



Lawndale Elementary School District

Annual Financial Report

June 30, 2013

LAWNSDALE ELEMENTARY SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Governing Board
Lawndale Elementary School District
Lawndale, California

Report on the Financial Statements

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 Lawndale Elementary School District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-2013*, 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lawndale Elementary School District, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management discussion and analysis on pages 5 through 14, general fund budgetary comparison schedule on page 53, cafeteria budgetary comparison schedule on page 54, and the schedule of other postemployment benefits (OPEB) on page 55, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lawndale Elementary School District's basic financial statements. The accompanying supplementary information, such as 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* and the other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

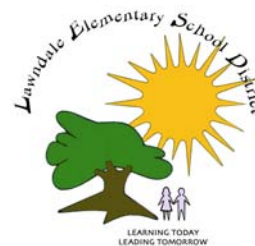
In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2013, on our consideration of the Lawndale Elementary School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lawndale Elementary School District's internal control over financial reporting and compliance.

Vauriney, Tine, Day & Co., LLP.

Rancho Cucamonga, California
December 10, 2013

LAWDALE ELEMENTARY SCHOOL DISTRICT

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This section of Lawndale Elementary 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, 2013, with comparative information from the fiscal year ending 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 (including capital assets) of the District, 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, proprietary and fiduciary.

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

The *Proprietary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fiduciary Funds* 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 Lawndale Elementary School District.

LAWDALE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* 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 position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District 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 Position* 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 eight 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 programs and services are 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.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

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 Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position*. 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.

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 the associated student body activities. The District's fiduciary activities are reported in the *Fiduciary Funds Statement of Net Position*. 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.

LAWNSDALE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

FINANCIAL HIGHLIGHTS

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$48.8 million for governmental activities for the fiscal year ended June 30, 2013. Of this amount, \$8.4 million was unrestricted. Restricted net position are reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use those net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental and business-type activities.

Table 1

(Amounts in thousands)	Governmental Activities		Business-Type Activities		School District Activities	
	2013	2012	2013	2012	2013	2012
Assets						
Current and other assets	\$ 25,633.8	\$ 30,543.0	\$ 478.1	\$ 563.9	\$ 26,111.9	\$ 31,106.9
Capital assets	53,582.1	53,961.1	-	-	53,582.1	53,961.1
Total Assets	79,215.9	84,504.1	478.1	563.9	79,694.0	85,068.0
Liabilities						
Current liabilities	7,101.8	6,718.8	37.8	17.6	7,139.6	6,736.4
Long-term obligations	23,273.2	23,588.9	-	-	23,273.2	23,588.9
Total Liabilities	30,375.0	30,307.7	37.8	17.6	30,412.8	30,325.3
Net Position						
Net investment in capital assets	34,879.2	37,007.9	-	-	34,879.2	37,007.9
Restricted	5,593.2	5,706.6	-	-	5,593.2	5,706.6
Unrestricted	8,368.5	11,481.9	440.3	546.3	8,808.8	12,028.2
Total Net Position	\$ 48,840.9	\$ 54,196.4	\$ 440.3	\$ 546.3	\$ 49,281.2	\$ 54,742.7

The \$8.4 million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased by 27 percent (\$8.4 million compared to \$11.5 million).

LAWNDALE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 16. 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 thousands)	Governmental Activities		Business-Type Activities		School District Activities	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues:						
Charges for services	\$ 502.7	\$ 425.3	\$ -	\$ 257.7	\$ 502.7	\$ 683.0
Operating grants and contributions	16,418.7	16,180.5	-	-	16,418.7	16,180.5
General revenues:						
State revenue limit sources not restricted	27,332.6	29,814.9	-	-	27,332.6	29,814.9
Property taxes	7,671.6	5,151.4	-	-	7,671.6	5,151.4
Other general revenues	2,216.4	2,082.6	177.1	4.9	2,393.5	2,087.5
Total Revenues	54,142.0	53,654.7	177.1	262.6	54,319.1	53,917.3
Expenses						
Instruction-related	44,085.2	43,500.5	-	-	44,085.2	43,500.5
Student support services	5,952.8	5,673.1	-	-	5,952.8	5,673.1
Administration	3,500.3	3,283.3	-	-	3,500.3	3,283.3
Plant	4,045.1	4,186.0	-	-	4,045.1	4,186.0
Other	1,914.1	2,211.3	283.1	226.9	2,197.2	2,438.2
Total Expenses	59,497.5	58,854.2	283.1	226.9	59,780.6	59,081.1
Change in Net Position	\$ (5,355.5)	\$ (5,199.5)	\$ (106.0)	\$ 35.7	\$ (5,461.5)	\$ (5,163.8)

Governmental Activities

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was \$59.5 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$7.7 million because the cost was paid by those who benefited from the programs (\$16.4 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$.5 million). We paid for the remaining "public benefit" portion of our governmental activities from the \$27.3 million we received in State funds, and from \$2.2 million of other revenues, like interest and general entitlements.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

In Table 3, we have presented the *cost* of each of the District's largest functions including instruction, instruction-related activities, other pupil services, general administration, plant, and other activities, as well as each program's *net cost* (total cost less revenues generated by these activities). As discussed on the previous page, 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 thousands)

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
Instruction	\$ 39,148.3	\$ 38,244.0	\$ (29,289.0)	\$ (28,957.9)
Instruction-related activities	4,936.9	5,256.5	(3,164.0)	(3,437.0)
Other pupil services	5,952.8	5,673.1	(1,822.2)	(1,498.3)
General administration	3,500.3	3,283.3	(3,108.9)	(2,883.4)
Plant	4,045.1	4,186.0	(3,770.9)	(3,829.1)
Other	1,914.1	2,211.3	(1,421.1)	(1,642.7)
Total	\$ 59,497.5	\$ 58,854.2	\$ (42,576.1)	\$ (42,248.4)

LAWNSDALE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

THE DISTRICT'S FUNDS

As the District completed the year, our governmental funds reported a combined fund balance of \$18.5 million, which is a decrease of \$5.5 million from last year (Table 4). This \$5.5 million decrease is the net difference in the following fund or program balances from the prior year.

Table 4

(Amounts in thousands)

	Fund Balance	
	June 30, 2013	June 30, 2012
General Fund	\$ 11,056.5	\$ 13,798.2
Building Fund	2,096.6	4,540.2
Cafeteria Fund	2,917.4	2,965.8
Child Development Fund	135.8	75.7
Capital Facilities Fund	391.8	777.3
State School Building Fund	2.6	2.5
County School Facilities Fund	34.7	34.5
Special Reserve Fund for Capital Outlay Projects	686.4	682.0
Bond Interest and Redemption Fund	1,159.4	1,096.1
Debt Service Fund	19.1	19.0
Total	\$ 18,500.3	\$ 23,991.3

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget to reflect expected and unexpected changes in revenues and expenditures. The first Interim Budget report was prepared based upon actual information through October 31, 2012, and the second Interim Budget report was prepared based upon the actual information through January 31, 2013. (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 53.)

LAWNDALE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had \$53.6 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of approximately \$.4 million, or 1 percent, from last year (Table 5).

Table 5

(Amounts in thousands)	Governmental Activities	
	2013	2012
Land and construction in progress	\$ 1,415.8	\$ 4,975.0
Buildings and improvements	51,586.7	48,395.7
Equipment	579.6	590.4
Total	\$ 53,582.1	\$ 53,961.1

We present more detailed information about our capital assets in Note 4 to the financial statements.

Long-Term Obligations

At the end of this year, the District had \$21.1 million in general obligation bonds outstanding versus \$21.8 million last year, a decrease of 3 percent. The long-term obligations consisted of:

Table 6

(Amounts in thousands)	Governmental Activities	
	2013	2012
General obligation bonds (financed with property taxes)	\$ 21,069.2	\$ 21,781.2
Compensated absences	424.8	388.0
Net OPEB obligation	1,779.2	1,419.7
Total	\$ 23,273.2	\$ 23,588.9

The District's general obligation bond rating continues to be "AA-". The State limits the amount of general obligation bonds 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 bonds debt of \$21.1 million is significantly below the statutorily-imposed limit.

Other obligations include compensated absences and the net OPEB obligation. We present more detailed information regarding our long-term obligations in Note 7 of the financial statements.

LAWNSDALE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2012-2013 ARE NOTED BELOW:

The District continues to implement its significant facilities improvement master plan of over \$75 million for all of its schools which began in 1998. In the 2012-2013 fiscal year, the District completed construction of a \$4.5 million, ten classroom, two story facility at its Anderson School campus, in November 2012.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2013-2014 year, the Governing Board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Implementation of a new state funding formula for public school districts called the Local Control Funding Formula. As a result of the passage of PROP 30, and an improving State economy, this formula promises to provide the first increase in funding for the school district in 5 years.
2. Average daily attendance (ADA) enrollment projections were unchanged from the prior year.
3. Interest earnings remain low to reflect continuing state deferrals of State funding to educational agencies.
4. Developer fee collections were based upon actual receipts which are sensitive to the housing and construction industry.
5. MAA reimbursements were adjusted to reflect a delay due to a disagreement on time reporting methodology between the State and Federal agencies. MAA reimbursements are budgeted upon receipt.
6. Transfers to the early retiree fund remain suspended. The Food Services "Meals for Needy" allocation was eliminated and folded into the District's local control funding formula.
7. The District has recommitted a budgetary transfer of \$214,445 to continue its commitment to maintain its facilities, even though the former Deferred Maintenance program was eliminated and also folded into the District's local control funding formula.

Expenditures are based on the following forecasts:

	<u>Staffing Ratio</u>	<u>Enrollment</u>
Grades kindergarten	24:1	652
Grades first through third	24:1	1,886
Grades four and five	32:1	1,338
Grades six through eight	32:1	1,767
Special Education (Ungraded)	12:1	135

LAWNDALE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

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 the Associate Superintendent, Business Services, at Lawndale School District, in Lawndale, California 90260, or e-mail at john_vinke@lawndale.k12.ca.us.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2013

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Deposits and investments	\$ 18,750,825	\$ 476,839	\$ 19,227,664
Receivables	6,331,110	1,231	6,332,341
Stores inventories	75,706	-	75,706
Deferred charges on issuance	269,793	-	269,793
Other current assets	206,424	-	206,424
Capital assets:			
Land and construction in progress	1,415,838	-	1,415,838
Other capital assets	88,307,653	-	88,307,653
Less: Accumulated depreciation	(36,141,429)	-	(36,141,429)
Total Capital Assets	<u>53,582,062</u>	<u>-</u>	<u>53,582,062</u>
Total Assets	<u>79,215,920</u>	<u>478,070</u>	<u>79,693,990</u>
LIABILITIES			
Accounts payable	6,746,810	37,751	6,784,561
Interest payable	238,068	-	238,068
Deferred revenue	116,966	-	116,966
Long-term obligations:			
Current portion of long-term obligations	675,000	-	675,000
Noncurrent portion of long-term obligations	22,598,170	-	22,598,170
Total Long-Term Obligations	<u>23,273,170</u>	<u>-</u>	<u>23,273,170</u>
Total Liabilities	<u>30,375,014</u>	<u>37,751</u>	<u>30,412,765</u>
NET POSITION			
Net investment in capital assets	34,879,178	-	34,879,178
Restricted for:			
Debt service	940,440	-	940,440
Capital projects	429,178	-	429,178
Educational programs	1,195,340	-	1,195,340
Other activities	3,028,228	-	3,028,228
Unrestricted	8,368,542	440,319	8,808,861
Total Net Position	<u>\$ 48,840,906</u>	<u>\$ 440,319</u>	<u>\$ 49,281,225</u>

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities:			
Instruction	\$ 39,148,291	\$ 151,981	\$ 9,707,273
Instruction-related activities:			
Supervision of instruction	1,589,485	14,468	1,251,775
Instructional library, media, and technology	457,421	-	134,426
School site administration	2,890,000	363	371,885
Pupil services:			
Home-to-school transportation	776,045	74,840	437,747
Food services	3,119,787	197,464	2,621,631
All other pupil services	2,056,979	8,950	789,989
General administration:			
Data processing	283,603	-	-
All other general administration	3,216,715	13,145	378,276
Plant services	4,045,139	17,264	257,059
Ancillary services	54,045	-	54,045
Community services	29,618	-	25,408
Interest on long-term obligations	569,663	-	-
Other outgo	1,260,751	24,213	389,222
Total Governmental Activities	59,497,542	502,688	16,418,736
Business-Type Activities			
Enterprise services	283,064	173,522	-
Total Business-Type Activities	283,064	173,522	-
Total School District	\$ 59,780,606	\$ 676,210	\$ 16,418,736

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
- Interest and investment earnings
- Miscellaneous

Subtotal, General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

**Net (Expenses) Revenues and
Changes in Net Position**

Governmental Activities	Business- Type Activities	Total
\$ (29,289,037)	\$ -	\$ (29,289,037)
(323,242)	-	(323,242)
(322,995)	-	(322,995)
(2,517,752)	-	(2,517,752)
(263,458)	-	(263,458)
(300,692)	-	(300,692)
(1,258,040)	-	(1,258,040)
(283,603)	-	(283,603)
(2,825,294)	-	(2,825,294)
(3,770,816)	-	(3,770,816)
-	-	-
(4,210)	-	(4,210)
(569,663)	-	(569,663)
(847,316)	-	(847,316)
<u>(42,576,118)</u>	<u>-</u>	<u>(42,576,118)</u>
-	(109,542)	(109,542)
-	(109,542)	(109,542)
<u>(42,576,118)</u>	<u>(109,542)</u>	<u>(42,685,660)</u>
6,024,727	-	6,024,727
1,531,663	-	1,531,663
115,203	-	115,203
27,332,584	-	27,332,584
60,309	3,545	63,854
2,156,103	-	2,156,103
<u>37,220,589</u>	<u>3,545</u>	<u>37,224,134</u>
(5,355,529)	(105,997)	(5,461,526)
54,196,435	546,316	54,742,751
<u>\$ 48,840,906</u>	<u>\$ 440,319</u>	<u>\$ 49,281,225</u>

LAWNDALE ELEMENTARY SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2013**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Cafeteria Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Deposits and investments	\$ 11,521,493	\$ 2,579,215	\$ 2,298,077	\$ 2,352,040	\$ 18,750,825
Receivables	5,188,520	6,014	788,203	348,373	6,331,110
Stores inventories	51,464	-	24,242	-	75,706
Other current assets	206,424	-	-	-	206,424
Total Assets	<u>\$ 16,967,901</u>	<u>\$ 2,585,229</u>	<u>\$ 3,110,522</u>	<u>\$ 2,700,413</u>	<u>\$ 25,364,065</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 5,794,457	\$ 488,666	\$ 193,156	\$ 270,531	\$ 6,746,810
Deferred revenue	116,966	-	-	-	116,966
Total Liabilities	<u>5,911,423</u>	<u>488,666</u>	<u>193,156</u>	<u>270,531</u>	<u>6,863,776</u>
Fund Balances:					
Nonspendable	66,464	-	24,912	-	91,376
Restricted	1,195,340	2,096,563	2,892,454	1,743,460	7,927,817
Assigned	2,933,550	-	-	686,422	3,619,972
Unassigned	6,861,124	-	-	-	6,861,124
Total Fund Balances	<u>11,056,478</u>	<u>2,096,563</u>	<u>2,917,366</u>	<u>2,429,882</u>	<u>18,500,289</u>
Total Liabilities and Fund Balances	<u>\$ 16,967,901</u>	<u>\$ 2,585,229</u>	<u>\$ 3,110,522</u>	<u>\$ 2,700,413</u>	<u>\$ 25,364,065</u>

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013**

Total Fund Balance - Governmental Funds		\$ 18,500,289
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
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:	\$ 89,723,491	
Accumulated depreciation is:	<u>(36,141,429)</u>	
Total Net Capital Assets		53,582,062
Expenditures relating to issuance of debt and refunding of debt were recognized on the modified accrual basis. Under the accrual basis, these expenditures are capitalized and will be amortized as an adjustment to interest expense.		269,793
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(238,068)
Long-term obligations, including general obligation bonds, are not due and payable in the current period and, therefore, are not reported as obligations in the funds.		
Long-term obligations at year-end consist of:		
General obligation bonds	20,210,000	
Unamortized premium	859,240	
Compensated absences	424,736	
Other postemployment benefits obligation, net	<u>1,779,194</u>	
Total Long-Term Obligations		<u>(23,273,170)</u>
Total Net Position - Governmental Activities		<u>\$ 48,840,906</u>

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013**

	General Fund	Building Fund	Cafeteria Fund
REVENUES			
Revenue limit sources	\$ 28,279,015	\$ -	\$ -
Federal sources	4,869,996	-	2,766,619
Other State sources	12,568,709	-	202,604
Other local sources	1,405,601	21,032	315,314
Total Revenues	47,123,321	21,032	3,284,537
EXPENDITURES			
Current:			
Instruction	34,570,745	-	-
Instruction-related activities:			
Supervision of instruction	1,365,200	-	-
Instructional library, media and technology	464,957	-	-
School site administration	2,880,199	-	-
Pupil services:			
Home-to-school transportation	708,820	-	-
Food services	-	-	2,977,324
All other pupil services	1,989,754	-	-
General administration:			
Data processing	283,603	-	-
All other general administration	2,674,668	-	127,807
Plant services	3,565,289	-	212,727
Facility acquisition and construction	17,440	2,464,690	15,061
Ancillary services	54,045	-	-
Community services	29,618	-	-
Other outgo	1,260,751	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	49,865,089	2,464,690	3,332,919
NET CHANGE IN FUND BALANCES	(2,741,768)	(2,443,658)	(48,382)
Fund Balances - Beginning	13,798,246	4,540,221	2,965,748
Fund Balances - Ending	\$ 11,056,478	\$ 2,096,563	\$ 2,917,366

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

Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 28,279,015
131,821	7,768,436
1,950,092	14,721,405
1,631,210	3,373,157
3,713,123	54,142,013
1,636,824	36,207,569
224,285	1,589,485
-	464,957
9,801	2,890,000
-	708,820
43,840	3,021,164
-	1,989,754
-	283,603
108,650	2,911,125
71,055	3,849,071
395,496	2,892,687
-	54,045
-	29,618
-	1,260,751
655,000	655,000
825,453	825,453
3,970,404	59,633,102
(257,281)	(5,491,089)
2,687,163	23,991,378
\$ 2,429,882	\$ 18,500,289

LAWNDALE ELEMENTARY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2013

Total Net Change in Fund Balances - Governmental Funds **\$ (5,491,089)**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

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 Statements of Activities.

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

Depreciation expense	\$ (3,361,243)	
Capital outlays	2,982,233	(379,010)

In the Statement of Activities, compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, the related expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid).

Vacation earned was more than the amounts used by \$36,691. (36,691)

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

Premium on issuance	56,966	
Cost of issuance	(17,986)	38,980

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

655,000

Contributions for postemployment benefits are recorded as an expense in the governmental funds when paid. However, the difference between the annual OPEB expense 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 OPEB expense.

(359,529)

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.

	216,810	
Change in Net Position of Governmental Activities	\$ (5,355,529)	

LAWNDALE ELEMENTARY SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2013**

	Business-Type Activities
	Enterprise Fund
	Child Care Fund
ASSETS	
Current Assets	
Deposits and investments	\$ 476,839
Receivables	1,231
Total Current Assets	478,070
LIABILITIES	
Current Liabilities	
Accounts payable	37,751
NET POSITION	
Unrestricted	\$ 440,319

LAWNDALE ELEMENTARY SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013**

	Business-Type Activities Enterprise Fund Child Care Fund
OPERATING REVENUES	
Local and intermediate sources	\$ 173,522
OPERATING EXPENSES	
Payroll costs	174,849
Supplies and materials	98,169
Other operating cost	10,046
Total Operating Expenses	283,064
Operating Loss	(109,542)
NONOPERATING REVENUES	
Interest income	3,545
Change in Net Position	(105,997)
Total Net Position - Beginning	546,316
Total Net Position - Ending	\$ 440,319

LAWNDALE ELEMENTARY SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013**

	Business-Type Activities Enterprise Fund Child Care Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from user charges	\$ 173,266
Cash payments for other operating expenses	(262,855)
Net Cash Used by Operating Activities	<u>(89,589)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>3,545</u>
Net Change in Cash and Cash Equivalents	(86,044)
Cash and Cash Equivalents - Beginning	562,883
Cash and Cash Equivalents - Ending	<u>\$ 476,839</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (109,542)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Changes in assets and liabilities:	
Receivables	(256)
Accounts payable	20,209
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (89,589)</u>

LAWNSDALE ELEMENTARY SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2013**

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	\$ 32,127
	<u>32,127</u>
LIABILITIES	
Due to student groups	\$ 32,127
	<u>32,127</u>

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Lawndale Elementary School District (the District) was organized in October 1906 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K-8 as mandated by the State and/or Federal agencies. The District operates seven elementary schools and two middle schools.

A reporting entity is comprised of the primary government 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 Lawndale Elementary, this includes general operations, food service, and student related activities of the District.

Other Related Entities

Charter School The District has approved the Environmental Charter School pursuant to *Education Code* Section 47605. The Charter School was approved in December 2000, for an original term of four years ending June 30, 2004. The agreement has since been approved through June 30, 2014.

For financial reporting purposes the charter is not considered a component unit in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by Statement No. 39. The criterion that establishes financial accountability as a result of fiscal dependency was not met. Therefore, the charter is determined not to be a component unit and is not included as part of these financial statements.

The charter is subject to audit within the agreement. Audited financial statements are available from the charter organization.

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:

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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. Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects 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.

In addition, under the flexibility provisions of current statute that allow certain formerly restricted revenues to be used for any educational purpose, Fund 14, Deferred Maintenance Fund does not currently meet the definition of special revenue fund as this fund is no longer primarily composed of restricted or committed revenue sources.

As the District has not taken formal action to commit the flexed revenue formerly restricted to this program to the continued operation of the original programs, the revenue within this fund would be considered to be available for general educational purposes, resulting in Fund 14, Deferred Maintenance Fund being 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 \$2,937,824, and \$2,937,824 respectively, and an increase in revenues of \$16,949.

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.

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).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are used 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.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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).

State School Building Fund The State School Building Fund is used primarily to account separately for State apportionments for the reconstruction, remodeling, or replacing of existing school buildings or the acquisition of new school sites and buildings, as provided in the Leroy F. Greene State School Building Lease-Purchase Law of 1976 (*Education Code* Section 17000 et seq.).

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), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State School Facilities Fund (Proposition 1D) 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).

Tax Override Fund The Tax Override Fund is used for the repayment of voted indebtedness (other than Bond Interest and Redemption Fund) tax levies to be financed from ad valorem tax levies.

Debt Service Fund This fund is used for the accumulation of resources for and the retirement of principal and interest on general long-term debt.

Proprietary Funds Proprietary Fund reporting focuses on the determination of operating income, changes in net position, 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 fund:

Enterprise Fund Enterprise Fund 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 child care operations of the District.

LAWNSDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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.

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 present 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, except for depreciation. 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 position 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 position restricted for other purposes result from special revenue funds 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 governmental fund is presented in a separate column. Non-major governmental funds are aggregated and presented in a single column. The enterprise fund is presented in a single column on the face of the proprietary fund statement.

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 modification accrual basis of accounting.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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 position. The statement of changes in fund net position 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. Generally, available is defined as collectible within 90 days. However, to achieve comparability of reporting among California school 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 school 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.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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, 2013, 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 investment pools are determined by the program sponsor.

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-type 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. 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 statement of net position. The valuation basis for capital assets is 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.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 5 to 50 years; equipment, 2 to 15 years.

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 financial statements. 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.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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, long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

Fund Balances - Governmental Funds

As of June 30, 2013, 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.

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 actions as approved by the governing board. The District currently does not have any committed funds.

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.

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 Superintendent or Chief Business Official may assign amounts for specific purposes.

LAWDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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 on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is 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 position is available. The government-wide financial statements report \$5,593,186 of restricted net position.

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 user fees. Operating expenses are necessary cost 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 non-operating 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.

LAWNSDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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 of each year. The District's 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.

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.

Changes in Accounting Principles

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The District has implemented the provisions of this Statement for the year ended June 30, 2013.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

New Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4.

This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Early implementation is encouraged.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB 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 27 and 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 non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.

LAWNSDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

- 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, non-employer 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.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2013, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 18,750,825
Business-type activities	476,839
Fiduciary funds	32,127
Total Deposits and Investments	<u>\$ 19,259,791</u>

Deposits and investments as of June 30, 2013, consist of the following:

Cash on hand and in banks	\$ 65,569
Cash in revolving	15,669
Investments	19,178,553
Total Deposits and Investments	<u>\$ 19,259,791</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. The District's investment policies do not address risk criteria included in GASB Statement No. 40.

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.

The District is an involuntary participant in the Los Angeles County Investment Pool. The pool is managed by the Los Angeles County Treasurer and is not registered as an investment company with the Securities Exchange Commission. Oversight of the pool is the responsibility of the County Treasury Oversight Committee. *California Government Code* statutes and the County Treasury Oversight Committee set forth the various investment policies that the Treasurer follows.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

As provided by the Government Code, the cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing interest earnings through investment activities. Interest earned on pooled investments is deposited to the participating funds, based upon the funds average daily deposit balance during the allocation period.

General Authorizations

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

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
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

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.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity In Days</u>
Los Angeles County Investment Pool	<u>\$ 19,028,761</u>	<u>632</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 County Pool is not required to be rated.

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 agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2013, the District did not have any deposits exposed to custodial credit risk because all balances were FDIC insured.

LAWDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

NOTE 3 - RECEIVABLES

Receivables at June 30, 2013, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Cafeteria Fund	Non-Major Governmental Funds	Total Governmental Activities	Enterprise Fund
Federal Government						
Categorical aid	\$ 1,118,306	\$ -	\$ 721,597	\$ 24,868	\$ 1,864,771	\$ -
State Government						
Apportionment	1,945,746	-	-	-	1,945,746	-
Categorical aid	435,484	-	57,279	320,297	813,060	-
Lottery	451,394	-	-	-	451,394	-
Other State	995,574	-	-	-	995,574	-
Local Receivables						
Categorical aid	102,599	-	-	-	102,599	-
Interest	17,105	6,014	5,336	3,208	31,663	1,231
Other	122,312	-	3,991	-	126,303	-
Total	<u>\$ 5,188,520</u>	<u>\$ 6,014</u>	<u>\$ 788,203</u>	<u>\$ 348,373</u>	<u>\$ 6,331,110</u>	<u>\$ 1,231</u>

LAWNSDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 1,370,117	\$ -	\$ -	\$ 1,370,117
Construction in progress	3,604,907	45,721	3,604,907	45,721
Total Capital Assets Not Being Depreciated	4,975,024	45,721	3,604,907	1,415,838
Capital Assets Being Depreciated:				
Land improvements	590,300	172,849	-	763,149
Buildings and improvements	77,322,823	6,267,421	-	83,590,244
Furniture and equipment	3,853,111	101,149	-	3,954,260
Total Capital Assets Being Depreciated	81,766,234	6,541,419	-	88,307,653
Total Capital Assets	86,741,258	6,587,140	3,604,907	89,723,491
Less Accumulated Depreciation:				
Land improvements	554,509	2,573	-	557,082
Buildings and improvements	28,962,898	3,246,711	-	32,209,609
Furniture and equipment	3,262,779	111,959	-	3,374,738
Total Accumulated Depreciation	32,780,186	3,361,243	-	36,141,429
Governmental Activities Capital Assets, Net	\$ 53,961,072	\$ 3,225,897	\$ 3,604,907	\$ 53,582,062

Depreciation expense was charged as a direct expense to the governmental functions as follows:

Governmental Activities	
Instruction	\$ 2,588,157
Home-to-school transportation	67,225
Food services	168,062
All other pupil services	67,225
All other general administration	268,899
Plant services	201,675
Total Depreciation Expenses Governmental Activities	\$ 3,361,243

LAWNDALE ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 5 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2013, consisted of the following:

	General Fund	Building Fund	Cafeteria Fund	Non-Major Governmental Funds	Total Governmental Activities	Enterprise Fund
Salaries and benefits	\$ 3,141,142	\$ 1,756	\$ 104,884	\$ 196,776	\$ 3,444,558	\$ 12,768
Projected unreimbursed program costs	404,879	-	-	-	404,879	-
Construction	-	469,965	-	-	469,965	-
Vendor payables	2,248,436	16,945	88,272	73,755	2,427,408	24,983
Total	<u>\$ 5,794,457</u>	<u>\$ 488,666</u>	<u>\$ 193,156</u>	<u>\$ 270,531</u>	<u>\$ 6,746,810</u>	<u>\$ 37,751</u>

NOTE 6 - DEFERRED REVENUE

Deferred revenue at June 30, 2013, consists of the following:

	General Fund
Federal financial assistance	\$ 78,927
State categorical aid	25,582
Other local	12,457
Total	<u>\$ 116,966</u>

NOTE 7 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Due in One Year
General obligation bonds	\$ 20,865,000	\$ -	\$ 655,000	\$ 20,210,000	\$ 675,000
Premium on debt	916,206	-	56,966	859,240	-
Compensated absences	388,045	36,691	-	424,736	-
Net OPEB obligation	1,419,665	584,264	224,735	1,779,194	-
	<u>\$ 23,588,916</u>	<u>\$ 620,955</u>	<u>\$ 936,701</u>	<u>\$ 23,273,170</u>	<u>\$ 675,000</u>

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Payments on the general obligation bonds are paid from the Bond Interest and Redemption Fund with local revenues. The accrued vacation is paid by the fund for which the employee worked. Net OPEB obligations are paid from the General Fund.

General Obligation Bonds

1998, General Obligation Bonds, Series B

In November 2002, the District issued, in the amount of \$13,000,000, the General Obligation Bonds, Election of 1998, Series B. The bonds bear the interest rates of 3.50 to 5.25 percent and mature through the fiscal year 2033. The bonds were issued to finance the repair and refurbishment of existing school facilities, and the construction and acquisition of new classrooms and school facilities. At June 30, 2013, the principal balance outstanding was \$4,895,000.

1998, General Obligation Bonds, Series C

In August 2010, the District issued in the amount of \$3,000,000, the General Obligation Bonds, Election 1998, Series C. The bonds bear the interest rate of 3.00 to 4.25 percent and mature through the fiscal year 2028. The bonds were issued to finance the repair and refurbishment of existing school facilities, and the construction and acquisition of new classrooms and school facilities. At June 30, 2013, the principal balance outstanding was \$3,000,000.

2010 General Obligation Refunding Bonds

In August 2010, the District issued in the amount of \$13,170,000, the 2010 General Obligation Refunding Bonds to advance refund all of the outstanding principal amount of the Lawndale Elementary School District General Obligation Bonds, 1998 Election, Series A, and a portion of the outstanding principal amount on the Lawndale Elementary School District General Obligation Bonds, 1998 Election, Series B. The bonds bear an interest rate of 1.50 to 4.25 percent and mature through the fiscal year 2029. At June 30, 2013, the principal balance outstanding was \$12,315,000.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds	
					Outstanding July 1, 2012	Issued	Redeemed	Outstanding June 30, 2013	Due in One Year
1998, Series B	11/6/2002	8/1/2032	3.50-5.25%	\$13,000,000	\$ 5,205,000	\$ -	\$ 310,000	\$ 4,895,000	\$ -
1998 Series C	8/25/2010	8/1/2027	3.00-4.25%	3,000,000	3,000,000	-	-	3,000,000	-
2010 Refunding	8/25/2010	8/1/2028	1.50-4.25%	13,170,000	12,660,000	-	345,000	12,315,000	675,000
					<u>\$ 20,865,000</u>	<u>\$ -</u>	<u>\$ 655,000</u>	<u>\$ 20,210,000</u>	<u>\$ 675,000</u>

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

Debt Service Requirements to Maturity

The 1998 Series B bonds mature through 2033 as follows:

Series B

Fiscal Year	Principal	Interest to Maturity	Total
2014	\$ -	\$ -	\$ -
2015	-	-	-
2016	-	-	-
2017	-	-	-
2018	-	-	-
2019-2023	-	-	-
2024-2028	1,230,000	428,750	1,658,750
2029-2033	3,665,000	476,875	4,141,875
Total	\$ 4,895,000	\$ 905,625	\$ 5,800,625

The 1998 Series C bonds mature through 2028 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2014	\$ -	\$ 119,475	\$ 119,475
2015	-	119,475	119,475
2016	-	119,475	119,475
2017	-	119,475	119,475
2018	-	119,475	119,475
2019-2023	765,000	565,925	1,330,925
2024-2028	2,235,000	299,550	2,534,550
Total	\$ 3,000,000	\$ 1,462,850	\$ 4,462,850

LAWDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

The 2010 Refunding bonds mature through 2029 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2014	\$ 675,000	\$ 451,888	\$ 1,126,888
2015	685,000	438,388	1,123,388
2016	700,000	420,988	1,120,988
2017	725,000	400,488	1,125,488
2018	765,000	371,488	1,136,488
2019-2023	4,230,000	1,406,009	5,636,009
2024-2028	3,980,000	554,938	4,534,938
2029	555,000	23,588	578,588
Total	<u>\$12,315,000</u>	<u>\$ 4,067,775</u>	<u>\$ 16,382,775</u>

Compensated Absences

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2013, amounted to \$424,736.

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2013, was \$605,632 and contributions made by the District during the year were \$224,735. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$70,983 and (\$92,351), respectively, which resulted in an increase to the net OPEB obligation of \$359,529. As of June 30, 2013, the net OPEB obligation was \$1,779,194. See Note 9 for additional information regarding the OPEB obligation and the postemployment benefits plan.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 8 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Cafeteria Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	\$ 15,000	\$ -	\$ 670	\$ -	\$ 15,670
Stores inventories	51,464	-	24,242	-	75,706
Total Nonspendable	66,464	-	24,912	-	91,376
Restricted					
Legally restricted programs	1,195,340	-	2,892,454	135,774	4,223,568
Capital projects	-	2,096,563	-	429,178	2,525,741
Debt services	-	-	-	1,178,508	1,178,508
Total Restricted	1,195,340	2,096,563	2,892,454	1,743,460	7,927,817
Assigned					
Retiree benefits	2,933,550	-	-	-	2,933,550
Capital projects	-	-	-	686,422	686,422
Total Assigned	2,933,550	-	-	686,422	3,619,972
Unassigned					
Reserve for economic uncertainties	6,861,124	-	-	-	6,861,124
Total Unassigned	6,861,124	-	-	-	6,861,124
Total	\$ 11,056,478	\$ 2,096,563	\$ 2,917,366	\$ 2,429,882	\$ 18,500,289

NOTE 9 - 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 District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 53 retirees and beneficiaries currently receiving benefits, terminated Plan members entitled to, but not yet receiving benefits, and 434 active Plan members.

LAWDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District and applicable groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2012-2013, the District contributed \$224,735 to the Plan, all of which was used for current premiums which represented 100 percent of total premiums.

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 thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$ 605,632
Interest on net OPEB obligation	70,983
Adjustment to annual required contribution	<u>(92,351)</u>
Annual OPEB cost (expense)	584,264
Contributions made	<u>(224,735)</u>
Increase in net OPEB obligation	359,529
Net OPEB obligation, beginning of year	<u>1,419,665</u>
Net OPEB obligation, end of year	<u>\$ 1,779,194</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 June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2011	\$ 547,753	\$ 209,748	38%	\$ 1,033,674
2012	590,074	204,083	35%	1,419,665
2013	584,264	224,735	38%	1,779,194

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2011	-	\$ 4,941,563	\$ 4,941,563	0%	\$ 23,537,702	21%

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 July 1, 2011, actuarial valuation, the unprojected unit credit method was used. The actuarial assumptions included a five percent investment rate of return (net of administrative expenses). The District has not formed an irrevocable trust and currently funds the benefits on a pay-as-you-go basis. Health care cost trend rates changed from an initial five percent to an ultimate eight percent. The UAAL is being amortized at a level dollar method using a 30 year amortization period. The actuarial value of assets was not determined in this actuarial valuation as there were none.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

NOTE 10 - RISK MANAGEMENT

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. During fiscal year ending June 30, 2013, the District contracted with Alliance of Schools for Cooperative Insurance Programs (ASCIP) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Workers' Compensation

For fiscal year 2013, the District participated in the Alliance of Schools for Cooperative Insurance Programs (ASCIP) joint powers authorities' insurance purchasing pool. The intent of the ASCIP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the pool. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the pool. Each participant pays its workers' compensation premium based on its individual rate. A participant will then either receive a refund or credit from ASCIP or will be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the pool. Participation in the pool is limited to districts that can meet the ASCIP selection criteria.

Coverage provided by ASCIP for property and liability and workers' compensation is as follows:

<u>Insurance Program / Company Name</u>	<u>Type of Coverage</u>	<u>Limits</u>
<u>Workers' Compensation Program</u>		
Alliance of Schools for Cooperative Insurance Programs (ASCIP)	Workers' Compensation	\$ 1,000,000
<u>Property and Liability Program</u>		
Alliance of Schools for Cooperative Insurance Programs (ASCIP)	General and Automotive	\$ 1,000,000
Alliance of Schools for Cooperative Insurance Programs (ASCIP)	Comprehensive Crime	\$ 3,250,000
<u>Excess Property and Liability Program</u>		
Schools Excess Liability Fund (SELF)	Excess Property and Liability	\$ 14,000,000

LAWDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 11 - 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 the 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, 100 Waterfront Place, West Sacramento, California 95605.

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 2012-2013 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, 2013, 2012, and 2011, were \$1,971,492, \$1,917,282, and \$1,941,868, 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 issue 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.

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 2012-2013 was 11.417 percent of annual 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, 2013, 2012, and 2011, were \$1,033,736, \$959,143, and \$955,095, respectively, and equal 100 percent of the required contributions for each year.

LAWNSDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Social Security

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 the Social Security as its alternative plan. Contributions made by the District and an employee vest immediately. The District and employees combined contribution rate is 6.2 percent of employees earnings based on a contribution formula.

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$1,218,197 (5.176 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 12 - 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, 2013.

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, 2013.

NOTE 13 - PARTICIPATION IN JOINT POWER AUTHORITY

The District is a member of the Alliance of Schools for Cooperative Insurance Programs (ASCIP) joint powers authority (JPA). The District pays an annual premium to the applicable entity for its, workers' compensation and property liability coverage. Payments for insurance are paid to the JPA. The relationship between the District and the JPA is such that it is not a component unit of the District for financial reporting purposes.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Joint Power Authorities 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 entity and the District are included in these statements. Audited financial statements are generally available from the respective entities.

The District has appointed one board member to the governing board of the ASCIP JPA.

During the year ended June 30, 2013, the District made payments of \$1,218,041 to the ASCIP.

REQUIRED SUPPLEMENTARY INFORMATION

LAWNSDALE ELEMENTARY SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variations -
	Original	Final		Positive (Negative) Final to Actual
REVENUES				
Revenue limit sources	\$ 28,499,955	\$ 28,507,391	\$ 28,279,015	\$ (228,376)
Federal sources	4,334,725	6,135,766	4,869,996	(1,265,770)
Other State sources	10,988,491	11,432,151	12,568,709	1,136,558
Other local sources	833,823	1,203,953	1,405,601	201,648
Total Revenues ¹	<u>44,656,994</u>	<u>47,279,261</u>	<u>47,123,321</u>	<u>(155,940)</u>
EXPENDITURES				
Current				
Certificated salaries	23,675,902	23,969,846	25,068,375	(1,098,529)
Classified salaries	8,675,769	8,659,349	8,408,226	251,123
Employee benefits	7,899,389	8,102,778	8,120,423	(17,645)
Books and supplies	1,785,436	2,442,616	2,126,967	315,649
Services and operating expenditures	4,924,097	5,692,067	5,079,256	612,811
Other outgo	1,368,967	1,064,118	1,024,294	39,824
Capital outlay	-	7,500	37,548	(30,048)
Total Expenditures ¹	<u>48,329,560</u>	<u>49,938,274</u>	<u>49,865,089</u>	<u>73,185</u>
Deficiency of Revenues Under Expenditures	<u>(3,672,566)</u>	<u>(2,659,013)</u>	<u>(2,741,768)</u>	<u>(82,755)</u>
Other Financing Sources				
Transfers in	204,083	224,736	-	(224,736)
NET CHANGE IN FUND BALANCES	<u>(3,468,483)</u>	<u>(2,434,277)</u>	<u>(2,741,768)</u>	<u>(307,491)</u>
Fund Balances - Beginning	<u>13,798,246</u>	<u>13,798,246</u>	<u>13,798,246</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 10,329,763</u>	<u>\$ 11,363,969</u>	<u>\$ 11,056,478</u>	<u>\$ (307,491)</u>

¹ On behalf payments of \$1,218,197 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 14, Deferred Maintenance Fund, and Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures; however, are not included in the original and final General Fund budget.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

**CAFETERIA BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variances -</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
				<u>Final to Actual</u>
REVENUES				
Federal sources	\$ 2,568,430	\$ 2,678,491	\$ 2,766,619	\$ 88,128
Other State sources	208,853	203,328	202,604	(724)
Other local sources	291,246	302,787	315,314	12,527
Total Revenues	<u>3,068,529</u>	<u>3,184,606</u>	<u>3,284,537</u>	<u>99,931</u>
EXPENDITURES				
Current				
Classified salaries	1,073,598	1,154,244	1,107,333	46,911
Employee benefits	360,837	375,354	367,927	7,427
Books and supplies	1,578,713	1,600,713	1,524,635	76,078
Services and operating expenditures	134,950	185,871	120,717	65,154
Other outgo	130,000	130,000	127,807	2,193
Capital outlay	912,493	981,933	84,500	897,433
Total Expenditures	<u>4,190,591</u>	<u>4,428,115</u>	<u>3,332,919</u>	<u>1,095,196</u>
NET CHANGE IN FUND BALANCES	(1,122,062)	(1,243,509)	(48,382)	1,195,127
Fund Balance - Beginning	<u>2,965,748</u>	<u>2,965,748</u>	<u>2,965,748</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 1,843,686</u>	<u>\$ 1,722,239</u>	<u>\$ 2,917,366</u>	<u>\$ 1,195,127</u>

LAWNDALE ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2013**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
July 1, 2007	\$ -	\$ 3,606,059	\$ 3,606,059	0%	\$ 25,134,503	14%
July 1, 2009	-	4,159,207	4,159,207	0%	24,190,675	17%
July 1, 2011	-	4,941,563	4,941,563	0%	23,537,702	21%

SUPPLEMENTARY INFORMATION

LAWNDALE ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through the California Department of Education (CDE):			
No Child Left Behind Act			
Title I, Part A - Basic Grants Low-Income and Neglected	84.010	14329	\$ 1,800,992
Education Jobs Fund	84.410	25152	87,120
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341	374,278
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	331,196
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14349	457,981
 Fund for the Improvement of Education	 84.215	 [1]	 499,368
 Individuals with Disabilities Education Act (IDEA)			
Special Education (IDEA) Cluster			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	913,388
Mental Health Allocation Plan, Part B, Section 611	84.027A	14468	28,780
Preschool Grants, Part B, Section 619	84.173	13430	106,596
Preschool Local Entitlement, Part B, Section 611	84.027A	13682	207,044
Preschool Staff Development, Part B, Section 619	84.173A	13431	584
Total Special Education (IDEA) Cluster			<u>1,256,392</u>
Total U.S. Department of Education			<u>4,807,327</u>
 U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through CDE			
Child Development: Federal Child Care, Center-based	93.596	13609	131,821
Medi-Cal Billing Option	93.778	10013	163,076
Total U.S. Department of Health and Human Services			<u>294,897</u>

[1] Direct funded

See accompanying note to supplementary information.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster			
National School Lunch Program	10.555	13391	\$ 1,948,711
Meal Supplement	10.555	13391	176,496
Especially Needy Breakfast Program	10.553	13526	391,057
Summer Seamless Option	10.559	13004	121,038
Commodities	10.555	13991	160,431
Total Child Nutrition Cluster			<u>2,797,733</u>
Total U.S. Department of Agriculture			<u>2,797,733</u>
Total Expenditures of Federal Awards			<u><u>\$ 7,899,957</u></u>

See accompanying note to supplementary information.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2013

ORGANIZATION

The Lawndale Elementary School District was established in October 1906 and consists of an area comprising approximately 2.5 square miles. The District operates seven elementary schools, and two middle schools. There were no boundary changes during the year.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mrs. Shirley Bennett	President	2015
Mrs. Ann Phillips	Clerk	2013
Mrs. Shirley Rudolph	Trustee	2013
Ms. Bonnie J. Coronado	Trustee	2013
Mrs. Cathy Burris	Trustee	2015

ADMINISTRATION

Dr. Ellen Dougherty.	Superintendent of Schools
Mr. John D. Vinke	Deputy Superintendent
Dr. Betsy Hamilton	Assistant Superintendent of Educational Services
Mr. Steven Miller	Assistant Superintendent of Human Resources

See accompanying note to supplementary information.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Amended Second Period Report</u>	<u>Annual Report</u>
ELEMENTARY		
Kindergarten	569	570
First through third	1,925	1,922
Fourth through sixth	1,762	1,760
Seventh and eighth	1,148	1,148
Home and hospital	2	2
Special education	149	149
Total Elementary	<u>5,555</u>	<u>5,551</u>

See accompanying note to supplementary information.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2013**

Grade Level	1982-83	Reduced	1986-87	Reduced	2012-13	Number of Days		Status
	Actual	1982-83	Minutes	1986-87	Actual	Traditional	Multitrack	
	Minutes	Actual	Requirement	Minutes	Minutes	Calendar	Calendar	
Kindergarten	32,400	31,500	36,000	35,000	36,000	180	-	Complied
Grades 1 - 3	43,200	42,000	50,400	49,000				
Grade 1					50,400	180	-	Complied
Grade 2					50,400	180	-	Complied
Grade 3					50,400	180	-	Complied
Grades 4 - 6	48,600	47,250	54,000	52,500				
Grade 4					54,020	180	-	Complied
Grade 5					54,020	180	-	Complied
Grade 6					56,395	180	-	Complied
Grades 7 - 8	54,000	52,500	54,000	52,500				
Grade 7					56,395	180	-	Complied
Grade 8					56,395	180	-	Complied

See accompanying note to supplementary information.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2013.

See accompanying note to supplementary information.

LAWDALE ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2013

	(Budget) 2014 ¹	2013	2012	2011
GENERAL FUND ⁴				
Revenues	\$ 44,290,850	\$ 47,106,371	\$ 46,754,412	\$ 50,054,399
Other sources and transfers in	224,736	224,736	204,083	712,765
Total Revenues and Other Sources	44,515,586	47,331,107	46,958,495	50,767,164
Expenditures	47,662,414	49,865,089	49,118,849	50,335,282
INCREASE (DECREASE) IN FUND BALANCE	\$ (3,146,828)	\$ (2,533,982)	\$ (2,160,354)	\$ 431,882
ENDING FUND BALANCE	\$ 4,971,826	\$ 8,118,654	\$ 10,652,636	\$ 12,812,990
AVAILABLE RESERVES ²	\$ 3,710,023	\$ 6,861,124	\$ 9,355,625	\$ 11,570,147
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	7.78%	14.10%	19.51%	23.45%
LONG-TERM OBLIGATIONS	N/A	\$ 23,273,170	\$ 23,588,916	\$ 24,118,543
K-12 AVERAGE DAILY ATTENDANCE AT P-2	5,555	5,555	5,593	5,603

The General Fund balance has decreased by \$4,694,336 over the past two years. The fiscal year 2013-2014 budget projects a further decrease of \$3,146,828 (39%). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years, and anticipates incurring an operating deficit during the 2013-2014 fiscal year. Total long-term obligations have decreased by \$845,373 over the past two years.

Average daily attendance has decreased by 48 over the past two years. No change in ADA is anticipated during fiscal year 2013-2014.

¹ Budget 2014 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

³ On behalf payments of \$1,218,197, \$1,174,360, and \$1,004,354, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2013, 2012, and 2011, respectively.

⁴ General Fund amounts do not include activity related to the consolidation of the Deferred Maintenance Fund, and Special Reserve Fund for Other Than Capital Outlay Projects as required by GASB Statement No. 54.

See accompanying note to supplementary information.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Name of Charter School</u>	<u>Included in Audit Report</u>
Environmental Charter School	No

See accompanying note to supplementary information.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2013**

	Child Development Fund	Capital Facilities Fund	State School Building Fund
ASSETS			
Deposits and investments	\$ 35,218	\$ 390,948	\$ 27,910
Receivables	345,742	900	63
Total Assets	<u>\$ 380,960</u>	<u>\$ 391,848</u>	<u>\$ 27,973</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 245,186	\$ -	\$ 25,345
Fund Balances:			
Restricted	135,774	391,848	2,628
Assigned	-	-	-
Total Fund Balances	<u>135,774</u>	<u>391,848</u>	<u>2,628</u>
Total Liabilities and Fund Balances	<u>\$ 380,960</u>	<u>\$ 391,848</u>	<u>\$ 27,973</u>

See accompanying note to supplementary information.

County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Tax Override Fund	Debt Service Fund	Non-Major Governmental Funds
\$ 34,623	\$ 684,877	\$ 1,159,364	\$ 9	\$ 19,091	\$ 2,352,040
79	1,545	-	-	44	348,373
<u>\$ 34,702</u>	<u>\$ 686,422</u>	<u>\$ 1,159,364</u>	<u>\$ 9</u>	<u>\$ 19,135</u>	<u>\$ 2,700,413</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 270,531
34,702	-	1,159,364	9	19,135	1,743,460
-	686,422	-	-	-	686,422
<u>34,702</u>	<u>686,422</u>	<u>1,159,364</u>	<u>9</u>	<u>19,135</u>	<u>2,429,882</u>
<u>\$ 34,702</u>	<u>\$ 686,422</u>	<u>\$ 1,159,364</u>	<u>\$ 9</u>	<u>\$ 19,135</u>	<u>\$ 2,700,413</u>

LAWNSDALE ELEMENTARY SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2013

	Child Development Fund	Capital Facilities Fund	State School Building Fund	County School Facilities Fund
REVENUES				
Federal sources	\$ 131,821	\$ -	\$ -	\$ -
Other State sources	1,935,354	-	-	-
Other local sources	78,337	19,057	89	223
Total Revenues	<u>2,145,512</u>	<u>19,057</u>	<u>89</u>	<u>223</u>
EXPENDITURES				
Current				
Instruction	1,636,824	-	-	-
Instruction-related activities:				
Supervision of instruction	224,285	-	-	-
School site administration	9,801	-	-	-
Pupil services:				
Food services	43,840	-	-	-
All other general administration	108,650	-	-	-
Plant services	62,078	8,977	-	-
Facility acquisition and construction	-	395,496	-	-
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total Expenditures	<u>2,085,478</u>	<u>404,473</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	60,034	(385,416)	89	223
Fund Balances - Beginning	<u>75,740</u>	<u>777,264</u>	<u>2,539</u>	<u>34,479</u>
Fund Balances - Ending	<u>\$ 135,774</u>	<u>\$ 391,848</u>	<u>\$ 2,628</u>	<u>\$ 34,702</u>

See accompanying note to supplementary information.

Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Tax Override Fund	Debt Service Fund	Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 131,821
-	14,738	-	-	1,950,092
4,378	1,529,003	-	123	1,631,210
<u>4,378</u>	<u>1,543,741</u>	<u>-</u>	<u>123</u>	<u>3,713,123</u>
-	-	-	-	1,636,824
-	-	-	-	224,285
-	-	-	-	9,801
-	-	-	-	43,840
-	-	-	-	108,650
-	-	-	-	71,055
-	-	-	-	395,496
-	655,000	-	-	655,000
-	825,453	-	-	825,453
<u>-</u>	<u>1,480,453</u>	<u>-</u>	<u>-</u>	<u>3,970,404</u>
4,378	63,288	-	123	(257,281)
682,044	1,096,076	9	19,012	2,687,163
<u>\$ 686,422</u>	<u>\$ 1,159,364</u>	<u>\$ 9</u>	<u>\$19,135</u>	<u>\$ 2,429,882</u>

LAWDALE ELEMENTARY SCHOOL DISTRICT

GENERAL FUND SELECTED FINANCIAL INFORMATION THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES, AND CHANGES OF FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2013

(Amounts in thousands excluding
Revenue Limit Per ADA)

	Actual Results for the Years					
	2012-2013		2011-2012		2010-2011	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES¹						
Federal revenue	\$ 4,870	10.3	\$ 4,883	10.4	\$ 6,107	12.2
State and local revenue included in revenue limit	28,279	60.0	28,323	60.6	29,696	59.3
Other State revenue	12,568	26.7	12,254	26.2	12,290	24.6
Other local revenue	1,389	3.0	1,294	2.8	1,961	3.9
Total Revenues	<u>47,106</u>	<u>100.0</u>	<u>46,754</u>	<u>100.0</u>	<u>50,054</u>	<u>100.0</u>
EXPENDITURES¹						
Salaries and Benefits						
Certificated salaries	23,850	50.6	24,573	52.6	24,573	49.1
Classified salaries	8,408	17.8	8,428	18.0	8,652	17.3
Employee benefits	9,338	19.8	7,833	16.8	7,573	15.1
Total Salaries and Benefits	41,596	88.2	40,834	87.4	40,798	81.5
Books and supplies	2,127	4.5	1,815	3.9	2,306	4.6
Services and operating expenses	5,079	10.8	5,317	11.4	5,640	11.3
Capital outlay	38	0.1	12	0.0	-	0.0
Other outgo	1,025	2.2	1,140	2.4	1,591	3.2
Total Expenditures	<u>49,865</u>	<u>105.8</u>	<u>49,118</u>	<u>105.1</u>	<u>50,335</u>	<u>100.6</u>
EXCESS OF REVENUES OVER (UNDER)EXPENDITURES	<u>(2,759)</u>	<u>(5.8)</u>	<u>(2,364)</u>	<u>(5.1)</u>	<u>(281)</u>	<u>(0.6)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	225	0.5	204	0.4	713	1.4
INCREASE (DECREASE) IN FUND BALANCE	<u>(2,534)</u>	<u>(5.3)</u>	<u>(2,160)</u>	<u>(4.7)</u>	432	<u>0.8</u>
FUND BALANCE, BEGINNING	<u>10,653</u>		<u>12,813</u>		<u>12,381</u>	
FUND BALANCE, ENDING	<u>\$ 8,119</u>		<u>\$ 10,653</u>		<u>\$ 12,813</u>	

¹ General Fund amounts do not include activity related to the consolidation of the Deferred Maintenance Fund and the Special Reserve Fund for Other Than Capital Outlay Projects as required by GASB Statement No. 54.

See accompanying note to supplementary information.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2013

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist of Medi-Cal Billing Option funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period.

	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 7,768,436
Medi-Cal Billing Option	93.778	<u>131,521</u>
Total Schedule of Expenditures of Federal Awards		<u><u>\$ 7,899,957</u></u>

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2013

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the School District, and displays information for each Charter School on whether or not the Charter School is included in the School District audit.

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances are included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

General Fund Selected Financial Information

This schedule provides a comparison of revenues and expenditures as a percentage of total revenue for the General Fund for the past three years.

INDEPENDENT AUDITORS' REPORTS



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

Governing Board
Lawndale Elementary School District
Lawndale, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lawndale Elementary School District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Lawndale Elementary School District's basic financial statements, and have issued our report thereon dated December 10, 2013.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lawndale Elementary School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Vauriney, Time, Day & Co., LLP.

Rancho Cucamonga, California
December 10, 2013



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Governing Board
Lawndale Elementary School District
Lawndale, California

Report on Compliance for Each Major Federal Program

We have audited Lawndale Elementary School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Lawndale Elementary School District's (the District) major Federal programs for the year ended June 30, 2013. Lawndale Elementary School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Lawndale Elementary School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Lawndale Elementary School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of Lawndale Elementary School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Lawndale Elementary School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Lawndale Elementary School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lawndale Elementary School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lawndale Elementary School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vawinek, Time, Day & Co., LLP.

Rancho Cucamonga, California
December 10, 2013



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
Lawndale Elementary School District
Lawndale, California

Report on State Compliance

We have audited Lawndale Elementary School District's compliance with the types of compliance requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2012-2013* that could have a direct and material effect on each Lawndale Elementary School District's State government programs as noted below for the year ended June 30, 2013.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State's programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance of each of the Lawndale Elementary School District's programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2012-2013*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Lawndale Elementary School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Lawndale Elementary School District's compliance with those requirements.

Unmodified Opinion on Each of the Programs

In our opinion, Lawndale Elementary School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2013.

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

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Not Applicable
Continuation Education	10	Not Applicable
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not Applicable
Instructional Materials:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Class Size Reduction Program (including in charter schools):		
General Requirements	7	Yes
Option One Classes	3	Yes
Option Two Classes	4	Yes
Districts or Charter Schools With Only One School Serving K-3	4	Not Applicable
After School Education and Safety Program:		
General Requirements	4	Yes
After School	5	Yes
Before School	6	Yes
Charter Schools:		
Contemporaneous Records of Attendance	1	Not Applicable
Mode of Instruction	1	Not Applicable
Non Classroom-Based Instruction/Independent Study	15	Not Applicable
Determination of Funding for Non Classroom-Based Instruction	3	Not Applicable
Annual Instruction Minutes Classroom-Based	4	Not Applicable

Vaurinek, Time, Day & Co., LLP.

Rancho Cucamonga, California
December 10, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LAWNDALE ELEMENTARY SCHOOL DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2013**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	<u>No</u>

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>10.555, 10.553, and 10.559</u>	<u>Child Nutrition Cluster</u>
<u>84.010</u>	<u>Title I, Part A - Basic Grants Low-Income and Neglected</u>
<u>84.365</u>	<u>Title III - Limited English Proficient (LEP) Student Program</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditors' report issued on compliance for programs:	<u>Unmodified</u>
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LAWNDALE ELEMENTARY SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

None reported.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

None reported.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

None reported.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

Financial Statement Findings

None reported.

Federal Awards Findings

None reported.

State Awards Findings

None reported.