163                                | -                                      |
| Plant services                                  | 20,619,604            | 38,330                               | 528,655                                  | -                                      |
| Ancillary services                              | 540,009               | -                                    | 299                                      | -                                      |
| Community services                              | 133,131               | -                                    | -  | -                                      |
| Enterprise services                             | 543,155               | -                                    | -  | -                                      |
| Interest on long-term obligations               | 8,956,524             | -                                    | -  | -                                      |
| Other outgo                                     | 17,008,658            | 179,619                              | 11,046,985                               | -                                      |
| Depreciation (unallocated) <sup>1</sup>         | 6,705,451             | -                                    | -  | -                                      |
| <b>Total Governmental Activities</b>            | <b>222,316,557</b>    | <b>2,550,241</b>                     | <b>64,442,456</b>                        | <b>53,212</b>                          |
| <b>Business-Type Activities</b>                 |                       |                                      |  |  |
| Enterprise services                             | 476,465               | 665,301                              | -  | -                                      |
| <b>Total Business-Type Activities</b>           | <b>476,465</b>        | <b>665,301</b>                       | <b>-</b>                                 | <b>-</b>                               |
| <b>Total School District</b>                    | <b>\$ 222,793,022</b> | <b>\$ 3,215,542</b>                  | <b>\$ 64,442,456</b>                     | <b>\$ 53,212</b>                       |

### General revenues and subventions:

Property taxes, levied for general purposes  
 Property taxes, levied for debt service  
 Taxes levied for other specific purposes  
 Federal and State aid not restricted to specific purposes  
 Interagency revenues  
 Interest and investment earnings  
 Miscellaneous

### Subtotal, General Revenues

Transfers

### Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

<sup>1</sup> This amount excludes any depreciation that is included in the direct expenses of the various programs.

The accompanying notes are an integral part of these financial statements.



| Net (Expenses) Revenues and<br>Changes in Net Assets |                                 |                 |
|--|---------------------------------|-----------------|
| Governmental<br>Activities                           | Business-<br>Type<br>Activities | Total           |
| \$ (82,052,741)                                      | \$ -                            | \$ (82,052,741) |
| (5,429,327)  | -                               | (5,429,327)     |
| (557,155)  | -                               | (557,155)       |
| (10,007,826)   | -                               | (10,007,826)    |
| (3,520,736)  | -                               | (3,520,736)     |
| 1,128,757  | -                               | 1,128,757       |
| (5,260,346)  | -                               | (5,260,346)     |
| (1,386,810)  | -                               | (1,386,810)     |
| (5,471,820)  | -                               | (5,471,820)     |
| (20,052,619)   | -                               | (20,052,619)    |
| (539,710)  | -                               | (539,710)       |
| (133,131)  | -                               | (133,131)       |
| (543,155)  | -                               | (543,155)       |
| (8,956,524)  | -                               | (8,956,524)     |
| (5,782,054)  | -                               | (5,782,054)     |
| (6,705,451)  | -                               | (6,705,451)     |
| (155,270,648)  | -                               | (155,270,648)   |
| -  | 188,836                         | 188,836         |
| -  | 188,836                         | 188,836         |
| (155,270,648)  | 188,836                         | (155,081,812)   |
| 14,714,934   | -                               | 14,714,934      |
| 6,151,159  | -                               | 6,151,159       |
| 359,618  | -                               | 359,618         |
| 112,712,308  | -                               | 112,712,308     |
| 149,746  | -                               | 149,746         |
| 490,622  | -                               | 490,622         |
| 9,427,929  | 1,186                           | 9,429,115       |
| 144,006,316  | 1,186                           | 144,007,502     |
| 200,000  | (200,000)                       | -               |
| (11,064,332)   | (9,978)                         | (11,074,310)    |
| 198,987,918  | 14,007                          | 199,001,925     |
| \$ 187,923,586                                       | \$ 4,029                        | \$ 187,927,615  |

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2012

|  | General<br>Fund      | Special Education<br>Pass-Through<br>Fund | Adult<br>Education<br>Fund |
|--|----------------------|---|----------------------------|
| <b>ASSETS</b>                                  |                      |   |                            |
| Deposits and investments                       | \$ 6,905,367         | \$ 24,640                                 | \$ 999,126                 |
| Receivables                                    | 48,703,829           | 5,125,093                                 | 121,640                    |
| Due from other funds                           | 2,558,212            | -   | 1,546,468                  |
| Prepaid expenditures                           | 11,107               | -   | 361                        |
| Stores inventories                             | 370,159              | -   | -                          |
| <b>Total Assets</b>                            | <b>\$ 58,548,674</b> | <b>\$ 5,149,733</b>                       | <b>\$ 2,667,595</b>        |
| <b>LIABILITIES AND<br/>FUND BALANCES</b>       |                      |   |                            |
| <b>Liabilities:</b>                            |                      |   |                            |
| Accounts payable                               | \$ 5,895,631         | \$ 5,149,733                              | \$ 101,998                 |
| Due to other funds                             | 5,296,468            | -   | 2,558,212                  |
| Deferred revenue                               | 639,237              | -   | -                          |
| <b>Total Liabilities</b>                       | <b>11,831,336</b>    | <b>5,149,733</b>                          | <b>2,660,210</b>           |
| <b>Fund Balances:</b>                          |                      |   |                            |
| Nonspendable                                   | 506,266              | -   | 361                        |
| Restricted                                     | 3,009,356            | -   | -                          |
| Committed                                      | -                    | -   | -                          |
| Assigned                                       | 5,600,162            | -   | 7,024                      |
| Unassigned                                     | 37,601,554           | -   | -                          |
| <b>Total Fund Balances</b>                     | <b>46,717,338</b>    | <b>-</b>                                  | <b>7,385</b>               |
| <b>Total Liabilities and<br/>Fund Balances</b> | <b>\$ 58,548,674</b> | <b>\$ 5,149,733</b>                       | <b>\$ 2,667,595</b>        |

The accompanying notes are an integral part of these financial statements.

---

| <b>Building<br/>Fund</b> | <b>Non-Major<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--------------------------|---|---|
| \$ 28,328,258            | \$ 22,201,978                               | \$ 58,459,369                           |
| 95,896                   | 2,796,547                                   | 56,843,005                              |
| -                        | 3,750,000                                   | 7,854,680                               |
| -                        | -   | 11,468                                  |
| -                        | 127,406                                     | 497,565                                 |
| <u>\$ 28,424,154</u>     | <u>\$ 28,875,931</u>                        | <u>\$ 123,666,087</u>                   |

|               |                  |                   |
|---------------|------------------|-------------------|
| \$ 40,739     | \$ 1,019,197     | \$ 12,207,298     |
| -             | -                | 7,854,680         |
| -             | 6,965            | 646,202           |
| <u>40,739</u> | <u>1,026,162</u> | <u>20,708,180</u> |

|                      |                      |                       |
|----------------------|----------------------|-----------------------|
| -                    | 127,406              | 634,033               |
| 28,383,415           | 17,252,481           | 48,645,252            |
| -                    | 1,909,949            | 1,909,949             |
| -                    | 8,559,933            | 14,167,119            |
| -                    | -                    | 37,601,554            |
| <u>28,383,415</u>    | <u>27,849,769</u>    | <u>102,957,907</u>    |
| <u>\$ 28,424,154</u> | <u>\$ 28,875,931</u> | <u>\$ 123,666,087</u> |

***This page left blank intentionally.***

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2012

|   |                     |                              |
|---|---------------------|------------------------------|
| <b>Total Fund Balance - Governmental Funds</b>  |                     | <b>\$ 102,957,907</b>        |
| <b>Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:</b>   |                     |                              |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.  |                     |                              |
| The cost of capital assets is:  | \$ 348,219,926      |                              |
| Accumulated depreciation is:  | <u>(83,006,873)</u> |                              |
| Net Capital Assets  |                     | 265,213,053                  |
| In a previous period, the District refunded the 2003 General Obligation Bonds, Series A. In the current year, the District refunded portions of the 2002 General Obligation Bonds, Series C and 2005 Refunding General Obligation Bonds. The difference between the amounts that were sent to the escrow agent for the repayment of the old debt and the actual remaining debt obligation will be amortized as an adjustment to interest expense over the remaining life of the refunded debt. This balance represents the unamortized remaining balance as of June 30, 2012. |                     | 832,511                      |
| Expenditures relating to issuance of debt of next fiscal year were recognized on modified accrual basis, but are not recognized on the accrual basis.   |                     | 2,831,712                    |
| In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term obligations is recognized when it is incurred.  |                     | (1,219,740)                  |
| An Internal Service Fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities.  |                     | 16,414,819                   |
| Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.   |                     |                              |
| Long-term obligations at year-end consist of:   |                     |                              |
| General obligation bonds  | (145,803,698)       |                              |
| Unamortized premium on bond issuance  | (4,793,906)         |                              |
| 2005 Certificates of Participation (QZAB program)   | (2,770,165)         |                              |
| Capital leases payable  | (37,897)            |                              |
| Other postemployment benefits (OPEB)  | (14,438,021)        |                              |
| Compensated absences (vacations)  | (2,036,490)         |                              |
| Supplemental early retirement plan (SERP)   | (1,935,849)         |                              |
| In addition, the District has issued "capital appreciation" General Obligation Bonds. The accretion of interest on the General Obligation Bonds to date is:   | <u>(27,290,650)</u> |                              |
| Total Long-Term Obligations   |                     | (199,106,676)                |
| <b>Total Net Assets - Governmental Activities</b>   |                     | <b><u>\$ 187,923,586</u></b> |

The accompanying notes are an integral part of these financial statements.

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2012

|   | General<br>Fund      | Special Education<br>Pass-Through<br>Fund | Adult<br>Education<br>Fund |
|---|----------------------|---|----------------------------|
| <b>REVENUES</b>                             |                      |   |                            |
| Revenue limit sources                       | \$ 103,351,836       | \$ -                                      | \$ -                       |
| Federal sources                             | 17,114,383           | 3,791,369                                 | 448,895                    |
| Other State sources                         | 46,186,436           | 10,073,542                                | -                          |
| Other local sources                         | 2,458,660            | -   | 249,190                    |
| <b>Total Revenues</b>                       | <b>169,111,315</b>   | <b>13,864,911</b>                         | <b>698,085</b>             |
| <b>EXPENDITURES</b>                         |                      |   |                            |
| Current                                     |                      |   |                            |
| Instruction                                 | 107,779,145          | -   | 1,898,940                  |
| Instruction-related activities:             |                      |   |                            |
| Supervision of instruction                  | 10,625,592           | -   | 191,611                    |
| Instructional library, media and technology | 706,614              | -   | 3,101                      |
| School site administration                  | 9,245,831            | -   | 1,026,888                  |
| Pupil services:                             |                      |   |                            |
| Home-to-school transportation               | 4,707,882            | -   | -                          |
| Food services                               | 44,972               | -   | -                          |
| All other pupil services                    | 6,713,439            | -   | 285,258                    |
| Administration:                             |                      |   |                            |
| Data processing                             | 1,296,062            | -   | -                          |
| All other administration                    | 6,360,473            | -   | -                          |
| Plant services                              | 18,714,826           | -   | 339,295                    |
| Facility acquisition and construction       | 297,224              | -   | -                          |
| Ancillary services                          | 535,458              | -   | -                          |
| Community services                          | 131,683              | -   | -                          |
| Other outgo                                 | 3,143,747            | 13,864,911                                | -                          |
| Enterprise services                         | 2,075                | -   | -                          |
| Debt service                                |                      |   |                            |
| Principal                                   | 20,737               | -   | -                          |
| Interest and other                          | -                    | -   | -                          |
| <b>Total Expenditures</b>                   | <b>170,325,760</b>   | <b>13,864,911</b>                         | <b>3,745,093</b>           |
| <b>Excess (Deficiency) of</b>               |                      |   |                            |
| <b>Revenues Over Expenditures</b>           | <b>(1,214,445)</b>   | <b>-</b>                                  | <b>(3,047,008)</b>         |
| <b>Other Financing Sources (Uses)</b>       |                      |   |                            |
| Transfers in                                | 3,825,803            | -   | 3,767,923                  |
| Other sources - proceeds from capital lease | 58,634               | -   | -                          |
| Transfers out                               | (4,638,994)          | -   | (2,558,212)                |
| <b>Net Financing Sources (Uses)</b>         | <b>(754,557)</b>     | <b>-</b>                                  | <b>1,209,711</b>           |
| <b>NET CHANGE IN FUND BALANCES</b>          | <b>(1,969,002)</b>   | <b>-</b>                                  | <b>(1,837,297)</b>         |
| <b>Fund Balances - Beginning</b>            | <b>48,686,340</b>    | <b>-</b>                                  | <b>1,844,682</b>           |
| <b>Fund Balances - Ending</b>               | <b>\$ 46,717,338</b> | <b>\$ -</b>                               | <b>\$ 7,385</b>            |

The accompanying notes are an integral part of these financial statements.

| <b>Building<br/>Fund</b> | <b>Non-Major<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--------------------------|---|---|
| \$ -                     | \$ -  | \$ 103,351,836                          |
| -                        | 13,544,031                                  | 34,898,678                              |
| -                        | 2,045,468                                   | 58,305,446                              |
| 374,659                  | 11,176,031                                  | 14,258,540                              |
| 374,659                  | 26,765,530                                  | 210,814,500                             |
| -                        | 4,377,298                                   | 114,055,383                             |
| -                        | 1,643,860                                   | 12,461,063                              |
| -                        | -   | 709,715                                 |
| -                        | 213,613                                     | 10,486,332                              |
| -                        | 168,441                                     | 4,876,323                               |
| -                        | 8,697,758                                   | 8,742,730                               |
| -                        | 463,885                                     | 7,462,582                               |
| -                        | -   | 1,296,062                               |
| -                        | 447,530                                     | 6,808,003                               |
| -                        | 1,440,927                                   | 20,495,048                              |
| 1,661,186                | 2,234,899                                   | 4,193,309                               |
| -                        | -   | 535,458                                 |
| -                        | -   | 131,683                                 |
| -                        | -   | 17,008,658                              |
| -                        | 355,686                                     | 357,761                                 |
| -                        | 3,050,000                                   | 3,070,737                               |
| -                        | 2,977,225                                   | 2,977,225                               |
| 1,661,186                | 26,071,122                                  | 215,668,072                             |
| (1,286,527)              | 694,408                                     | (4,853,572)                             |
| -                        | 3,787,715                                   | 11,381,441                              |
| -                        | -   | 58,634                                  |
| -                        | (3,984,235)                                 | (11,181,441)                            |
| -                        | (196,520)                                   | 258,634                                 |
| (1,286,527)              | 497,888                                     | (4,594,938)                             |
| 29,669,942               | 27,351,881                                  | 107,552,845                             |
| \$ 28,383,415            | \$ 27,849,769                               | \$ 102,957,907                          |

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## GOVERNMENTAL FUNDS

### RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2012

---

#### Total Net Change in Fund Balances - Governmental Funds

Amounts Reported for Governmental Activities in the Statement of  
Activities are Different Because:

\$ (4,594,938)

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Assets and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation expense

\$ (6,705,451)

Capital outlays

4,912,671

Net Expense Adjustment

(1,792,780)

In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, early retirement benefits of \$645,283 were paid. Vacation earned was more than the amounts used by \$67,504.

577,779

Contributions for postemployment benefits are recorded as an expense in the governmental funds when paid. However, the difference between the annual required contribution and the actual contribution made, if less, is recorded in the government wide statements as an expense. The actual amount of the contribution was less than the annual required contribution.

(2,808,118)

Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Assets and does not affect the Statement of Activities:

Proceeds from capital lease

(58,634)

Repayment of principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities:

General obligation bonds

3,050,000

Capital lease obligations

20,737

Governmental funds report the effect of premiums, discounts, issuance costs, and deferred costs on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of the amortization of the related items:

Cost of issuance

(99,522)

Deferred charges on refunding

(344,358)

Premium on issuance

392,248

Combined Adjustment

(51,632)

The accompanying notes are an integral part of these financial statements.



# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## GOVERNMENTAL FUNDS

### RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES *(Continued)* FOR THE YEAR ENDED JUNE 30, 2012

---

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded 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. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds and the certificates of participation decreased by \$41,541 and second, \$5,969,208 of accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.

\$ (5,927,667)

An Internal Service Fund is used by the District's management to charge the costs of workers' compensation coverage, liability and property coverage, and health benefits to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.

520,921

Change in Net Assets of Governmental Activities

\$ (11,064,332)

The accompanying notes are an integral part of these financial statements.

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## PROPRIETARY FUNDS STATEMENT OF NET ASSETS JUNE 30, 2012

|   | Business-Type<br>Activities<br>Enterprise Fund<br>Child Care<br>Fund | Governmental<br>Activities -<br>Internal<br>Service Fund |
|---|--|--|
| <b>ASSETS</b>   |  |  |
| <b>Current Assets</b>   |  |  |
| Deposits and investments                                      | \$ 35,219  | \$ 30,325,783  |
| Receivables   | 1,514  | 49,544   |
| Prepaid expenses  | 1,842  | -  |
| <b>Total Current Assets</b>                                   | <b>38,575</b>  | <b>30,375,327</b>  |
| <b>Noncurrent Assets</b>                                      |  |  |
| Furniture and equipment (net)                                 | 163  | -  |
| <b>Total Assets</b>   | <b>38,738</b>  | <b>30,375,327</b>  |
| <b>LIABILITIES</b>  |  |  |
| <b>Current Liabilities</b>                                    |  |  |
| Accounts payable  | 10,681   | 5,122,127  |
| Deferred revenue  | 24,028   | -  |
| Current portion of claims liability                           | -  | 2,160,334  |
| <b>Total Current Liabilities</b>                              | <b>34,709</b>  | <b>7,282,461</b>   |
| <b>Noncurrent Liabilities</b>                                 |  |  |
| Noncurrent portion of claims liability and SELF<br>assessment | -  | 6,678,047  |
| <b>NET ASSETS</b>   |  |  |
| Invested in capital assets, net of related debt               | 163  | -  |
| Restricted  | 3,866  | 16,414,819   |
| <b>Total Net Assets</b>                                       | <b>\$ 4,029</b>  | <b>\$ 16,414,819</b>                                     |

The accompanying notes are an integral part of these financial statements.

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## PROPRIETARY FUNDS

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES

#### IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2012

|                                     | Business-Type<br>Activities<br>Enterprise Fund<br>Child Care<br>Fund | Governmental<br>Activities -<br>Internal<br>Service Fund |
|-------------------------------------|--|--|
| <b>OPERATING REVENUES</b>           |  |  |
| Local and intermediate sources      | \$ 665,301   | \$ 26,366,690  |
| <b>OPERATING EXPENSES</b>           |  |  |
| Payroll costs                       | 428,233  | 155,103  |
| Professional and contract services  | 15,535   | 25,915,564   |
| Supplies and materials              | 31,344   | 12,827   |
| Depreciation                        | 1,353  | -  |
| <b>Total Operating Expenses</b>     | <b>476,465</b>   | <b>26,083,494</b>  |
| <b>Operating Income</b>             | <b>188,836</b>   | <b>283,196</b>   |
| <b>NONOPERATING REVENUES</b>        |  |  |
| Interest income                     | 1,186  | 237,725  |
| <b>Income Before Transfers</b>      | <b>190,022</b>   | <b>520,921</b>   |
| Transfers out                       | (200,000)  | -  |
| <b>Change in Net Assets</b>         | <b>(9,978)</b>   | <b>520,921</b>   |
| <b>Total Net Assets - Beginning</b> | <b>14,007</b>  | <b>15,893,898</b>  |
| <b>Total Net Assets - Ending</b>    | <b>\$ 4,029</b>  | <b>\$ 16,414,819</b>                                     |

The accompanying notes are an integral part of these financial statements.

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## PROPRIETARY FUNDS

### STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2012

|  | Business-Type<br>Activities<br>Enterprise Fund<br>Child Care<br>Fund | Governmental<br>Activities -<br>Internal<br>Service Fund |
|--|--|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |  |  |
| Cash receipts from customers   | \$ 665,425   | \$ -   |
| Cash received from assessments made to other funds   | -  | 26,454,298   |
| Cash payments to employees for services  | (428,233)  | (155,103)  |
| Cash receipts from interfund services provided   | -  | (24,651,306)   |
| Cash payments to other suppliers of goods or services                                      | (34,232)   | 246,577  |
| Other operating cash payments  | (11,248)   | (1,203,025)  |
| Net Cash Provided by Operating Activities  | 191,712  | 691,441  |
| <b>CASH FLOWS FROM NONCAPITAL<br/>FINANCING ACTIVITIES</b>                                 |  |  |
| Transfers out  | (200,000)  | -  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |  |  |
| Interest on investments  | 1,186  | 237,725  |
| Net Increase (Decrease) in Cash and Cash Equivalents                                       | (7,102)  | 929,166  |
| Cash and Cash Equivalents - Beginning  | 42,321   | 29,396,617   |
| Cash and Cash Equivalents - Ending   | \$ 35,219  | \$ 30,325,783  |
| <b>RECONCILIATION OF OPERATING INCOME TO NET CASH<br/>PROVIDED BY OPERATING ACTIVITIES</b> |  |  |
| Operating income   | \$ 188,836   | \$ 283,196   |
| Adjustments to reconcile operating income to net<br>cash provided by operating activities: |  |  |
| Depreciation   | 1,353  | -  |
| Changes in assets and liabilities:   |  |  |
| Receivables  | 438  | 87,608   |
| Prepaid expenses   | (314)  | -  |
| Accounts payable   | (2,888)  | 259,404  |
| Deferred revenue   | 4,287  | -  |
| Claims liability   | -  | 61,233   |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>   | \$ 191,712   | \$ 691,441   |

The accompanying notes are an integral part of these financial statements.

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## FIDUCIARY FUNDS STATEMENT OF NET ASSETS JUNE 30, 2012

|                          | Scholarship<br>Trust | Agency<br>Funds   |
|--------------------------|----------------------|-------------------|
| <b>ASSETS</b>            |                      |                   |
| Deposits and investments | \$ 17,538            | \$ 844,022        |
| Receivables              | 34                   | -                 |
| Stores inventories       | -                    | 6,044             |
| <b>Total Assets</b>      | <u>17,572</u>        | <u>\$ 850,066</u> |
| <b>LIABILITIES</b>       |                      |                   |
| Accounts payable         | 500                  | \$ 21,241         |
| Due to student groups    | -                    | 828,825           |
| <b>Total Liabilities</b> | <u>500</u>           | <u>\$ 850,066</u> |
| <b>NET ASSETS</b>        |                      |                   |
| Restricted               | 17,072               |                   |
| <b>Total Net Assets</b>  | <u>\$ 17,072</u>     |                   |

The accompanying notes are an integral part of these financial statements.

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## FIDUCIARY FUNDS

### STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2012

---

|                               | Scholarship<br>Trust    |
|-------------------------------|-------------------------|
| <b>ADDITIONS</b>              |                         |
| Interest                      | <u>\$ 165</u>           |
| <b>Change in Net Assets</b>   | (335)                   |
| <b>Net Assets - Beginning</b> | <u>17,407</u>           |
| <b>Net Assets - Ending</b>    | <u><u>\$ 17,072</u></u> |

The accompanying notes are an integral part of these financial statements.

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

---

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

The Norwalk-La Mirada Unified School District (the District) was unified on July 1, 1965 under the laws of the State of California. The District operates under a locally elected seven-member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District is located in Los Angeles County, and occupies the cities of Norwalk and La Mirada, in addition to smaller portions of the cities of Santa Fe Springs, Whittier, and unincorporated areas of Los Angeles County. The District operates 17 elementary schools, six middle schools, three high schools, a continuation high school, and two adult education schools.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Norwalk-La Mirada Unified School District, this includes general operations, food service, and student related activities of the District.

#### Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into three broad fund categories: governmental, proprietary, and fiduciary.

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

#### Major Governmental Funds

**General Fund** The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

One fund currently defined as a special revenue fund in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 20, Special Reserve Fund for Postemployment Benefits, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in assets and fund balance of \$5,026,371, and revenues of \$50,582, respectively, as of June 30, 2012.

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

---

**Special Education Pass-Through Fund** This fund is used by the Administrative Unit of a multi-district Special Education Local Plan Area (SELPA) to account for Special Education revenue passed through to other member districts.

**Adult Education Fund** The Adult Education Fund is used to account separately for Federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only.

**Building Fund** The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

### Non-Major Governmental Funds

**Special Revenue Funds** The Special Revenue funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

**Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

**Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

**Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

**Pupil Transportation Equipment Fund** The Pupil Transportation Fund is used to account separately for State and local revenues specifically for the acquisition, rehabilitation, or replacement of equipment used to transport students (*Education Code* Section 41852[b]).

**Capital Project Funds** The Capital Project funds are used to account for and report financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

**Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).



# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

---

**County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

**Special Reserve Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

**Debt Service Funds** The Debt Service funds are used to account for the accumulation of restricted, committed, or assigned resources for and the payment of principal and interest on general long-term obligations.

**Bond Interest and Redemption Fund** The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a District (*Education Code* Sections 15125-15262).

**Proprietary Funds** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary funds:

**Enterprise Fund** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The only enterprise fund of the District accounts for the financial transactions related to the fee-based child care program of the District.

**Internal Service Fund** Internal service funds may be used to account for any activity for which services are provided to other funds of the District on a cost-reimbursement basis. The District operates a self-insurance program that is accounted for in an internal service fund. The Internal Service Fund consists of three sub-funds as follows:

**Health and Welfare Fund** The Health and Welfare Fund is used to account for resources committed to the District's medical insurance program.

**Workers' Compensation Fund** The Workers' Compensation Fund is used to account for resources committed to the District's self-insurance program for workers' compensation.

**Property and Liability Fund** The Property and Liability Fund is used to account for resources committed to the District's self-insurance program for property and liability insurance.

**Fiduciary Funds** Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

---

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. The District operates a trust fund for the Paul and Estelle Fincik Scholarship Fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for associated student body (ASB) activities.

### **Basis of Accounting - Measurement Focus**

**Government-Wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the District and for each governmental function, and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and 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. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other activities result from special revenue funds and the internal service fund and the restrictions on their net asset use.

**Fund Financial Statements** Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

**Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

---

**Proprietary Funds** Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the Statement of Net Assets. The statement of changes in fund net assets presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

**Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

**Revenues – Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on 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 that 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 expected to be received within 90 days of fiscal year-end. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Deferred Revenue** Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met are recorded as deferred revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as deferred revenue.

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

# **NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

---

### **Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

### **Investments**

Investments held at June 30, 2012, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

### **Prepaid Expenditures (Expenses)**

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when paid.

### **Stores Inventories**

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental and fiduciary funds when used.

### **Capital Assets and Depreciation**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide financial statement of net assets. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets are the same as those used for the capital assets of governmental funds.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings and improvements, 20 to 50 years; equipment, 2 to 15 years; and vehicles, 8 years.

# **NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

---

### **Compensated Absences**

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net assets. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

### **Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

### **Deferred Issuance Costs, Premiums and Discounts**

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

### **Refunding of Debt - Deferred Charges on Refunding**

Gains or losses occurring from advance refundings, completed subsequent to June 30, 1993, are deferred and amortized into expenses for both business-type activities and proprietary funds. For governmental activities, they are deferred and amortized into expense if they have occurred subsequent to June 30, 2000.

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

---

### Fund Balances - Governmental Funds

As of June 30, 2012, fund balances of the governmental funds are classified as follows:

**Nonspendable** - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

**Restricted** - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Committed** - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

**Assigned** - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

**Unassigned** - all other spendable amounts.

### Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

### Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than five percent of General Fund expenditures and other financing uses.

### Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Enabling legislation relates to laws passed that create a revenue source to be used for specific purposes. The government-wide financial statements report \$35,588,188 restricted by enabling legislation.

# **NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

---

### **Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges to other funds related to the self-insurance program and child care fees. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### **Interfund Activity**

Transfers between governmental and business-type activities in the government-wide financial statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental and business-type activities columns of the Statement of Activities, except for the net residual amounts transferred between governmental and business-type activities.

### **Estimates**

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### **Budgetary Data**

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1<sup>st</sup> of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

---

### Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Los Angeles bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

### New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Early implementation is encouraged.



# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

---

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*—an amendment of Statement No. 27. 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 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

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. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of State and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.

Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

This Statement is effective for fiscal years beginning after June 15, 2014. Earlier implementation is encouraged.

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

---

### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2012, are classified in the accompanying financial statements as follows:

|                                |                      |
|--------------------------------|----------------------|
| Governmental activities        | \$ 88,785,152        |
| Business-type activities       | 35,219               |
| Fiduciary funds                | 861,560              |
| Total Deposits and Investments | <u>\$ 89,681,931</u> |

Deposits and investments as of June 30, 2012, consist of the following:

|                                |                      |
|--------------------------------|----------------------|
| Cash on hand and in banks      | \$ 844,022           |
| Cash in revolving              | 400,000              |
| Investments                    | 88,437,909           |
| Total Deposits and Investments | <u>\$ 89,681,931</u> |

#### 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.

**Investment 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.

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

### General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

| Authorized<br>Investment Type           | Maximum<br>Remaining<br>Maturity | Maximum<br>Percentage<br>of Portfolio | Maximum<br>Investment<br>in One Issuer |
|---|----------------------------------|---------------------------------------|--|
| Local Agency Bonds, Notes, Warrants     | 5 years                          | None                                  | None                                   |
| Registered State Bonds, Notes, Warrants | 5 years                          | None                                  | None                                   |
| U.S. Treasury Obligations               | 5 years                          | None                                  | None                                   |
| U.S. Agency Securities                  | 5 years                          | None                                  | None                                   |
| Banker's Acceptance                     | 180 days                         | 40%                                   | 30%                                    |
| Commercial Paper                        | 270 days                         | 25%                                   | 10%                                    |
| Negotiable Certificates of Deposit      | 5 years                          | 30%                                   | None                                   |
| Repurchase Agreements                   | 1 year                           | None                                  | None                                   |
| Reverse Repurchase Agreements           | 92 days                          | 20% of base                           | None                                   |
| Medium-Term Corporate Notes             | 5 years                          | 30%                                   | None                                   |
| Mutual Funds                            | N/A                              | 20%                                   | 10%                                    |
| Money Market Mutual Funds               | N/A                              | 20%                                   | 10%                                    |
| Mortgage Pass-Through Securities        | 5 years                          | 20%                                   | None                                   |
| County Pooled Investment Funds          | N/A                              | None                                  | None                                   |
| Local Agency Investment Fund (LAIF)     | N/A                              | None                                  | None                                   |
| Joint Powers Authority Pools            | N/A                              | None                                  | None                                   |

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

### Authorized Under Debt Agreements

| Authorized<br>Investment Type   | Maximum<br>Remaining<br>Maturity | Maximum<br>Percentage<br>of Portfolio | Maximum<br>Investment<br>in One Issuer |
|---|----------------------------------|---------------------------------------|--|
| U.S. Treasury Obligations   | N/A                              | None                                  | None                                   |
| Farmers Home Administration certificates                                    | N/A                              | None                                  | None                                   |
| General Services Administration certificates                                | N/A                              | None                                  | None                                   |
| U.S. Maritime Administration financing                                      | N/A                              | None                                  | None                                   |
| Small Business Administration certificates                                  | N/A                              | None                                  | None                                   |
| Guaranteed Pool certificates  | N/A                              | None                                  | None                                   |
| Government National Mortgage Association (GNMA)<br>securities and bonds     | N/A                              | None                                  | None                                   |
| U.S Department of Housing and Urban<br>Development obligations              | N/A                              | None                                  | None                                   |
| U.S. Export-Import Bank obligations   | N/A                              | None                                  | None                                   |
| Washington Metropolitan Area Transit Authority bonds                        | N/A                              | None                                  | None                                   |
| Federal Housing Administration debentures                                   | N/A                              | None                                  | None                                   |
| Federal Home Loan Mortgage Corporation obligations                          | N/A                              | None                                  | None                                   |
| Farm Credit Banks bonds and notes   | N/A                              | None                                  | None                                   |
| Federal Financing Bank  | N/A                              | None                                  | None                                   |
| Federal Home Loan Banks obligations   | N/A                              | None                                  | None                                   |
| Federal National Mortgage Association<br>securities and obligations         | N/A                              | None                                  | None                                   |
| Student Loan Marketing Association securities                               | N/A                              | None                                  | None                                   |
| Financing Corporation obligations   | N/A                              | None                                  | None                                   |
| Resolution Funding Corporation obligations                                  | N/A                              | None                                  | None                                   |
| Secured certificates of deposit, saving accounts,<br>and deposit accounts   | N/A                              | None                                  | None                                   |
| Unsecured certificates of deposit, time deposits, and<br>bankers acceptance | 30 days                          | None                                  | None                                   |
| Fully insured deposits  | N/A                              | None                                  | None                                   |
| Commercial paper  | 270 days                         | None                                  | None                                   |
| Money market funds  | N/A                              | None                                  | None                                   |
| Los Angeles County Investment Pool  | N/A                              | None                                  | None                                   |
| Local Agency Investment Fund (LAIF)   | N/A                              | None                                  | None                                   |
| Repurchase Agreements   | 30 days                          | None                                  | None                                   |
| Repurchase Agreements   | 270 days                         | None                                  | None                                   |
| State obligations   | N/A                              | None                                  | None                                   |
| Investment Agreements   | N/A                              | None                                  | None                                   |
| Pre-Refunded Municipal Bonds  | N/A                              | None                                  | None                                   |

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the Los Angeles County Investment Pool to provide the cash flow and liquidity needed for operations, and by purchasing a combination of shorter term and longer term investments and timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow necessary for debt service requirements.

### Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

| Investment Type  | Amortized<br>Cost    | Fair<br>Value        | Average Maturity<br>in Days/<br>Maturity Date |
|--|----------------------|----------------------|---|
| Los Angeles County Investment Pool                               | \$ 87,068,139        | \$ 87,335,019        | 617   |
| First American Treasury Obligations Money<br>Market Mutual Funds | 1,525                | 1,525                | 53  |
| Fortis Funding LLC Commercial Paper                              | 1,368,245            | 1,384,093            | 12/31/2012                                    |
| Total  | <u>\$ 88,437,909</u> | <u>\$ 88,720,637</u> |   |

### Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the Los Angeles County Investment Pool is not required to be rated, nor has it been rated as of June 30, 2012. The First American Treasury Obligations Money Market Mutual Fund has been rated Aaa-mf and the investment in Fortis Funding LLC Commercial Paper has been rated P-1 by Moody's Investors Service.

### Custodial Credit Risk - Deposits

This 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 agency. 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. As of June 30, 2012, the District was not exposed to custodial credit risk because its funds were fully insured by the Federal Deposit Insurance Corporation (FDIC).

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

### NOTE 3 - RECEIVABLES

Receivables at June 30, 2012, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

|                       | General<br>Fund      | Special Education<br>Pass-Through<br>Fund | Adult<br>Education<br>Fund | Building<br>Fund | Non-Major<br>Governmental<br>Funds |
|-----------------------|----------------------|---|----------------------------|------------------|------------------------------------|
| Federal Government    |                      |   |                            |                  |                                    |
| Categorical aid       | \$ 2,431,744         | \$ 1,562,906                              | \$ 109,753                 | \$ -             | \$ 1,921,841                       |
| State Government      |                      |   |                            |                  |                                    |
| Apportionment         | 40,623,428           | 3,338,987                                 | -                          | -                | -                                  |
| Categorical aid       | 2,688,458            | 223,200                                   | -                          | -                | 688,712                            |
| Lottery               | 1,652,748            | -   | -                          | -                | -                                  |
| Local Government      |                      |   |                            |                  |                                    |
| Interest              | 48,325               | -   | 506                        | 54,855           | 41,110                             |
| Southeast Academy ROP | 502,211              | -   | -                          | -                | -                                  |
| Other Local Sources   | 756,915              | -   | 11,381                     | 41,041           | 144,884                            |
| Total                 | <u>\$ 48,703,829</u> | <u>\$ 5,125,093</u>                       | <u>\$ 121,640</u>          | <u>\$ 95,896</u> | <u>\$ 2,796,547</u>                |

|                       | Internal<br>Service Fund | Total<br>Governmental<br>Activities | Enterprise<br>Fund | Fiduciary<br>Funds |
|-----------------------|--------------------------|-------------------------------------|--------------------|--------------------|
| Federal Government    |                          |                                     |                    |                    |
| Categorical aid       | \$ -                     | \$ 6,026,244                        | \$ -               | \$ -               |
| State Government      |                          |                                     |                    |                    |
| Apportionment         | -                        | 43,962,415                          | -                  | -                  |
| Categorical aid       | -                        | 3,600,370                           | -                  | -                  |
| Lottery               | -                        | 1,652,748                           | -                  | -                  |
| Local Government      |                          |                                     |                    |                    |
| Interest              | 49,135                   | 193,931                             | 429                | 34                 |
| Southeast Academy ROP | -                        | 502,211                             | -                  | -                  |
| Other Local Sources   | 409                      | 954,630                             | 1,085              | -                  |
| Total                 | <u>\$ 49,544</u>         | <u>\$ 56,892,549</u>                | <u>\$ 1,514</u>    | <u>\$ 34</u>       |

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

### NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

|   | Balance<br>July 1, 2011 | Additions      | Deductions | Balance<br>June 30, 2012 |
|---|-------------------------|----------------|------------|--------------------------|
| <b>Governmental Activities</b>                  |                         |                |            |                          |
| Capital Assets Not Being Depreciated:           |                         |                |            |                          |
| Land  | \$ 9,278,310            | \$ -           | \$ -       | \$ 9,278,310             |
| Construction in Progress                        | 704,953                 | 1,961,849      | 342,174    | 2,324,628                |
| Total Capital Assets<br>Not Being Depreciated   | 9,983,263               | 1,961,849      | 342,174    | 11,602,938               |
| Capital Assets Being Depreciated:               |                         |                |            |                          |
| Land Improvements                               | 6,258,870               | 562,409        | -          | 6,821,279                |
| Buildings and Improvements                      | 312,924,945             | 1,566,221      | -          | 314,491,166              |
| Furniture and Equipment                         | 21,616,989              | 1,164,366      | 7,476,812  | 15,304,543               |
| Total Capital Assets Being<br>Depreciated       | 340,800,804             | 3,292,996      | 7,476,812  | 336,616,988              |
| Total Capital Assets                            | 350,784,067             | 5,254,845      | 7,818,986  | 348,219,926              |
| Less Accumulated Depreciation:                  |                         |                |            |                          |
| Land Improvements                               | 4,406,116               | 124,113        | -          | 4,530,229                |
| Buildings and Improvements                      | 60,774,638              | 5,970,924      | -          | 66,745,562               |
| Furniture and Equipment                         | 18,597,480              | 610,414        | 7,476,812  | 11,731,082               |
| Total Accumulated Depreciation                  | 83,778,234              | 6,705,451      | 7,476,812  | 83,006,873               |
| Governmental Activities Capital<br>Assets, Net  | \$ 267,005,833          | \$ (1,450,606) | \$ 342,174 | \$ 265,213,053           |
| <b>Business-Type Activities</b>                 |                         |                |            |                          |
| Furniture and Equipment                         | \$ 12,795               | \$ -           | \$ -       | \$ 12,795                |
| Less Accumulated Depreciation                   | 11,280                  | 1,352          | -          | 12,632                   |
| Business-Type Activities Capital<br>Assets, Net | \$ 1,515                | \$ (1,352)     | \$ -       | \$ 163                   |

Depreciation expense was excluded as a direct expense to governmental functions.

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

### NOTE 5 - INTERFUND TRANSACTIONS

#### Interfund Receivables/Payables (Due to/Due from)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2012, between major and non-major governmental funds, non-major enterprise funds, internal service funds, and fiduciary funds are as follows:

| Due To                       | Due From     |                      |
|------------------------------|--------------|----------------------|
|                              | General Fund | Adult Education Fund |
| General Fund                 | \$ -         | \$ 2,558,212         |
| Adult Education Fund         | 1,546,468    | -                    |
| Non-Major Governmental funds | 3,750,000    | -                    |
| Total                        | \$ 5,296,468 | \$ 2,558,212         |

The General Fund owes the Adult Education Fund for adult education funding.

\$ 1,546,468

The General Fund owes the Special Reserve Fund for Capital Outlay Projects  
Non-Major Governmental Fund for capital project reserves.

3,750,000

The Adult Education Fund owes the General Fund as a result of flexibility provisions.

2,558,212  
\$ 7,854,680



# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

### Operating Transfers

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

| Transfer To                  | Transfer From       |                      |                              |                   | Total                |
|------------------------------|---------------------|----------------------|------------------------------|-------------------|----------------------|
|                              | General Fund        | Adult Education Fund | Non-Major Governmental Funds | Enterprise Fund   |                      |
| General Fund                 | \$ -                | \$ 2,558,212         | \$ 1,067,591                 | \$ 200,000        | \$ 3,825,803         |
| Adult Education Fund         | 3,767,923           | -                    | -                            | -                 | 3,767,923            |
| Non-Major Governmental Funds | 871,071             | -                    | 2,916,644                    | -                 | 3,787,715            |
| Total                        | <u>\$ 4,638,994</u> | <u>\$ 2,558,212</u>  | <u>\$ 3,984,235</u>          | <u>\$ 200,000</u> | <u>\$ 11,381,441</u> |

|  |                      |
|--|----------------------|
| The General Fund transferred to the Adult Education Fund for adult education funding and their share of lottery.   | \$ 3,767,923         |
| The General Fund transferred to the Deferred Maintenance Non-Major Governmental Fund for deferred maintenance funding.   | 871,071              |
| The Adult Education Fund transferred to the General Fund for general education purposes resulting from flexibility transfers.  | 2,558,212            |
| The Child Development Non-Major Governmental Fund transferred to the General Fund for reimbursement of program costs.  | 100,000              |
| The Special Reserve Fund for Capital Outlay Projects Non-Major Governmental Fund transferred to the General Fund for increased health benefit costs.                                   | 967,591              |
| The County School Facilities Non-Major Governmental Fund transferred to the Special Reserve Fund for Capital Outlay Projects Non-Major Governmental Fund for excess interest earnings. | 2,769,890            |
| The Special Reserve Fund for Capital Outlay Projects Non-Major Governmental Fund transferred to the Pupil Transportation Non-Major Governmental Fund for bus purchase.                 | 146,754              |
| The Child Care Enterprise Fund transferred to the General Fund as a result of excess earnings from the fee-based program.  | 200,000              |
| Total  | <u>\$ 11,381,441</u> |

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

### NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2012, consisted of the following:

|                       | General<br>Fund     | Special<br>Education<br>Pass-Through<br>Fund | Adult<br>Education<br>Fund | Building<br>Fund | Non-Major<br>Governmental<br>Funds |
|-----------------------|---------------------|--|----------------------------|------------------|------------------------------------|
| Salaries and benefits | \$ 2,188,527        | \$ -   | \$ 93,091                  | \$ -             | \$ 114,131                         |
| State apportionment   | 531,004             | -  | -                          | -                | -                                  |
| Supplies              | 142,875             | -  | 2,256                      | -                | 241,795                            |
| Services              | 1,464,937           | -  | 6,651                      | 1,365            | 216,790                            |
| Construction          | 22,597              | -  | -                          | 39,374           | 443,711                            |
| SELPA pass-through    | 83,437              | 5,149,733                                    | -                          | -                | -                                  |
| SEROP                 | 687,777             | -  | -                          | -                | -                                  |
| Other vendor payables | 774,477             | -  | -                          | -                | 2,770                              |
| Total                 | <u>\$ 5,895,631</u> | <u>\$ 5,149,733</u>                          | <u>\$ 101,998</u>          | <u>\$ 40,739</u> | <u>\$ 1,019,197</u>                |

  

|                       | Internal<br>Service<br>Fund | Total<br>Governmental<br>Activities | Enterprise<br>Fund | Fiduciary<br>Funds |
|-----------------------|-----------------------------|-------------------------------------|--------------------|--------------------|
| Salaries and benefits | \$ 4,966,945                | \$ 7,362,694                        | \$ 9,131           | \$ -               |
| State apportionment   | -                           | 531,004                             | -                  | -                  |
| Supplies              | -                           | 386,926                             | 1,550              | -                  |
| Services              | 22,513                      | 1,712,256                           | -                  | 21,741             |
| Construction          | -                           | 505,682                             | -                  | -                  |
| SELPA pass-through    | -                           | 5,233,170                           | -                  | -                  |
| SEROP                 | -                           | 687,777                             | -                  | -                  |
| Other vendor payables | 132,669                     | 909,916                             | -                  | -                  |
| Total                 | <u>\$ 5,122,127</u>         | <u>\$ 17,329,425</u>                | <u>\$ 10,681</u>   | <u>\$ 21,741</u>   |

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

### NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2012, consists of the following:

|                              | General<br>Fund   | Non-Major<br>Governmental<br>Funds | Total<br>Governmental<br>Activities | Enterprise<br>Fund |
|------------------------------|-------------------|------------------------------------|-------------------------------------|--------------------|
| Federal financial assistance | \$ 419,538        | \$ -                               | \$ 419,538                          | \$ -               |
| State categorical aid        | 127,813           | -                                  | 127,813                             | -                  |
| Other local                  | 91,886            | 6,965                              | 98,851                              | 24,028             |
| Total                        | <u>\$ 639,237</u> | <u>\$ 6,965</u>                    | <u>\$ 646,202</u>                   | <u>\$ 24,028</u>   |

### NOTE 8 - LONG-TERM OBLIGATIONS

#### Summary

The changes in the District's long-term obligations during the year consisted of the following:

|  | July 1, 2011          | Additions            | Deductions          | June 30, 2012         | One Year            |
|--|-----------------------|----------------------|---------------------|-----------------------|---------------------|
| 2002 General Obligation Bonds, Series B                              | \$ 59,266,803         | \$ 2,900,124         | \$ 525,000          | \$ 61,641,927         | \$ 555,000          |
| Premium on issuance  | 468,532               | -                    | 24,660              | 443,872               | -                   |
| 2005 Refunding General Obligation Bonds                              | 39,620,000            | -                    | 1,635,000           | 37,985,000            | 1,845,000           |
| Premium on issuance  | 2,267,502             | -                    | 251,945             | 2,015,557             | -                   |
| 2002 General Obligation Bonds, Series C                              | 25,514,306            | 806,250              | -                   | 26,320,556            | -                   |
| Premium on issuance  | 550,152               | -                    | 25,007              | 525,145               | -                   |
| 2002 General Obligation Bonds, Series D                              | 10,868,188            | 787,912              | -                   | 11,656,100            | -                   |
| Premium on issuance  | 404,052               | -                    | 17,567              | 386,485               | -                   |
| 2009 Refunding General Obligation Bonds                              | 11,760,000            | -                    | 890,000             | 10,870,000            | 1,070,000           |
| Premium on issuance  | 362,384               | -                    | 32,944              | 329,440               | -                   |
| 2002 General Obligation Bonds, Series E                              | 23,145,843            | 1,474,922            | -                   | 24,620,765            | -                   |
| Premium on issuance  | 1,133,532             | -                    | 40,125              | 1,093,407             | -                   |
| 2005 Certificates of Participation<br>(Qualified Academy Zone Bonds) | 2,770,165             | -                    | -                   | 2,770,165             | -                   |
| Capital leases   | -                     | 58,634               | 20,737              | 37,897                | 18,376              |
| Accumulated vacation - net   | 1,968,986             | 67,504               | -                   | 2,036,490             | -                   |
| Claims liability   | 8,492,962             | 2,344,037            | 2,160,334           | 8,676,665             | 2,160,334           |
| Supplemental Early Retirement Plan (SERP)                            | 2,581,132             | -                    | 645,283             | 1,935,849             | 645,283             |
| Other postemployment benefits (OPEB)                                 | 11,629,903            | 2,808,118            | -                   | 14,438,021            | -                   |
| SELF workers' compensation assessment                                | 284,186               | -                    | 122,470             | 161,716               | -                   |
| Total  | <u>\$ 203,088,628</u> | <u>\$ 11,247,501</u> | <u>\$ 6,391,072</u> | <u>\$ 207,945,057</u> | <u>\$ 6,293,993</u> |

# **NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

---

Payments on the General Obligation Bonds are made by the Bond Interest and Redemption Fund with local revenues. The General Fund makes the payments for the capital leases. The accrued vacation will be paid by the fund for which the employee worked. Claims liability for workers' compensation and SELF assessment are paid out of the Internal Service Fund. Other postemployment benefits and the Supplemental Early Retirement Plan are generally paid by the General Fund.

### **2002 General Obligation Bonds, Series 2005B**

On April 20, 2005, the District issued the \$44,995,644 of 2002 General Obligation Bonds, Series 2005B. The Series 2005B bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting \$70,089,356, and an aggregate principal debt service balance of \$115,085,000. The bonds have a final maturity to occur on August 1, 2029, with interest rates of 3.00 to 5.31 percent. Proceeds from the sale of the bonds were used to renovate, construct and modernize classrooms and school facilities and to pay all necessary legal, financial, engineering and contingent costs in connection with the issuance of the bonds. At June 30, 2012, the principal balance outstanding of the 2002 General Obligation Bonds, Series 2005B was \$61,641,927. Unamortized premium received on issuance of the bonds amounted to \$443,872 as of June 30, 2012.

### **2005 Refunding General Obligation Bonds**

On April 20, 2005, the District issued the \$57,105,000 of 2005 General Obligation Refunding Bonds. The bonds have a final maturity to occur on August 1, 2019, with interest rates from 3.00 to 5.00 percent. The net proceeds from the issuance were used to advance refund all of the District's outstanding 2003 General Obligation Bonds, Series A. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net assets and are amortized to interest expense over the life of the liability. Deferred charges on refunding of \$181,637 remain to be amortized using the straight-line method. At June 30, 2012, the principal balance outstanding on the 2005 General Obligation Refunding Bonds was \$37,985,000 as a portion of the bonds were refunded by the 2009 General Obligation Refunding Bonds as discussed below. Unamortized premium received on issuance of the bonds amounted to \$2,015,557 as of June 30, 2012.

### **2002 General Obligation Bonds, Series 2007C**

On November 27, 2007, the District issued the \$29,200,602 of 2002 General Obligation Bonds, Series 2007C. The Series 2007C bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting \$29,734,398, and an aggregate principal debt service balance of \$58,935,000. The bonds have a final maturity to occur on August 1, 2032, with interest rates of 3.50 to 5.22 percent. Proceeds from the sale of the bonds were used to prepay a portion of the District's outstanding obligation related to the 2006 Certificates of Participations (School Facility Bridge Funding) and to pay all necessary legal, financial and contingent costs in connection with the issuance of the bonds. At June 30, 2012, the principal balance outstanding of the 2002 General Obligation Bonds, Series 2007C was \$26,320,556 as a portion of the bonds were refunded by the 2009 General Obligation Refunding Bonds as discussed below. Unamortized premium received on issuance of the bonds amounted to \$525,145 as of June 30, 2012.

# **NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

---

### **2002 General Obligation Bonds, Series 2009D**

On July 14, 2009, the District issued the \$9,410,103 General Obligation Bonds, Series 2009D. The Series 2009D bonds were issued as capital appreciation bonds, with the value of the capital appreciation bonds accreting to \$43,775,000. The bonds have a final maturity to occur on February 1, 2034, with interest rates of 6.16 to 7.36 percent. Proceeds from the sale of the bonds will be used to renovate, construct and modernize classrooms and school facilities; to prepay a portion of the District's 2006 Certificates of Participation; and pay certain costs of issuance associated with the bonds. At June 30, 2012, the principal balance outstanding of the 2002 General Obligation Bonds, Series 2009D was \$11,656,100. Unamortized premium received on issuance of the bonds amounted to \$386,485 as of June 30, 2012.

### **2009 General Obligation Refunding Bonds**

On July 14, 2009, the District issued the \$13,580,000 of 2009 General Obligation Refunding Bonds. The bonds have a final maturity to occur on August 1, 2021, with interest rates from 1.28 to 4.68 percent. The net proceeds from the issuance were used to advance refund a portion of the District's outstanding 2002 General Obligation Bonds, Series 2007C and 2005 Refunding General Obligation Bonds and to pay the costs of issuance associated with the refunding bonds. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net assets and are amortized to interest expense over the life of the liability. Deferred charges on refunding of \$650,874 remain to be amortized using the straight-line method. At June 30, 2012, the principal balance outstanding on the 2009 General Obligation Refunding Bonds was \$10,870,000. Unamortized premium received on issuance of the bonds amounted to \$329,440 as of June 30, 2012.

### **2002 General Obligation Bonds, Series 2009E**

On October 8, 2009, the District issued the \$21,392,349 General Obligation Bonds, Series 2009E. The Series 2009E bonds were issued as both capital appreciation bonds and convertible capital appreciation bonds, with the value of the bonds accreting to \$102,175,000. The bonds have a final maturity to occur on August 1, 2038, with interest rates of 5.50 to 6.47 percent. Proceeds from the sale of bonds will be used to renovate, construct and modernize classrooms and school facilities; prepay a portion of the District's 2006 Certificates of Participation; and pay certain costs of issuance associated with the bonds. At June 30, 2012, the principal balance outstanding of the 2002 General Obligation Bonds, Series 2009E was \$24,620,765. Unamortized premium received on issuance of the bonds amounted to \$1,093,407 as of June 30, 2012.

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

The outstanding general obligation bonded debt is as follows:

| Issue Date | Maturity Date | Interest Rate | Original Issue | Bonds                    |                     |                     | Bonds Outstanding June 30, 2012 |
|------------|---------------|---------------|----------------|--------------------------|---------------------|---------------------|---------------------------------|
|            |               |               |                | Outstanding July 1, 2011 | Accreted            | Redeemed            |                                 |
| 4/20/2005  | 8/1/2029      | 3.00-5.31%    | \$ 44,995,644  | \$ 59,266,803            | \$ 2,900,124        | \$ 525,000          | \$ 61,641,927                   |
| 4/20/2005  | 8/1/2019      | 3.00-5.00%    | 57,105,000     | 39,620,000               | -                   | 1,635,000           | 37,985,000                      |
| 11/27/2007 | 8/1/2032      | 3.50-5.22%    | 29,200,602     | 25,514,306               | 806,250             | -                   | 26,320,556                      |
| 7/14/2009  | 2/1/2034      | 6.16-7.36%    | 9,410,103      | 10,868,188               | 787,912             | -                   | 11,656,100                      |
| 7/14/2009  | 8/1/2021      | 1.28-4.68%    | 13,580,000     | 11,760,000               | -                   | 890,000             | 10,870,000                      |
| 10/8/2009  | 8/1/2038      | 5.50-6.47%    | 21,392,349     | 23,145,843               | 1,474,922           | -                   | 24,620,765                      |
|            |               |               |                | <u>\$ 170,175,140</u>    | <u>\$ 5,969,208</u> | <u>\$ 3,050,000</u> | <u>\$ 173,094,348</u>           |

### Debt Service Requirements to Maturity

The bonds mature through 2039 as follows:

| Fiscal Year | Principal                           |                       | Current Interest to Maturity | Total                 |
|-------------|-------------------------------------|-----------------------|------------------------------|-----------------------|
|             | Including Accreted Interest to Date | Accreted Interest     |                              |                       |
| 2013        | \$ 3,470,000                        | \$ -                  | \$ 2,850,138                 | \$ 6,320,138          |
| 2014        | 4,095,000                           | -                     | 2,680,888                    | 6,775,888             |
| 2015        | 4,985,000                           | -                     | 2,469,138                    | 7,454,138             |
| 2016        | 5,770,000                           | -                     | 2,210,125                    | 7,980,125             |
| 2017        | 6,829,017                           | 130,983               | 1,920,725                    | 8,880,725             |
| 2018-2022   | 45,124,119                          | 6,420,881             | 4,693,550                    | 56,238,550            |
| 2023-2027   | 39,455,213                          | 28,824,787            | 4,334,600                    | 72,614,600            |
| 2028-2032   | 37,281,330                          | 54,588,670            | 964,563                      | 92,834,563            |
| 2033-2037   | 20,917,897                          | 65,277,051            | -                            | 86,194,948            |
| 2038-2039   | 5,166,772                           | 21,874,131            | -                            | 27,040,903            |
| Total       | <u>\$ 173,094,348</u>               | <u>\$ 177,116,503</u> | <u>\$ 22,123,727</u>         | <u>\$ 372,334,578</u> |

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

### 2005 Certificates of Participation (Qualified Academy Zone Bonds Program)

On December 29, 2005, the District, pursuant to a sublease agreement with the Public Property Financing Corporation of California (the Financing Corporation), issued the \$2,770,165 2005 Certificates of Participation (Qualified Academy Zone Bonds). The District had been granted authorization from the State Superintendent of Public Instruction to issue securities in an aggregate principal amount not to exceed \$3,069,000 in accordance with the qualified zone academy bonds tax credit program found in Section 1397E of the Internal Revenue Code of 1986 and State regulations, to finance certain projects at qualified zone academies within the District. The District and the Financing Corporation, in order to facilitate the financing of projects qualified under the QZAB Program, entered into a lease arrangement, by which the District will lease to the Financing Corporation those certain parcels of real property located in within the District and pursuant to a sublease the Corporation will sublease the property to the District, with the District required to pay base rental to the Corporation (an initial lease payment of \$600,000 was made December 29, 2005). The annual base rental payment of \$95,722, to begin December 29, 2006, will be deposited with the Bank of America into an interest generating investment to produce sufficient income to repay the \$2,770,165 certificates upon maturity on December 29, 2020. At June 30, 2012, the principal balance outstanding was \$2,770,165.

### Capital Leases

The District has entered into agreements to lease equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on lease agreements with options to purchase is summarized below:

|                        |                  |
|------------------------|------------------|
| Balance, July 1, 2011  | \$ -             |
| Additions              | 62,211           |
| Payments               | 20,737           |
| Balance, June 30, 2012 | <u>\$ 41,474</u> |

Future payments on capital leases are as follows:

| Year Ending<br>June 30,                 | Lease<br>Payment |
|---|------------------|
| 2013                                    | \$ 20,737        |
| 2014                                    | 20,737           |
| Total                                   | 41,474           |
| Less: Amount Representing Interest      | 3,577            |
| Present Value of Minimum Lease Payments | <u>\$ 37,897</u> |

### Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2012, amounted to \$2,036,490.

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

---

### Claims Liability

Liabilities associated with workers' compensation claims are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are based upon estimated ultimate cost of settling the claims, considering recent claim settlement trends including the frequency and amounts of payouts and other economic and social factors. The liability for workers' compensation claims is reported in the Internal Service Fund. The outstanding claims liability at June 30, 2012, amounted to \$8,676,665, using a discount factor of two percent.

### Supplemental Early Retirement Plan (SERP)

During 2010, the District adopted a supplemental early retirement plan whereby certain eligible employees are provided an annuity to supplement the retirement benefits they are entitled to through the California State Teachers' Retirement System. The annuities offered to the employees are to be paid over a five-year period. The annuities, which were purchased for 54 employees who retired during 2009-2010 school year, were purchased from United of Omaha Life Insurance Company.

During 2011, the District adopted a supplemental early retirement plan whereby certain eligible employees are provided an annuity to supplement the retirement benefits they are entitled to through the California Public Employees' Retirement System. The annuities offered to the employees are to be paid over a five-year period. The annuities, which were purchased for 20 employees who retired during 2010-2011 school year, were purchased from United of Omaha Life Insurance Company.

As of June 30, 2012, the outstanding obligation for the aforementioned Supplemental Early Retirement Plans was \$1,935,849.

| Year Ending<br>June 30, | Total<br>Payments   |
|-------------------------|---------------------|
| 2013                    | \$ 645,283          |
| 2014                    | 645,283             |
| 2015                    | 645,283             |
| Total                   | <u>\$ 1,935,849</u> |

### Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2012, was \$3,758,749, and contributions made by the District during the year were \$1,017,073. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$581,495 and (\$515,053), respectively, which resulted in an increase to the net OPEB obligation of \$2,808,118. As of June 30, 2012, the net OPEB obligation was \$14,438,021. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

### Workers' Compensation Assessment

The District was a member of School Excess Liability Fund (SELF), a cost sharing Joint Powers Authority (JPA) for the purpose of providing the District excess workers' compensation insurance. The SELF board of directors declared an entity assessment to the member districts. At June 30, 2012, the District's outstanding obligation to their pro-rata share of equity assessed was \$161,716.



# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

### NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

|                                       | General<br>Fund      | Adult<br>Education<br>Fund | Building<br>Fund     | Non-Major<br>Governmental<br>Funds | Total                 |
|---------------------------------------|----------------------|----------------------------|----------------------|------------------------------------|-----------------------|
| <b>Nonspendable</b>                   |                      |                            |                      |                                    |                       |
| Revolving cash                        | \$ 125,000           | \$ -                       | \$ -                 | \$ -                               | \$ 125,000            |
| Stores inventories                    | 370,159              | -                          | -                    | 127,406                            | 497,565               |
| Prepaid expenditures                  | 11,107               | 361                        | -                    | -                                  | 11,468                |
| Total Nonspendable                    | 506,266              | 361                        | -                    | 127,406                            | 634,033               |
| <b>Restricted</b>                     |                      |                            |                      |                                    |                       |
| Legally restricted                    | 3,009,356            | -                          | -                    | 6,385,145                          | 9,394,501             |
| Capital projects                      | -                    | -                          | 28,383,415           | 5,790,737                          | 34,174,152            |
| Debt services                         | -                    | -                          | -                    | 5,076,599                          | 5,076,599             |
| Total Restricted                      | 3,009,356            | -                          | 28,383,415           | 17,252,481                         | 48,645,252            |
| <b>Committed</b>                      |                      |                            |                      |                                    |                       |
| Deferred maintenance<br>program       | -                    | -                          | -                    | 1,909,949                          | 1,909,949             |
| Total Committed                       | -                    | -                          | -                    | 1,909,949                          | 1,909,949             |
| <b>Assigned</b>                       |                      |                            |                      |                                    |                       |
| Adult education lottery               | -                    | 7,024                      | -                    | -                                  | 7,024                 |
| Bus replacement                       | -                    | -                          | -                    | 12,767                             | 12,767                |
| Postemployment benefits               | 5,026,371            | -                          | -                    | -                                  | 5,026,371             |
| MAA                                   | 119,089              | -                          | -                    | -                                  | 119,089               |
| Advance placement test fees           | 27,584               | -                          | -                    | -                                  | 27,584                |
| Use of facilities fees                | 311,979              | -                          | -                    | -                                  | 311,979               |
| CSEA professional growth              | 115,139              | -                          | -                    | -                                  | 115,139               |
| Child development center<br>reserve   | -                    | -                          | -                    | 309,883                            | 309,883               |
| Capital improvement projects          | -                    | -                          | -                    | 8,237,283                          | 8,237,283             |
| Total Assigned                        | 5,600,162            | 7,024                      | -                    | 8,559,933                          | 14,167,119            |
| <b>Unassigned</b>                     |                      |                            |                      |                                    |                       |
| Reserve for economic<br>uncertainties | 5,146,814            | -                          | -                    | -                                  | 5,146,814             |
| Remaining unassigned                  | 32,454,740           | -                          | -                    | -                                  | 32,454,740            |
| Total Unassigned                      | 37,601,554           | -                          | -                    | -                                  | 37,601,554            |
| <b>Total</b>                          | <b>\$ 46,717,338</b> | <b>\$ 7,385</b>            | <b>\$ 28,383,415</b> | <b>\$ 27,849,769</b>               | <b>\$ 102,957,907</b> |

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

### NOTE 10 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2012, the following District major fund exceeded the budgeted amount in total as follows:

|                      | Expenditures |              |           |
|----------------------|--------------|--------------|-----------|
|                      | Budget       | Actual       | Excess    |
| Adult Education Fund | \$ 3,687,003 | \$ 3,745,093 | \$ 58,090 |

### NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

#### Plan Description

The Postemployment Benefits Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Norwalk-La Mirada School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 128 retirees and beneficiaries currently receiving benefits, 20 terminated Plan members entitled to but not yet receiving benefits, and 1,639 active Plan members. In addition, the District has entered into an agreement with the former superintendent whereby the District will provide fully paid medical and dental benefits for the lifetime of the superintendent.

#### Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District and the Teachers Association (CEA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements between the District, FEA, CSEA and the unrepresented groups. For fiscal year 2011-2012, the District contributed \$1,017,073 to the plan, all of which was used for current premiums (approximately 77 percent of total premiums). Plan members receiving benefits contributed \$305,488, or approximately 23 percent of the total premiums.

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

### Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan:

|  |                      |
|--|----------------------|
| Annual required contribution               | \$ 3,758,749         |
| Interest on net OPEB obligation            | 581,495              |
| Adjustment to annual required contribution | (515,053)            |
| Annual OPEB cost (expense)                 | 3,825,191            |
| Contributions made                         | (1,017,073)          |
| Increase in net OPEB obligation            | 2,808,118            |
| Net OPEB obligation, beginning of year     | 11,629,903           |
| Net OPEB obligation, end of year           | <u>\$ 14,438,021</u> |

### Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

| Year Ended<br>June 30, | Annual<br>OPEB Cost | Actual<br>Contribution | Percentage<br>Contributed | Net OPEB<br>Obligation |
|------------------------|---------------------|------------------------|---------------------------|------------------------|
| 2010                   | \$ 3,793,713        | \$ 901,764             | 23.77%                    | \$ 8,874,857           |
| 2011                   | 3,740,888           | 985,842                | 26.35%                    | 11,629,903             |
| 2012                   | 3,825,191           | 1,017,073              | 26.59%                    | 14,438,021             |

### Funded Status and Funding Progress

A schedule of funding progress as of the most recent actuarial valuation is as follows:

| Actuarial<br>Valuation<br>Date | Actuarial Value<br>of Assets (a) | Actuarial<br>Accrued<br>Liability<br>(AAL) -<br>Unprojected<br>Unit Credit (b) | Unfunded<br>AAL<br>(UAAL)<br>(b - a) | Funded Ratio<br>(a / b) | Covered<br>Payroll (c) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>([b - a] / c) |
|--------------------------------|----------------------------------|--|--------------------------------------|-------------------------|------------------------|---|
| April 24, 2012                 | \$ -                             | \$ 31,112,925  | \$ 31,112,925                        | 0%                      | \$ 112,020,133         | 27.77%  |

# **NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

---

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### **Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the April 24, 2012 actuarial valuation, the "entry age normal" method was used. The actuarial assumptions included a five percent investment rate of return (net of administrative expenses), based on the Plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates reflect an ultimate rate of four percent. The UAAL is being amortized at a level percentage of payroll method. The remaining amortization period at June 30, 2012, was 26 years. The actuarial value of assets was not determined in this actuarial valuation since there were no assets.

## **NOTE 12 - RISK MANAGEMENT**

### **Employee Medical Benefits**

The District has contracted with the Alliance of Schools for Cooperative Insurance Programs (ASCIP) public entity risk pool to provide employee dental benefits. The District also purchases medical, vision, and life insurance from various vendors for health care coverage. The District is not self-funded for employee medical benefits but has chosen to report the costs of health and welfare payments for all employees plus retirees in the Internal Service Fund.

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

### Property and Liability

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. To mitigate this potential loss, the District has established an Internal Service Fund to account for and finance its uninsured risks of loss for property and liability coverage. Under this program, the Internal Service Fund provides coverage for up to a maximum of \$50,000 for each general liability claim and \$25,000 for each property damage claim. During fiscal year ending June 30, 2012, the District participated in the ASCIP public entity risk pool for property and liability insurance coverage in excess of self-insured limits. Settled claims have not exceeded the insured coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year. In addition, the District purchases commercial insurance for property and liability claims in excess of coverage provided by the Internal Service Fund and for all other risks of loss.

### Workers' Compensation and Property and Liability

Since 1985, the District has self-insured itself for workers' compensation coverage, retaining the risk of loss. The District has established an Internal Service Fund to account for and finance its uninsured risks of loss for workers' compensation coverage. Under this program, the Internal Service Fund provides coverage for up to a maximum of \$350,000 for each workers' compensation claim. The District purchases insurance for workers' compensation claims in excess of coverage provided by the Fund from Schools Excess Liability Fund (SELF) JPA.

Funding of the Internal Service Fund is based on estimates of the amounts needed to pay prior and current year claims. Workers' Compensation claims are charged to the respective funds which generate the liability and the Property and Liability claims are paid by the General Fund.

### Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2010 to June 30, 2012:

|   | Workers'<br>Compensation | Property<br>and Liability | Total         |
|---|--------------------------|---------------------------|---------------|
| Liability Balance, July 1, 2010                 | \$ 7,828,482             | \$ 355,374                | \$ 8,183,856  |
| Claims and changes in estimates                 | 3,278,716                | 146,146                   | 3,424,862     |
| Claims payments                                 | (2,975,599)              | (140,157)                 | (3,115,756)   |
| Liability Balance, June 30, 2011                | 8,131,599                | 361,363                   | 8,492,962     |
| Claims and changes in estimates                 | 2,086,811                | 257,226                   | 2,344,037     |
| Claims payments                                 | (1,933,710)              | (226,624)                 | (2,160,334)   |
| Liability Balance, June 30, 2012                | \$ 8,284,700             | \$ 391,965                | \$ 8,676,665  |
| Assets available to pay claims at June 30, 2012 | \$ 24,260,120            | \$ 904,218                | \$ 25,164,338 |

# **NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

---

### **NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS**

Qualified employees are covered under multiple-employer retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

#### **CalSTRS**

##### **Plan Description**

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, California 95826.

##### **Funding Policy**

Active plan members are required to contribute 8.0 percent 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 CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011-2012 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2012, 2011, and 2010, were \$6,720,757, \$6,676,478, and \$7,068,387, respectively, and equal 100 percent of the required contributions for each year.

#### **CalPERS**

##### **Plan Description**

The District contributes to the School Employer Pool under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. 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 P Street, Sacramento, California 95811.

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

---

### Funding Policy

Active plan members are required to contribute 7.0 percent 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 required employer contribution rate for fiscal year 2011-2012 was 10.923 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2012, 2011, and 2010, were \$3,294,860, \$3,149,808, and \$2,924,167, respectively, and equal 100 percent of the required contributions for each year.

### Alternative Retirement Program

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use Aon Consulting to act as their administrators and Wells Fargo Bank to act as trustee and investment manager for the District's alternative plan. The plan is a defined benefit plan in which all contributions are made by the District. The District contributes 5.0 percent of an employee's gross earnings. The District contributed \$401,557 in the 2011-2012 fiscal year.

### On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$3,974,006 (4.855 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

## NOTE 14 - COMMITMENTS AND CONTINGENCIES

### Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2012.

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

---

### Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2012.

### Operating Leases

The District has entered into various operating leases for buildings and equipment with lease terms in excess of one year. None of these agreements contain bargain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. As of June 30, 2012, the District has the following lease obligations:

| Year Ending<br>June 30, | Lease<br>Payment  |
|-------------------------|-------------------|
| 2013                    | \$ 402,012        |
| 2014                    | 344,762           |
| 2015                    | 4,876             |
| Total                   | <u>\$ 751,650</u> |

Rental expenditures for the year ended June 30, 2012, amounted to \$540,078.

### Construction Commitments

As of June 30, 2012, the District had the following commitments with respect to the unfinished capital projects:

| Capital Projects                       | Remaining<br>Construction<br>Commitment | Expected Date of<br>Completion |
|--|---|--------------------------------|
| Norwalk High School Modernization      | \$ 14,984                               | 7/30/2012                      |
| Los Alisos Middle School Modernization | 254,146                                 | 11/30/2012                     |
| Waite Middle School Modernization      | 258,160                                 | 6/30/2013                      |
| Benton Middle School Modernization     | 12,186,052                              | 7/1/2014                       |
| Corvallis Middle School Modernization  | 10,892,661                              | 7/1/2014                       |
|  | <u>\$ 23,606,003</u>                    |                                |



# **NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

---

### **NOTE 15 - PARTICIPATION IN JOINT POWERS AGREEMENTS**

The Norwalk-La Mirada Unified School District is a member of the Southeast Regional Occupational Program (SEROP) joint power authority (JPA), Schools Excess Liability Fund (SELF) JPA, and Alliance of Schools for Cooperative Insurance Programs (ASCIP). Payments for ROP services are paid to the SEROP JPA. Payments are made to ASCIP for dental benefits for District employees and for property and liability insurance. Payments are made to SELF for excess liability coverage for workers' compensation.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are available from the respective entities.

During the year ended June 30, 2012, the District made payments of \$1,869,599, \$402,360, and \$2,897,424 to SEROP, SELF, and ASCIP, respectively.

### **NOTE 16 - FISCAL ISSUES RELATING TO BUDGET REDUCTIONS**

The State of California continues to suffer the effects of a recessionary economy. California school districts are reliant on the State of California to appropriate the funding necessary to continue the level of educational services expected by the State constituency. With the implementation of education trailer bill Senate Bill 70 (Chapter 7, Statutes of 2011), 39 percent of current year funding has now been deferred to a subsequent period, creating significant cash flow management issues for districts in addition to requiring substantial budget reductions, ultimately impacting the ability of California school districts to meet their goals for educational services.

***This page left blank intentionally.***

---

---

***REQUIRED SUPPLEMENTARY INFORMATION***

---

---

***This page left blank intentionally.***

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2012

|  | Budgeted Amounts     |                      | Actual               | Variances -                                  |
|--|----------------------|----------------------|----------------------|--|
|  | Original             | Final                | (GAAP Basis)         | Positive<br>(Negative)<br>Final<br>to Actual |
| <b>REVENUES</b>                        |                      |                      |                      |  |
| Revenue limit sources                  | \$ 97,803,956        | \$ 103,382,833       | \$ 103,351,836       | \$ (30,997)                                  |
| Federal sources                        | 18,097,213           | 18,334,021           | 17,114,383           | (1,219,638)                                  |
| Other State sources                    | 40,436,474           | 42,050,887           | 46,186,436           | 4,135,549                                    |
| Other local sources                    | 2,036,913            | 2,310,176            | 2,458,660            | 148,484                                      |
| <b>Total Revenues <sup>1</sup></b>     | <b>158,374,556</b>   | <b>166,077,917</b>   | <b>169,111,315</b>   | <b>3,033,398</b>                             |
| <b>EXPENDITURES</b>                    |                      |                      |                      |  |
| Current                                |                      |                      |                      |  |
| Certificated salaries                  | 79,401,238           | 80,499,789           | 79,767,870           | 731,919                                      |
| Classified salaries                    | 31,021,130           | 31,159,835           | 30,642,520           | 517,315                                      |
| Employee benefits                      | 33,153,286           | 34,780,100           | 38,584,830           | (3,804,730)                                  |
| Books and supplies                     | 8,140,601            | 7,986,586            | 6,368,094            | 1,618,492                                    |
| Services and operating expenditures    | 11,014,100           | 13,019,175           | 11,599,344           | 1,419,831                                    |
| Other outgo                            | 2,219,295            | 2,241,847            | 2,698,571            | (456,724)                                    |
| Capital outlay                         | 581,054              | 665,723              | 643,794              | 21,929                                       |
| Debt service - principal               | -                    | -                    | 20,737               | (20,737)                                     |
| <b>Total Expenditures <sup>1</sup></b> | <b>165,530,704</b>   | <b>170,353,055</b>   | <b>170,325,760</b>   | <b>27,295</b>                                |
| <b>Excess (Deficiency) of Revenues</b> |                      |                      |                      |  |
| <b>Over Expenditures</b>               | <b>(7,156,148)</b>   | <b>(4,275,138)</b>   | <b>(1,214,445)</b>   | <b>3,060,693</b>                             |
| <b>Other Financing Sources (Uses)</b>  |                      |                      |                      |  |
| Transfers in                           | 1,151,291            | 2,355,092            | 3,825,803            | 1,470,711                                    |
| Other sources                          | -                    | -                    | 58,634               | 58,634                                       |
| Transfers out                          | (5,632,351)          | (5,257,490)          | (4,638,994)          | 618,496                                      |
| <b>Net Financing Sources</b>           | <b>(4,481,060)</b>   | <b>(2,902,398)</b>   | <b>(754,557)</b>     | <b>2,147,841</b>                             |
| <b>NET CHANGE IN FUND BALANCE</b>      | <b>(11,637,208)</b>  | <b>(7,177,536)</b>   | <b>(1,969,002)</b>   | <b>5,208,534</b>                             |
| <b>Fund Balance - Beginning</b>        | <b>48,686,340</b>    | <b>48,686,340</b>    | <b>48,686,340</b>    | <b>-</b>                                     |
| <b>Fund Balance - Ending</b>           | <b>\$ 37,049,132</b> | <b>\$ 41,508,804</b> | <b>\$ 46,717,338</b> | <b>\$ 5,208,534</b>                          |

<sup>1</sup> On behalf payments of \$3,974,006 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts. In addition, due to the consolidation of Fund 20, Special Reserve Fund for Postemployment Benefits for reporting purposes into the General Fund, additional revenues and expenditures pertaining to this fund is included in the Actual (GAAP Basis) revenues and expenditures, however is not included in the original and final General Fund budgets.

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## SPECIAL EDUCATION PASS-THROUGH FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2012

|                                   | Budgeted Amounts  |                   | Actual            | Variances -                                  |
|-----------------------------------|-------------------|-------------------|-------------------|--|
|                                   | Original          | Final             | (GAAP Basis)      | Positive<br>(Negative)<br>Final<br>to Actual |
| <b>REVENUES</b>                   |                   |                   |                   |  |
| Federal sources                   | \$ 3,691,726      | \$ 3,791,369      | \$ 3,791,369      | \$ -   |
| Other State sources               | 9,332,124         | 10,115,611        | 10,073,542        | (42,069)                                     |
| <b>Total Revenues</b>             | <u>13,023,850</u> | <u>13,906,980</u> | <u>13,864,911</u> | <u>(42,069)</u>                              |
| <b>EXPENDITURES</b>               |                   |                   |                   |  |
| Current                           |                   |                   |                   |  |
| Other outgo                       | 13,023,850        | 13,906,980        | 13,864,911        | 42,069                                       |
| <b>Total Expenditures</b>         | <u>13,023,850</u> | <u>13,906,980</u> | <u>13,864,911</u> | <u>42,069</u>                                |
| <b>NET CHANGE IN FUND BALANCE</b> | -                 | -                 | -                 | -  |
| <b>Fund Balance - Beginning</b>   | -                 | -                 | -                 | -  |
| <b>Fund Balance - Ending</b>      | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ -</u>                                  |

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## ADULT EDUCATION FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2012

|  | Budgeted Amounts    |                     | Actual<br>(GAAP Basis) | Variances -<br>Positive<br>(Negative)<br>Final<br>to Actual |
|--|---------------------|---------------------|------------------------|---|
|  | Original            | Final               |                        |   |
| <b>REVENUES</b>                        |                     |                     |                        |   |
| Federal sources                        | \$ 451,765          | \$ 448,895          | \$ 448,895             | \$ -  |
| Other local sources                    | 226,270             | 210,001             | 249,190                | 39,189  |
| <b>Total Revenues</b>                  | <b>678,035</b>      | <b>658,896</b>      | <b>698,085</b>         | <b>39,189</b>   |
| <b>EXPENDITURES</b>                    |                     |                     |                        |   |
| Current                                |                     |                     |                        |   |
| Certificated salaries                  | 1,870,362           | 1,774,583           | 1,808,438              | (33,855)  |
| Classified salaries                    | 570,093             | 498,602             | 486,756                | 11,846  |
| Employee benefits                      | 599,008             | 585,784             | 598,563                | (12,779)  |
| Books and supplies                     | 196,264             | 286,586             | 268,722                | 17,864  |
| Services and operating expenditures    | 635,743             | 541,448             | 582,614                | (41,166)  |
| Capital outlay                         | 50,000              | -                   | -                      | -   |
| <b>Total Expenditures</b>              | <b>3,921,470</b>    | <b>3,687,003</b>    | <b>3,745,093</b>       | <b>(58,090)</b>   |
| <b>Excess (Deficiency) of Revenues</b> |                     |                     |                        |   |
| <b>Over Expenditures</b>               | <b>(3,243,435)</b>  | <b>(3,028,107)</b>  | <b>(3,047,008)</b>     | <b>(18,901)</b>   |
| <b>Other Financing Sources (Uses)</b>  |                     |                     |                        |   |
| Transfers in                           | 3,758,235           | 3,758,235           | 3,767,923              | 9,688   |
| Transfers out                          | -                   | -                   | (2,558,212)            | (2,558,212)   |
| <b>Net Financing Sources (Uses)</b>    | <b>3,758,235</b>    | <b>3,758,235</b>    | <b>1,209,711</b>       | <b>(2,548,524)</b>  |
| <b>NET CHANGE IN FUND BALANCE</b>      | <b>514,800</b>      | <b>730,128</b>      | <b>(1,837,297)</b>     | <b>(2,567,425)</b>  |
| <b>Fund Balance - Beginning</b>        | <b>1,844,682</b>    | <b>1,844,682</b>    | <b>1,844,682</b>       | <b>-</b>  |
| <b>Fund Balance - Ending</b>           | <b>\$ 2,359,482</b> | <b>\$ 2,574,810</b> | <b>\$ 7,385</b>        | <b>\$(2,567,425)</b>  |

# NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)

### FUNDING PROGRESS

FOR THE YEAR ENDED JUNE 30, 2012

| Actuarial<br>Valuation<br>Date | Actuarial Value<br>of Assets (a) | Actuarial<br>Accrued<br>Liability<br>(AAL) -<br>Unprojected<br>Unit Credit (b) | Unfunded<br>AAL<br>(UAAL)<br>(b - a) | Funded Ratio<br>(a / b) | Covered<br>Payroll (c) | UAAL as a<br>Percentage of<br>Covered Payroll<br>((b - a) / c) |
|--------------------------------|----------------------------------|--|--------------------------------------|-------------------------|------------------------|--|
| May 16, 2006                   | \$ -                             | \$ 32,613,981  | \$ 32,613,981                        | 0%                      | \$ 120,184,506         | 27.14%   |
| March 13, 2009                 | -                                | 34,922,000   | 34,922,000                           | 0%                      | 102,619,243            | 34.03%   |
| April 24, 2012                 | -                                | 31,112,925   | 31,112,925                           | 0%                      | 112,020,133            | 27.77%   |



## APPENDIX C

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Norwalk-La Mirada Unified School District (the “District”) in connection with the issuance of \$11,630,000 of the District’s 2013 General Obligation Refunding Bonds, Series A (Tax-Exempt) (the “Bonds”). The Bonds are being issued pursuant to a Resolution of the District dated October 25, 2012 (the “Resolution”). The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolutions, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean initially the District, or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

“Holders” shall mean registered owners of the Bonds.

“Listed Events” shall mean any of the events listed in Sections 5(a) or (b) of this Disclosure Certificate.

“Participating Underwriter” shall mean Piper Jaffray & Co. or any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean the Municipal Securities Rulemaking Board, which can be found at <http://emma.msrb.org/>, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District’s fiscal year (presently ending June 30), commencing with the report for the

2012-13 Fiscal Year, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than 30 days (nor more than 60 days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than 15 Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repository to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send a notice to the Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the District stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided.

#### SECTION 4. Content and Form of Annual Reports.

(a) The District's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Material financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District's audited financial statements):

- (a) State funding received by the District for the last completed fiscal year;
- (b) average daily attendance of the District for the last completed fiscal year;
- (c) outstanding District indebtedness;
- (d) summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by

reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

(b) The Annual Report shall be filed in an electronic format accompanied by identifying information prescribed by the Municipal Securities Rulemaking Board.

#### SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not in excess of 10 business days after the occurrence of the event:

1. principal and interest payment delinquencies.
2. tender offers.
3. defeasances.
4. rating changes.
5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, adverse tax opinions or Notices of Proposed Issue (IRS Form 5701-TEB).
6. unscheduled draws on the debt service reserves reflecting financial difficulties.
7. unscheduled draws on credit enhancement reflecting financial difficulties.
8. substitution of the credit or liquidity providers or their failure to perform.
9. bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the District. For the purposes of the event identified in this Section 5(a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(b) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. non-payment related defaults.
2. modifications to rights of Bondholders.
3. optional, contingent or unscheduled bond calls.

4. unless described under Section 5(a)(5) above, material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

5. release, substitution or sale of property securing repayment of the Bonds.

6. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

7. Appointment of a successor or additional trustee or paying agent with respect to the Bonds or the change of name of such a trustee or paying agent.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event under Section 5(b) hereof, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(c).

**SECTION 6. Termination of Reporting Obligation.** The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a) or Section 5(b), as applicable.

**SECTION 7. Dissemination Agent.** The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon 15 days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(b), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall

confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repository. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: January 30, 2013

NORWALK-LA MIRADA UNIFIED SCHOOL  
DISTRICT

By \_\_\_\_\_  
Superintendent

**EXHIBIT A**

**NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT**

Name of District: NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

Name of Bond Issue: 2013 General Obligation Refunding Bonds, Series A (Tax-Exempt)

Date of Issuance: January 30, 2012

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate relating to the Bonds. The District anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated:\_\_\_\_\_

NORWALK-LA MIRADA UNIFIED SCHOOL  
DISTRICT

By \_\_\_\_\_ [form only; no signature required]

[THIS PAGE INTENTIONALLY LEFT BLANK]



## APPENDIX D

### BOOK-ENTRY ONLY SYSTEM

*The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants (as defined herein) will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with Participants are on file with DTC.*

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants," and together with the Direct Participants, the "Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the

Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Resolution. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and distributions on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds or distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

[THIS PAGE INTENTIONALLY LEFT BLANK]

## APPENDIX E

### ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF NORWALK, CITY OF LA MIRADA AND COUNTY OF LOS ANGELES

*The following information regarding economic activity within Los Angeles County (the “County”) and City of Norwalk (“Norwalk”), the City of La Mirada (“La Mirada”) and together with Norwalk, the “Cities”) in which the District is located is provided as background information only, to describe the general economic health of the region. However, the District encompasses only a portion of the area within the County and the property tax required to be levied by the County to repay the Bonds will be levied only on property located in the District.*

**County of Los Angeles.** The County was incorporated on February 18, 1850 and is one of the original counties of California. With 4,061 square miles, Los Angeles County borders 70 miles of coast on the Pacific Ocean. The County is home to 88 incorporated cities and many unincorporated areas. In between the large desert portions of the county — which make up around 40 percent of its land area — and the heavily urbanized central and southern portions sits the San Gabriel Mountains containing Angeles National Forest. All of southern Los Angeles County, north to about the center of the county, is heavily urbanized.

**City of Norwalk.** Norwalk is located 17 miles southeast of downtown Los Angeles, and has a total area of approximately nine square miles. Incorporated in 1957, Norwalk operates under a Council/Manager form of government. The five City Council members are elected to four-year terms, act as the city's chief policy-making body and appoint the Mayor.

**City of La Mirada.** La Mirada is in Los Angeles County, to the immediate east of Norwalk and encompasses approximately eight square miles. The city is the location of Biola University, and is also well-known for theatrical arts. The city is governed by a five-member council-manager government, which Each year the five members elect the Mayor and Mayor Pro Tem.

## Population

The following table summarizes population estimates for the Cities, County and State from 2001 through 2012.

### POPULATION ESTIMATES The Cities of Norwalk and La Mirada, the County of Los Angeles and State of California 2001-2012

| <u>Year<sup>(1)</sup></u> | <u>City of<br/>Norwalk</u> | <u>City of La<br/>Mirada</u> | <u>County of<br/>Los Angeles</u> | <u>State of<br/>California</u> |
|---------------------------|----------------------------|------------------------------|----------------------------------|--------------------------------|
| 2001                      | 104,985                    | 47,118                       | 9,590,080                        | 34,256,789                     |
| 2002                      | 106,523                    | 47,507                       | 9,679,212                        | 34,725,516                     |
| 2003                      | 106,983                    | 48,277                       | 9,756,914                        | 35,163,609                     |
| 2004                      | 107,195                    | 49,281                       | 9,806,944                        | 35,570,847                     |
| 2005                      | 106,921                    | 49,225                       | 9,816,153                        | 35,869,173                     |
| 2006                      | 106,317                    | 48,543                       | 9,798,609                        | 36,116,202                     |
| 2007                      | 105,785                    | 48,666                       | 9,780,808                        | 36,399,676                     |
| 2008                      | 105,404                    | 48,519                       | 9,785,474                        | 36,704,375                     |
| 2009                      | 105,330                    | 48,434                       | 9,801,096                        | 36,966,713                     |
| 2010                      | 105,529                    | 48,528                       | 9,822,121                        | 37,223,900                     |
| 2011                      | 105,682                    | 48,608                       | 9,847,712                        | 37,427,946                     |
| 2012                      | 105,714                    | 48,697                       | 9,884,632                        | 37,678,563                     |

<sup>(1)</sup> January 1 data.

Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2001-2012. March 2010 Benchmark.

## Personal Income

The following tables summarize personal income and per capita personal income for the County, State of California and United States from 2005 through 2011.

### PERSONAL INCOME County of Los Angeles, State of California, and United States 2005-2011

| <u>Year</u> | <u>County of<br/>Los Angeles</u> | <u>California</u> | <u>United States</u> |
|-------------|----------------------------------|-------------------|----------------------|
| 2005        | \$357,186,377                    | \$1,387,661,013   | \$10,476,669,000     |
| 2006        | 385,724,212                      | 1,495,533,388     | 11,256,516,000       |
| 2007        | 400,366,343                      | 1,566,400,134     | 11,900,562,000       |
| 2008        | 417,454,378                      | 1,610,697,843     | 12,380,225,000       |
| 2009        | 394,980,563                      | 1,526,531,367     | 12,168,161,000       |
| 2010        | 410,674,615                      | 1,587,403,857     | 12,353,577,000       |
| 2011        | 420,913,463                      | 1,676,564,972     | 12,981,740,848       |

<sup>(1)</sup> The source for this data is the Los Angeles Economic Development Corporation.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

**PER CAPITA PERSONAL INCOME<sup>(1)</sup>**  
**County of Los Angeles, State of California, and United States**  
**2005-2011**

|             | Los Angeles   |                   |                      |
|-------------|---------------|-------------------|----------------------|
| <u>Year</u> | <u>County</u> | <u>California</u> | <u>United States</u> |
| 2005        | \$36,498      | \$38,731          | \$35,424             |
| 2006        | 39,610        | 41,518            | 37,698               |
| 2007        | 41,273        | 43,211            | 39,461               |
| 2008        | 42,881        | 44,003            | 40,674               |
| 2009        | 40,356        | 41,034            | 39,635               |
| 2010        | 41,791        | 41,893            | 39,937               |
| 2011        | 42,564        | 43,647            | 41,663               |

(1) Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. Estimates for 2005-2011 reflect county population estimates available as of May 2012. All dollar estimates are in current dollars (not adjusted for inflation).

(2) Data is not yet available.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

**Largest Employers**

The following table ranks the largest employers in the County by number of employees.

**LARGEST PRIVATE-SECTOR EMPLOYERS**  
**County of Los Angeles**  
**2012**

|             | Los Angeles County                            |  |
|-------------|---|--|
| <u>Rank</u> | <u>Company</u>                                | <u>Employees</u> <u>Description</u>                            |
| 1.          | Kaiser Permanente                             | 33,600      Non-profit health plan                             |
| 2.          | Northrop Grumman Corp.                        | 21,000      Defense contractor                                 |
| 3.          | University of Southern California             | 16,180      Private university                                 |
| 4.          | Target Corp.                                  | 13,623      Retailer   |
| 5.          | Ralphs/Food for Less (division of Kroger Co.) | 13,500      Grocery retailer                                   |
| 6.          | Cedars-Sinai Medical Center                   | 12,068      Medical center                                     |
| 7.          | Bank of America Corp.                         | 12,000      Banking and financial services                     |
| 8.          | Providence Health & Services California       | 10,647      Health care  |
| 9.          | Boeing Co.                                    | 10,616      Aerospace and defense systems                      |
| 10.         | Walt Disney Co.                               | 10,250      Entertainment                                      |
| 11.         | Home Depot                                    | 10,152      Home improvement retailer                          |
| 12.         | Wells Fargo                                   | 9,723      Financial services                                  |
| 13.         | Edison International                          | 9,171      Electric utility                                    |
| 14.         | AT&T Inc.                                     | 8,500      Telecommunications                                  |
| 15.         | California Institute of Technology            | 8,400      University, operator of Jet Propulsion Laboratory   |
| 16.         | ABM Industries Inc.                           | 8,300      Services – facility, parking, security, engineering |
| 17.         | Raytheon Co.                                  | 8,000      Aerospace and defense contractor                    |
| 18.         | Warner Bros. Entertainment Inc.               | 7,192      Entertainment                                       |
| 19.         | Vons  | 6,500      Retail grocer                                       |
| 20.         | FedEx Corp.                                   | 6,200      Shipping and logistics                              |

Source: Los Angeles Business Journal 2012, The Book of Lists 2012. Published September, 2012.

The following tables list the top ten largest employers in the Cities.

**LARGEST EMPLOYERS**  
**City of Norwalk**  
**2011**

|     | <u>Employer</u>                           | <u>Employees</u> | Percentage of Total City<br><u>Employment</u> |
|-----|---|------------------|---|
| 1.  | Norwalk-La Mirada Unified School District | 1,987            | 10.36%  |
| 2.  | Metropolitan State Hospital               | 1,450            | 7.56  |
| 3.  | Cerritos College                          | 1,143            | 5.96  |
| 4.  | Bally Total Fitness                       | 750              | 3.91  |
| 5.  | Los Angeles County Registrar/Recorder     | 697              | 3.63  |
| 6.  | California Youth Authority                | 454              | 2.37  |
| 7.  | Target                                    | 435              | 2.27  |
| 8.  | All California Brokerage                  | 400              | 2.09  |
| 9.  | City of Norwalk                           | 400              | 2.09  |
| 10. | Little Lake City School District          | 357              | 1.86  |

*Source: City of Norwalk 'Comprehensive Annual Financial Report' for Fiscal Year Ended June 30, 2011.*

**LARGEST EMPLOYERS**  
**City of La Mirada**  
**2010**

|     | <u>Employer</u>                           | <u>Employees</u> | Percentage of Total City<br><u>Employment</u> |
|-----|---|------------------|---|
| 1.  | Biola University                          | 1,308            | 6.54%   |
| 2.  | Norwalk-La Mirada Unified School District | 843              | 4.22  |
| 3.  | US Foodservice                            | 800              | 4.00  |
| 4.  | Staples                                   | 500              | 2.50  |
| 5.  | Packaging Plus                            | 400              | 2.00  |
| 6.  | Spherion                                  | 400              | 2.00  |
| 7.  | Ultimate Event Security                   | 400              | 2.00  |
| 8.  | City of La Mirada                         | 367              | 1.84  |
| 9.  | Kindred Hospital                          | 300              | 1.50  |
| 10. | Kittrich Corporation                      | 300              | 1.50  |

*Note: The FY 2011 La Mirada data was unavailable. Calendar year 2010 data was used in the FY 2011 CAFR.*

*Source: City of La Mirada 'Comprehensive Annual Financial Report' for Fiscal Year Ended June 30, 2011.*



## Employment

The following table summarizes the labor force, employment and unemployment figures from 2007 through 2011 for the Cities, County and State.

### LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT The Cities of Norwalk and La Mirada, County of Los Angeles and State of California 2007-2011<sup>(1)</sup>

| <u>Year and Area</u> | <u>Labor Force</u> | <u>Employment</u> <sup>(2)</sup> | <u>Unemployment</u> <sup>(3)</sup> | <u>Unemployment Rate (%)</u> |
|----------------------|--------------------|----------------------------------|------------------------------------|------------------------------|
| 2007                 |                    |                                  |                                    |                              |
| City of Norwalk      | 48,700             | 46,100                           | 2,600                              | 5.4%                         |
| City of La Mirada    | 24,800             | 24,000                           | 700                                | 3.0                          |
| Los Angeles County   | 4,872,500          | 4,625,600                        | 246,900                            | 5.1                          |
| State of California  | 17,921,000         | 16,960,700                       | 960,300                            | 5.4                          |
| 2008                 |                    |                                  |                                    |                              |
| City of Norwalk      | 49,400             | 45,500                           | 3,900                              | 7.9                          |
| City of La Mirada    | 24,800             | 23,700                           | 1,100                              | 4.5                          |
| Los Angeles County   | 4,934,800          | 4,565,500                        | 369,300                            | 7.5                          |
| State of California  | 18,203,100         | 16,890,000                       | 1,313,100                          | 7.2                          |
| 2009                 |                    |                                  |                                    |                              |
| City of Norwalk      | 49,300             | 43,200                           | 6,000                              | 12.2                         |
| City of La Mirada    | 24,200             | 22,500                           | 1,700                              | 7.1                          |
| Los Angeles County   | 4,904,300          | 4,335,200                        | 569,000                            | 11.6                         |
| State of California  | 18,208,300         | 16,144,500                       | 2,063,900                          | 11.3                         |
| 2010                 |                    |                                  |                                    |                              |
| City of Norwalk      | 49,400             | 42,800                           | 6,600                              | 13.3                         |
| City of La Mirada    | 24,200             | 22,300                           | 1,900                              | 7.7                          |
| Los Angeles County   | 4,910,500          | 4,291,400                        | 619,100                            | 12.7                         |
| State of California  | 18,316,400         | 16,051,500                       | 2,264,900                          | 12.4                         |
| 2011                 |                    |                                  |                                    |                              |
| City of Norwalk      | 49,500             | 43,100                           | 6,400                              | 13.0                         |
| City of La Mirada    | 24,300             | 22,400                           | 1,800                              | 7.5                          |
| Los Angeles County   | 4,924,400          | 4,318,900                        | 605,500                            | 12.3                         |
| State of California  | 18,384,900         | 16,226,600                       | 2,158,300                          | 11.7                         |

<sup>(1)</sup> Data is based on annual averages, unless otherwise specified, and is not seasonally adjusted.

<sup>(2)</sup> Includes persons involved in labor-management trade disputes.

<sup>(3)</sup> Includes all persons without jobs who are actively seeking work.

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2010 Benchmark.

## Industry

The City is included in the Los Angeles-Long Beach-Glendale Metropolitan Statistical Area. The distribution of employment in the Los Angeles/Long Beach/Glendale area is presented in the following table for the calendar years 2007 through 2011. These figures are multi county-wide statistics and may not necessarily accurately reflect employment trends in the City.

### INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES Los Angeles-Long Beach-Glendale Metropolitan Division 2007-2011<sup>(1)</sup>

| <u>Category</u>                           | <u>2007</u>      | <u>2008</u>      | <u>2009</u>      | <u>2010</u>      | <u>2011</u>      |
|---|------------------|------------------|------------------|------------------|------------------|
| Total Farm                                | 7,500            | 6,900            | 6,200            | 6,200            | 5,500            |
| Total Nonfarm                             | 4,122,100        | 4,070,700        | 3,824,100        | 3,773,100        | 3,794,100        |
| Total Private                             | 3,526,400        | 3,467,000        | 3,228,300        | 3,193,500        | 3,228,900        |
| Goods Producing                           | 611,200          | 584,000          | 510,600          | 481,800          | 472,900          |
| Mining and Logging                        | 4,400            | 4,400            | 4,100            | 4,100            | 4,000            |
| Construction                              | 157,600          | 145,200          | 117,300          | 104,500          | 103,500          |
| Manufacturing                             | 449,200          | 434,500          | 389,200          | 373,200          | 365,400          |
| Durable Goods                             | 250,900          | 243,200          | 217,500          | 207,000          | 202,800          |
| Nondurable Goods                          | 198,300          | 191,200          | 171,600          | 166,200          | 162,600          |
| Service Providing                         | 3,510,900        | 3,486,700        | 3,313,500        | 3,291,300        | 3,321,200        |
| Private Service Producing                 | 2,915,200        | 2,883,000        | 2,720,200        | 2,709,700        | 2,781,700        |
| Trade, Transportation and Utilities       | 818,500          | 803,300          | 742,700          | 739,800          | 748,000          |
| Wholesale Trade                           | 227,000          | 223,700          | 204,500          | 203,300          | 207,200          |
| Retail Trade                              | 426,000          | 416,500          | 387,000          | 386,000          | 390,900          |
| Transportation, Warehousing and Utilities | 165,600          | 163,100          | 151,200          | 150,600          | 149,900          |
| Information                               | 209,800          | 210,300          | 191,200          | 191,500          | 195,600          |
| Financial Activities                      | 243,800          | 233,300          | 216,000          | 209,500          | 209,400          |
| Professional and Business Services        | 605,400          | 582,600          | 529,800          | 527,500          | 540,400          |
| Educational and Health Services           | 492,700          | 505,800          | 514,600          | 522,000          | 534,800          |
| Leisure and Hospitality                   | 397,900          | 401,600          | 385,600          | 384,800          | 392,800          |
| Other Services                            | 147,100          | 146,100          | 137,900          | 136,700          | 135,000          |
| Government                                | <u>595,700</u>   | <u>603,700</u>   | <u>595,800</u>   | <u>579,600</u>   | <u>565,200</u>   |
| Total, All Industries                     | <u>4,129,600</u> | <u>4,077,600</u> | <u>3,830,300</u> | <u>3,779,300</u> | <u>3,799,600</u> |

Note: Items may not add to total due to independent rounding.

Source: California Employment Development Department, Labor Market Information Division. March 2010 Benchmark.

## Commercial Activity

Summaries of taxable sales in the County and City from 2005 through 2011 are shown in the following tables.

### **TAXABLE SALES County of Los Angeles 2005-2011 (Dollars in Thousands)**

| <u>Year</u>         | <u>Retail<br/>Permits</u> | <u>Retail Stores<br/>Taxable Transactions</u> | <u>Total<br/>Permits</u> | <u>Total Outlets<br/>Taxable<br/>Transactions</u> |
|---------------------|---------------------------|---|--------------------------|---|
| 2005                | 139,641                   | \$92,271,155                                  | 298,083                  | \$130,722,373                                     |
| 2006                | 142,512                   | 95,554,193                                    | 295,701                  | 136,162,552                                       |
| 2007                | 142,380                   | 96,095,711                                    | 290,344                  | 137,820,418                                       |
| 2008                | 146,999                   | 89,810,309                                    | 289,802                  | 131,881,744                                       |
| 2009                | 175,461                   | 78,444,115                                    | 264,928                  | 112,744,727                                       |
| 2010                | 182,491                   | 82,175,416                                    | 271,293                  | 116,942,334                                       |
| 2011 <sup>(1)</sup> | 179,872                   | 42,819,513                                    | 266,868                  | 60,690,826  |

<sup>(1)</sup> Reflects taxable sales through the first half of 2011.

Note: In 2009, retail permits expanded to include permits for food services.

Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

### **TAXABLE SALES City of Norwalk 2005-2011 (Dollars in Thousands)**

| <u>Year</u>         | <u>Retail<br/>Permits</u> | <u>Retail Stores<br/>Taxable Transactions</u> | <u>Total<br/>Permits</u> | <u>Total Outlets<br/>Taxable<br/>Transactions</u> |
|---------------------|---------------------------|---|--------------------------|---|
| 2005                | 832                       | \$764,281                                     | 1,635                    | \$868,104   |
| 2006                | 870                       | 769,828                                       | 1,691                    | 878,679   |
| 2007                | 804                       | 767,426                                       | 1,648                    | 885,054   |
| 2008                | 820                       | 710,895                                       | 1,618                    | 819,087   |
| 2009                | 1,057                     | 616,240                                       | 1,509                    | 712,778   |
| 2010                | 1,101                     | 644,923                                       | 1,554                    | 733,920   |
| 2011 <sup>(1)</sup> | 1,087                     | 335,673                                       | 1,531                    | 378,401   |

<sup>(1)</sup> Reflects taxable sales through the first half of 2011.

Note: In 2009, retail permits expanded to include permits for food services.

Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

**TAXABLE SALES**  
**City of La Mirada**  
**2005-2011**  
**(Dollars in Thousands)**

| <u>Year</u>         | <u>Retail<br/>Permits</u> | <u>Retail Stores<br/>Taxable Transactions</u> | <u>Total<br/>Permits</u> | <u>Total Outlets<br/>Taxable<br/>Transactions</u> |
|---------------------|---------------------------|---|--------------------------|---|
| 2005                | 470                       | \$550,049                                     | 1,022                    | \$920,048   |
| 2006                | 488                       | 527,630                                       | 1,061                    | 946,067   |
| 2007                | 450                       | 529,791                                       | 1,036                    | 930,253   |
| 2008                | 451                       | 463,569                                       | 1,037                    | 897,956   |
| 2009                | 582                       | 427,071                                       | 953                      | 700,794   |
| 2010                | 593                       | 541,255                                       | 964                      | 756,137   |
| 2011 <sup>(1)</sup> | 547                       | 287,519                                       | 905                      | 405,486   |

<sup>(1)</sup> Reflects taxable sales through the first half of 2011.

Note: In 2009, retail permits expanded to include permits for food services.

Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

**Building Activity**

The tables below list the building permit valuations in the County and City from 2007 through 2011.

**BUILDING PERMITS AND VALUATIONS**  
**Los Angeles County**  
**2007-2011**

|                     | <u>2007</u>      | <u>2008</u>      | <u>2009</u>      | <u>2010</u>      | <u>2011</u>      |
|---------------------|------------------|------------------|------------------|------------------|------------------|
| Valuation (\$000's) |                  |                  |                  |                  |                  |
| Residential         | \$5,922,000      | \$3,954,515      | \$2,395,763      | \$2,824,462      | \$3,415,434      |
| Non-Residential     | <u>4,678,000</u> | <u>4,490,637</u> | <u>2,650,381</u> | <u>2,669,912</u> | <u>2,669,912</u> |
| Total               | \$10,600,000     | \$8,445,153      | \$5,046,143      | \$5,494,375      | \$5,494,375      |
| Units               |                  |                  |                  |                  |                  |
| Single Family       | 7,408            | 3,539            | 2,120            | 2,417            | 2,370            |
| Multiple Family     | <u>12,820</u>    | <u>10,165</u>    | <u>3,521</u>     | <u>5,056</u>     | <u>8,098</u>     |
| Total               | 20,228           | 13,704           | 5,641            | 7,473            | 10,468           |

Note: Totals may not add to sum because of rounding.

Source: Construction Industry Research Board.

**BUILDING PERMITS AND VALUATIONS**  
**City of Norwalk**  
**2007-2011**

|                     | <u>2007</u>   | <u>2008</u>   | <u>2009</u>   | <u>2010</u>  | <u>2011</u>  |
|---------------------|---------------|---------------|---------------|--------------|--------------|
| Valuation (\$000's) |               |               |               |              |              |
| Residential         | \$23,088      | \$16,805      | \$11,802      | \$11,291     | \$10,497     |
| Non-Residential     | <u>21,149</u> | <u>14,268</u> | <u>13,240</u> | <u>9,124</u> | <u>6,700</u> |
| Total               | \$44,237      | \$31,073      | \$25,042      | 20,415       | 17,197       |
| Units               |               |               |               |              |              |
| Single Family       | 1             | 6             | 3             | 0            | 3            |
| Multiple Family     | <u>4</u>      | <u>0</u>      | <u>4</u>      | <u>0</u>     | <u>0</u>     |
| Total               | 5             | 6             | 7             | 0            | 3            |

Note: Totals may not add to sum because of rounding.

Source: Construction Industry Research Board.

**BUILDING PERMITS AND VALUATIONS**  
**City of La Mirada**  
**2007-2011**

|                     | <u>2007</u>  | <u>2008</u>   | <u>2009</u>   | <u>2010</u>  | <u>2011</u>   |
|---------------------|--------------|---------------|---------------|--------------|---------------|
| Valuation (\$000's) |              |               |               |              |               |
| Residential         | \$7,210      | \$6,271       | \$6,351       | \$4,920      | \$7,095       |
| Non-Residential     | <u>7,288</u> | <u>10,480</u> | <u>21,870</u> | <u>5,937</u> | <u>17,639</u> |
| Total               | \$14,498     | \$16,751      | 28,221        | 10,857       | 24,733        |
| Units               |              |               |               |              |               |
| Single Family       | 0            | 0             | 0             | 0            | 2             |
| Multiple Family     | <u>0</u>     | <u>0</u>      | <u>0</u>      | <u>0</u>     | <u>0</u>      |
| Total               | 0            | 0             | 0             | 0            | 2             |

Note: Totals may not add to sum because of rounding.

Source: Construction Industry Research Board.