



Lawndale Elementary School District

Annual Financial Report

June 30, 2012

LAWNDALE ELEMENTARY SCHOOL DISTRICT

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LAWNDALE ELEMENTARY SCHOOL DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Governing Board
Lawndale Elementary School District
Lawndale, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lawndale Elementary School District (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-2012*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 4 through 12, and budgetary comparison information and schedule of other postemployment benefits (OPEB) funding progress on pages 50 and 51, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Vaurinek, Time, Day & Co., LLP.

Rancho Cucamonga, California
December 6, 2012

LAWNDALE ELEMENTARY SCHOOL DISTRICT

BUSINESS SERVICES

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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, 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.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities

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

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

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

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

Governmental Activities - Most of the District's services are reported in this category. This includes the education of kindergarten through grade eight students, the operation of child development activities, and the ongoing 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, 2012

Governmental Funds - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

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

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 *Statement of Fiduciary Net Assets*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

FINANCIAL HIGHLIGHTS

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were \$54.2 million for governmental activities for the fiscal year ended June 30, 2012. Of this amount, \$11.5 million was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use those net assets for day-to-day operations. Our analysis below, in summary form, focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental and business-type activities.

Table 1

| (Amounts in thousands) | Governmental Activities | | Business-Type Activities | | School District Activities | |
|--|-------------------------|--------------------|--------------------------|-----------------|----------------------------|--------------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Assets | | | | | | |
| Current and other assets | \$ 30,543.0 | \$ 36,378.3 | \$ 563.9 | \$ 553.9 | \$ 31,106.9 | \$ 36,932.2 |
| Capital assets | 53,961.1 | 53,885.4 | - | - | 53,961.1 | 53,885.4 |
| Total Assets | 84,504.1 | 90,263.7 | 563.9 | 553.9 | 85,068.0 | 90,817.6 |
| Liabilities | | | | | | |
| Current liabilities | 6,718.8 | 6,749.2 | 17.6 | 43.3 | 6,736.4 | 6,792.5 |
| Long-term obligations | 23,588.9 | 24,118.6 | - | - | 23,588.9 | 24,118.6 |
| Total Liabilities | 30,307.7 | 30,867.8 | 17.6 | 43.3 | 30,325.3 | 30,911.1 |
| Net Assets | | | | | | |
| Invested in capital assets, net of related debt | 37,007.9 | 39,234.0 | - | - | 37,007.9 | 39,234.0 |
| Restricted | 5,706.6 | 5,889.9 | - | - | 5,706.6 | 5,889.9 |
| Unrestricted | 11,481.9 | 14,272.0 | 546.3 | 510.6 | 12,028.2 | 14,782.6 |
| Total Net Assets | \$ 54,196.4 | \$ 59,395.9 | \$ 546.3 | \$ 510.6 | \$ 54,742.7 | \$ 59,906.5 |

The \$11.5 million in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 14. 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 | |
|--|-------------------------|---------------------|--------------------------|----------------|----------------------------|---------------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 425.3 | \$ 473.5 | \$ 257.7 | \$ 267.8 | \$ 683.0 | \$ 741.3 |
| Operating grants and contributions | 16,180.5 | 17,646.2 | - | - | 16,180.5 | 17,646.2 |
| General revenues: | | | | | | |
| State revenue limit sources not restricted | 29,814.9 | 31,043.9 | - | - | 29,814.9 | 31,043.9 |
| Property taxes | 5,151.4 | 5,432.8 | - | - | 5,151.4 | 5,432.8 |
| Other general revenues | 2,082.6 | 2,576.0 | 4.9 | 6.9 | 2,087.5 | 2,582.9 |
| Total Revenues | 53,654.7 | 57,172.4 | 262.6 | 274.7 | 53,917.3 | 57,447.1 |
| Expenses | | | | | | |
| Instruction-related | 43,500.5 | 43,777.7 | - | - | 43,500.5 | 43,777.7 |
| Student support services | 5,673.1 | 5,807.2 | - | - | 5,673.1 | 5,807.2 |
| Administration | 3,283.3 | 3,327.1 | - | - | 3,283.3 | 3,327.1 |
| Plant | 4,186.0 | 4,226.3 | - | - | 4,186.0 | 4,226.3 |
| Other | 2,211.3 | 3,681.9 | 226.9 | 240.2 | 2,438.2 | 3,922.1 |
| Total Expenses | 58,854.2 | 60,820.2 | 226.9 | 240.2 | 59,081.1 | 61,060.4 |
| Change in Net Assets | \$ (5,199.5) | \$ (3,647.8) | \$ 35.7 | \$ 34.5 | \$ (5,163.8) | \$ (3,613.3) |

Governmental Activities

As reported in the *Statement of Activities* on page 14, the cost of all of our governmental activities this year was \$58.9 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$5.2 million because the cost was paid by those who benefited from the programs (\$.4 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$16.2 million). We paid for the remaining "public benefit" portion of our governmental activities from the \$29.8 million we received in State funds, and from \$2.1 million of other revenues, like interest and general entitlements.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

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 | |
|--------------------------------|------------------------|--------------------|----------------------|----------------------|
| | 2012 | 2011 | 2012 | 2011 |
| Instruction | \$ 38,244.0 | \$ 38,682.6 | \$ (28,957.9) | \$ (28,155.5) |
| Instruction-related activities | 5,256.5 | 5,095.1 | (3,437.0) | (3,250.6) |
| Other pupil services | 5,673.1 | 5,807.2 | (1,498.3) | (1,557.6) |
| General administration | 3,283.3 | 3,327.1 | (2,883.4) | (2,833.0) |
| Plant | 4,186.0 | 4,226.3 | (3,829.1) | (3,870.6) |
| Other | 2,211.3 | 3,681.9 | (1,642.7) | (3,033.1) |
| Total | \$ 58,854.2 | \$ 60,820.2 | \$ (42,248.4) | \$ (42,700.4) |

LAWNDALE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

THE DISTRICT'S FUNDS

As the District completed the year, our governmental funds reported a combined fund balance of \$24.0 million, which is a decrease of \$5.8 million from last year (Table 4). This \$5.8 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, 2012 | June 30, 2011 |
| General Fund | \$ 13,798.2 | \$ 16,131.4 |
| Building Fund | 4,540.2 | 7,807.8 |
| Child Development Fund | 75.7 | 73.8 |
| Cafeteria Fund | 2,965.8 | 2,884.7 |
| Capital Facilities Fund | 777.3 | 763.6 |
| State School Building Fund | 2.5 | 2.5 |
| County School Facilities Fund | 34.5 | 34.1 |
| Special Reserve Fund for Capital Outlay Projects | 682.0 | 688.0 |
| Bond Interest and Redemption Fund | 1,096.1 | 1,426.5 |
| Debt Service Fund | 19.0 | 18.8 |
| Total | \$ 23,991.3 | \$ 29,831.2 |

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, 2011, and the second Interim Budget report was prepared based upon the actual information through January 31, 2012. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 50.)

LAWNDALE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had \$54.0 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of approximately \$.1 million, or .14 percent, from last year (Table 5).

Table 5

| (Amounts in thousands) | Governmental Activities | |
|-----------------------------------|-------------------------|--------------------|
| | 2012 | 2011 |
| Land and construction in progress | \$ 4,975.0 | \$ 1,657.5 |
| Buildings and improvements | 48,395.7 | 51,580.4 |
| Equipment | 590.4 | 647.5 |
| Total | \$ 53,961.1 | \$ 53,885.4 |

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 \$21.8 million in general obligation bonds outstanding versus \$22.7 million last year, a decrease of four percent. The long-term obligations consisted of:

Table 6

| (Amounts in thousands) | Governmental Activities | |
|---|-------------------------|--------------------|
| | 2012 | 2011 |
| General obligation bonds (financed with property taxes) | \$ 21,781.2 | \$ 22,695.6 |
| Compensated absences | 388.0 | 389.2 |
| Net OPEB obligation | 1,419.7 | 1,033.7 |
| Total | \$ 23,588.9 | \$ 24,118.5 |

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 \$21.8 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.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2011-2012 ARE NOTED BELOW:

The District continues to implement its significant facilities improvement master plan of over \$75 million for all of its schools beginning in 1998. In the 2011-2012 fiscal year, the District began construction of a \$4.5 million, ten classroom, and two story facility at its Anderson School campus, which was completed in November 2012.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

The key assumptions in our revenue forecast are:

1. A deficit on the District's revenue limit of 22.272 percent.
2. Average daily attendance (ADA) enrollment projections were unchanged from the prior year.
3. Interest earnings were reduced to reflect significant continuing deferrals by the State on State payments to school districts.
4. Developer fee collections were based upon actual receipts due to the decline in new housing units to be constructed.
5. All schools and departments continue to budget a ten percent reduction.
6. Transfers to other funds including the Deferred Maintenance Fund, Early Retiree Fund and the Food Services - "Meals for Needy" revenues remain suspended.

Expenditures are based on the following forecasts:

| | <u>Staffing Ratio</u> | <u>Enrollment</u> |
|------------------------------|-----------------------|-------------------|
| Grades kindergarten | 30:1 | 654 |
| Grades first through third | 24:1 | 2,016 |
| Grades four and five | 32:1 | 1,202 |
| Grades six through eight | 32:1 | 1,793 |
| Special Education (Ungraded) | 12:1 | 143 |

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.

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LAWNDALE ELEMENTARY SCHOOL DISTRICT

STATEMENT OF NET ASSETS JUNE 30, 2012

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|----------------------|
| ASSETS | | | |
| Deposits and investments | \$ 16,485,905 | \$ 562,883 | \$ 17,048,788 |
| Receivables | 13,480,613 | 975 | 13,481,588 |
| Stores inventories | 94,934 | - | 94,934 |
| Deferred charges on issuance | 287,779 | - | 287,779 |
| Other current assets | 193,838 | - | 193,838 |
| Capital assets: | | | |
| Land and construction in progress | 4,975,024 | - | 4,975,024 |
| Other capital assets | 81,766,234 | - | 81,766,234 |
| Less: Accumulated depreciation | (32,780,186) | - | (32,780,186) |
| Total Capital Assets | 53,961,072 | - | 53,961,072 |
| Total Assets | 84,504,141 | 563,858 | 85,067,999 |
| LIABILITIES | | | |
| Accounts payable | 6,002,763 | 17,542 | 6,020,305 |
| Interest payable | 454,878 | - | 454,878 |
| Deferred revenue | 261,149 | - | 261,149 |
| Long-term obligations: | | | |
| Current portion of long-term obligations | 655,000 | - | 655,000 |
| Noncurrent portion of long-term obligations | 22,933,916 | - | 22,933,916 |
| Total Long-Term Obligations | 23,588,916 | - | 23,588,916 |
| Total Liabilities | 30,307,706 | 17,542 | 30,325,248 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 37,007,866 | - | 37,007,866 |
| Restricted for: | | | |
| Debt service | 660,219 | - | 660,219 |
| Capital projects | 814,282 | - | 814,282 |
| Educational programs | 1,217,078 | - | 1,217,078 |
| Other activities | 3,015,064 | - | 3,015,064 |
| Unrestricted | 11,481,926 | 546,316 | 12,028,242 |
| Total Net Assets | \$ 54,196,435 | \$ 546,316 | \$ 54,742,751 |

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2012

| Functions/Programs | Expenses | Program Revenues | |
|--|----------------------|--------------------------------------|--|
| | | Charges for Services and Sales | Operating Grants and Contributions |
| Governmental Activities: | | | |
| Instruction | \$ 38,244,048 | \$ 90,378 | \$ 9,195,746 |
| Instruction-related activities: | | | |
| Supervision of instruction | 1,675,387 | 5,688 | 1,321,391 |
| Instructional library, media, and technology | 475,306 | - | 125,616 |
| School site administration | 3,105,811 | 28 | 366,784 |
| Pupil services: | | | |
| Home-to-school transportation | 754,860 | 68,153 | 423,486 |
| Food services | 3,150,003 | 202,448 | 2,664,782 |
| All other pupil services | 1,768,201 | 7,223 | 808,717 |
| General administration: | | | |
| Data processing | 278,560 | - | - |
| All other general administration | 3,004,724 | 10,059 | 389,802 |
| Plant services | 4,186,008 | 15,565 | 341,367 |
| Ancillary services | 59,196 | - | 59,196 |
| Community services | 45,561 | - | 38,694 |
| Interest on long-term obligations | 705,839 | - | - |
| Other outgo | 1,400,691 | 25,801 | 444,886 |
| Total Governmental Activities | 58,854,195 | 425,343 | 16,180,467 |
| Business-Type Activities | | | |
| Enterprise services | 226,857 | 257,697 | - |
| Total Business-Type Activities | 226,857 | 257,697 | - |
| Total School District | \$ 59,081,052 | \$ 683,040 | \$ 16,180,467 |

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 Assets

Net Assets - Beginning

Net Assets - Ending

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

| Net (Expenses) Revenues and Changes in Net Assets | | |
|--|--|-----------------|
| Governmental Activities | Business- Type Activities | Total |
| \$ (28,957,924) | \$ - | \$ (28,957,924) |
| (348,308) | - | (348,308) |
| (349,690) | - | (349,690) |
| (2,738,999) | - | (2,738,999) |
| (263,221) | - | (263,221) |
| (282,773) | - | (282,773) |
| (952,261) | - | (952,261) |
| (278,560) | - | (278,560) |
| (2,604,863) | - | (2,604,863) |
| (3,829,076) | - | (3,829,076) |
| - | - | - |
| (6,867) | - | (6,867) |
| (705,839) | - | (705,839) |
| (930,004) | - | (930,004) |
| (42,248,385) | - | (42,248,385) |
| - | 30,840 | 30,840 |
| - | 30,840 | 30,840 |
| (42,248,385) | 30,840 | (42,217,545) |
| 3,766,494 | - | 3,766,494 |
| 1,307,325 | - | 1,307,325 |
| 77,578 | - | 77,578 |
| 29,814,900 | - | 29,814,900 |
| 103,888 | 4,870 | 108,758 |
| 1,978,696 | - | 1,978,696 |
| 37,048,881 | 4,870 | 37,053,751 |
| (5,199,504) | 35,710 | (5,163,794) |
| 59,395,939 | 510,606 | 59,906,545 |
| \$ 54,196,435 | \$ 546,316 | \$ 54,742,751 |

LAWNDALE ELEMENTARY SCHOOL DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2012

| | General Fund | Building Fund | Non-Major Governmental Funds | Total Governmental Funds |
|--|-------------------------|--------------------------|---|---|
| ASSETS | | | | |
| Deposits and investments | \$ 6,182,905 | \$ 5,124,020 | \$ 5,178,980 | \$ 16,485,905 |
| Receivables | 12,592,915 | 10,663 | 877,035 | 13,480,613 |
| Stores inventories | 69,180 | - | 25,754 | 94,934 |
| Other current assets | 193,838 | - | - | 193,838 |
| Total Assets | \$ 19,038,838 | \$ 5,134,683 | \$ 6,081,769 | \$ 30,255,290 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 4,979,443 | \$ 594,462 | \$ 428,858 | \$ 6,002,763 |
| Deferred revenue | 261,149 | - | - | 261,149 |
| Total Liabilities | 5,240,592 | 594,462 | 428,858 | 6,263,912 |
| Fund Balances: | | | | |
| Nonspendable | 84,180 | - | 26,424 | 110,604 |
| Restricted | 1,217,078 | 4,540,221 | 4,944,443 | 10,701,742 |
| Assigned | 3,141,363 | - | 682,044 | 3,823,407 |
| Unassigned | 9,355,625 | - | - | 9,355,625 |
| Total Fund Balances | 13,798,246 | 4,540,221 | 5,652,911 | 23,991,378 |
| Total Liabilities and Fund Balances | \$ 19,038,838 | \$ 5,134,683 | \$ 6,081,769 | \$ 30,255,290 |

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 ASSETS JUNE 30, 2012

| | | |
|---|---------------------|-----------------------------|
| Total Fund Balance - Governmental Funds | | \$ 23,991,378 |
| Amounts Reported for Governmental Activities in the Statement of Net Assets 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: | \$ 86,741,258 | |
| Accumulated depreciation is: | <u>(32,780,186)</u> | |
| Total Net Capital Assets | | 53,961,072 |
| 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. | | 287,779 |
| 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. | | (454,878) |
| 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 | 20,865,000 | |
| Compensated absences | 388,045 | |
| Other postemployment benefits obligation, net | 1,419,665 | |
| Unamortized premium | <u>916,206</u> | |
| Total Long-Term Obligations | | <u>(23,588,916)</u> |
| Total Net Assets - Governmental Activities | | <u>\$ 54,196,435</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, 2012

| | General Fund | Building Fund | Non-Major Governmental Funds | Total Governmental Funds |
|--|----------------------|---------------------|------------------------------------|--------------------------------|
| REVENUES | | | | |
| Revenue limit sources | \$ 28,322,952 | \$ - | \$ - | \$ 28,322,952 |
| Federal sources | 4,928,440 | - | 2,878,627 | 7,807,067 |
| Other State sources | 12,254,652 | - | 2,295,373 | 14,550,025 |
| Other local sources | 1,279,625 | 65,774 | 1,629,248 | 2,974,647 |
| Total Revenues | 46,785,669 | 65,774 | 6,803,248 | 53,654,691 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instruction | 33,672,433 | - | 1,641,208 | 35,313,641 |
| Instruction-related activities: | | | | |
| Supervision of instruction | 1,505,044 | - | 170,343 | 1,675,387 |
| Instructional library, media and technology | 475,306 | - | - | 475,306 |
| School site administration | 3,071,796 | - | 34,015 | 3,105,811 |
| Pupil services: | | | | |
| Home-to-school transportation | 688,771 | - | - | 688,771 |
| Food services | - | - | 2,984,781 | 2,984,781 |
| All other pupil services | 1,702,112 | - | - | 1,702,112 |
| General administration: | | | | |
| Data processing | 278,560 | - | - | 278,560 |
| All other general administration | 2,481,414 | - | 260,135 | 2,741,549 |
| Plant services | 3,737,965 | - | 295,085 | 4,033,050 |
| Facility acquisition and construction | - | 3,333,315 | 1,489 | 3,334,804 |
| Ancillary services | 59,196 | - | - | 59,196 |
| Community services | 45,561 | - | - | 45,561 |
| Other outgo | 1,400,691 | - | - | 1,400,691 |
| Debt service | | | | |
| Principal | - | - | 810,000 | 810,000 |
| Interest and other | - | - | 845,331 | 845,331 |
| Total Expenditures | 49,118,849 | 3,333,315 | 7,042,387 | 59,494,551 |
| Deficiency of Revenues Under Expenditures | (2,333,180) | (3,267,541) | (239,139) | (5,839,860) |
| NET CHANGE IN FUND BALANCES | (2,333,180) | (3,267,541) | (239,139) | (5,839,860) |
| Fund Balances - Beginning | 16,131,426 | 7,807,762 | 5,892,050 | 29,831,238 |
| Fund Balances - Ending | \$ 13,798,246 | \$ 4,540,221 | \$ 5,652,911 | \$ 23,991,378 |

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

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

Total Net Change in Fund Balances - Governmental Funds **\$ (5,839,860)**

**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 capital outlays exceed depreciation expense in the period.

| | | |
|----------------------|--------------------|--------|
| Capital outlays | \$ 3,380,112 | |
| Depreciation expense | <u>(3,304,437)</u> | 75,675 |

In the Statement of Activities, compensated absences (vacations) is 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 used was more than the amounts earned by \$1,180. 1,180

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 | 104,438 | |
| Cost of issuance | <u>51,284</u> | 155,722 |

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. 810,000

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. (385,991)

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.

Change in Net Assets of Governmental Activities

| |
|------------------------------|
| (16,230) |
| <u><u>\$ (5,199,504)</u></u> |

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF NET ASSETS JUNE 30, 2012

| | Business-Type Activities |
|-----------------------------|-------------------------------------|
| | Enterprise Fund |
| | Child Care Fund |
| ASSETS | |
| Current Assets | |
| Deposits and investments | \$ 562,883 |
| Receivables | 975 |
| Total Current Assets | 563,858 |
| LIABILITIES | |
| Current Liabilities | |
| Accounts payable | 17,542 |
| NET ASSETS | |
| Unrestricted | 546,316 |
| Total Net Assets | \$ 546,316 |

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS FOR THE YEAR ENDED JUNE 30, 2012

| | Business-Type Activities |
|-------------------------------------|-------------------------------------|
| | Enterprise Fund |
| | Child Care Fund |
| OPERATING REVENUES | |
| Local and intermediate sources | \$ 257,697 |
| OPERATING EXPENSES | |
| Payroll costs | 164,324 |
| Supplies and materials | 25,634 |
| Other operating cost | 36,899 |
| Total Operating Expenses | 226,857 |
| Operating Income | 30,840 |
| NONOPERATING REVENUES | |
| Interest income | 4,870 |
| Change in Net Assets | 35,710 |
| Total Net Assets - Beginning | 510,606 |
| Total Net Assets - Ending | \$ 546,316 |

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2012

| | Business-Type Activities |
|--|--|
| | Enterprise Fund Child Care Fund |
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from user charges | \$ 258,296 |
| Cash payments for other operating expenses | (252,633) |
| Net Cash Provided by Operating Activities | <u>5,663</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest on investments | <u>4,870</u> |
| Net Change in Cash and Cash Equivalents | 10,533 |
| Cash and Cash Equivalents - Beginning | 552,350 |
| Cash and Cash Equivalents - Ending | <u><u>\$ 562,883</u></u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | |
| Operating income | \$ 30,840 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Changes in assets and liabilities: | |
| Receivables | 599 |
| Accounts payable | (25,776) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u><u>\$ 5,663</u></u> |

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

FIDUCIARY FUNDS STATEMENT OF NET ASSETS FOR THE YEAR ENDED JUNE 30, 2012

| | <u>Agency Funds</u> |
|--------------------------|-------------------------|
| ASSETS | |
| Deposits and investments | <u>\$ 35,551</u> |
| LIABILITIES | |
| Due to student groups | <u>\$ 35,551</u> |

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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 a 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, 2012

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, fund balance, and revenues of \$3,145,610, \$3,145,610, and \$31,258, respectively.

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

Non-Major Governmental Funds

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

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

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

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

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

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

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 obligations.

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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 assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other 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, 2012

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

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

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. 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, 2012

Cash and Cash Equivalents

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

Investments

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

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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

Fund Balances - Governmental Funds

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

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

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.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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 Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide financial statements report \$5,706,643 of restricted net assets.

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.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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.

New Accounting Pronouncements

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

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

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

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

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* - an amendment of Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for pensions. It also improves information provided by State and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

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

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

| | |
|--------------------------------|----------------------|
| Governmental activities | \$ 16,485,905 |
| Business-type activities | 562,883 |
| Fiduciary funds | 35,551 |
| Total Deposits and Investments | <u>\$ 17,084,339</u> |

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

| | |
|--------------------------------|----------------------|
| Cash on hand and in banks | \$ 88,491 |
| Cash in revolving | 15,669 |
| Investments | 16,980,179 |
| Total Deposits and Investments | <u>\$ 17,084,339</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, 2012

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:

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

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, 2012

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:

| Investment Type | Fair Value | Weighted Average Maturity In Days |
|------------------------------------|----------------------|---|
| Los Angeles County Investment Pool | <u>\$ 17,032,226</u> | <u>617</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, 2012, the District did not have any deposits exposed to custodial credit risk because all balances were FDIC insured.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

NOTE 3 - RECEIVABLES

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

| | General Fund | Building Fund | Non-Major Governmental Funds | Total Governmental Activities | Enterprise Fund |
|--------------------|---------------------|------------------|------------------------------------|-------------------------------------|--------------------|
| Federal Government | | | | | |
| Categorical aid | \$ 540,332 | \$ - | \$ 530,698 | \$ 1,071,030 | \$ - |
| State Government | | | | | |
| Apportionment | 9,719,622 | - | - | 9,719,622 | - |
| Categorical aid | 496,253 | - | 336,135 | 832,388 | - |
| Lottery | 433,490 | - | - | 433,490 | - |
| Other State | 947,159 | - | - | 947,159 | - |
| Local Receivables | | | | | |
| Categorical aid | 128,861 | - | - | 128,861 | - |
| Interest | 16,027 | 10,663 | 8,427 | 35,117 | 975 |
| Other | 311,171 | - | 1,775 | 312,946 | - |
| Total | <u>\$12,592,915</u> | <u>\$ 10,663</u> | <u>\$ 877,035</u> | <u>\$ 13,480,613</u> | <u>\$ 975</u> |

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

NOTE 4 - CAPITAL ASSETS

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

| | Balance July 1, 2011 | Additions | Deductions | Balance June 30, 2012 |
|--|-------------------------|-----------|------------|--------------------------|
| Governmental Activities | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$ 1,370,117 | \$ - | \$ - | \$ 1,370,117 |
| Construction in progress | 287,423 | 3,317,484 | - | 3,604,907 |
| Total Capital Assets Not Being Depreciated | 1,657,540 | 3,317,484 | - | 4,975,024 |
| Capital Assets Being Depreciated: | | | | |
| Land improvements | 590,300 | - | - | 590,300 |
| Buildings and improvements | 77,305,504 | 17,319 | - | 77,322,823 |
| Furniture and equipment | 3,807,802 | 45,309 | - | 3,853,111 |
| Total Capital Assets Being Depreciated | 81,703,606 | 62,628 | - | 81,766,234 |
| Total Capital Assets | 83,361,146 | 3,380,112 | - | 86,741,258 |
| Less Accumulated Depreciation: | | | | |
| Land improvements | 552,419 | 2,090 | - | 554,509 |
| Buildings and improvements | 25,763,018 | 3,199,880 | - | 28,962,898 |
| Furniture and equipment | 3,160,312 | 102,467 | - | 3,262,779 |
| Total Accumulated Depreciation | 29,475,749 | 3,304,437 | - | 32,780,186 |
| Governmental Activities Capital Assets, Net | \$ 53,885,397 | \$ 75,675 | \$ - | \$ 53,961,072 |

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

| | |
|---|--------------|
| Governmental Activities | |
| Instruction | \$ 2,544,416 |
| Home-to-school transportation | 66,089 |
| Food services | 165,222 |
| All other pupil services | 66,089 |
| All other general administration | 264,355 |
| Plant services | 198,266 |
| Total Depreciation Expenses Governmental Activities | \$ 3,304,437 |

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

NOTE 5 - ACCOUNTS PAYABLE

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

| | General Fund | Building Fund | Non-Major Governmental Funds | Total Governmental Activities | Enterprise Fund |
|--------------------------------------|---------------------|-------------------|------------------------------------|-------------------------------------|--------------------|
| Salaries and benefits | \$ 3,149,468 | \$ 3,507 | \$ 275,842 | \$ 3,428,817 | \$ 14,914 |
| Projected unreimbursed program costs | 462,295 | - | - | 462,295 | - |
| Construction | - | 583,799 | - | 583,799 | - |
| Vendor payables | 1,367,680 | 7,156 | 153,016 | 1,527,852 | 2,628 |
| Total | <u>\$ 4,979,443</u> | <u>\$ 594,462</u> | <u>\$ 428,858</u> | <u>\$ 6,002,763</u> | <u>\$ 17,542</u> |

NOTE 6 - DEFERRED REVENUE

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

| | General Fund |
|------------------------------|-------------------|
| Federal financial assistance | \$ 249,644 |
| State categorical aid | 7,153 |
| Other local | 4,352 |
| Total | <u>\$ 261,149</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, 2011 | Additions | Deductions | Balance June 30, 2012 | Due in One Year |
|--------------------------|-------------------------|-------------------|---------------------|--------------------------|--------------------|
| General obligation bonds | \$ 21,675,000 | \$ - | \$ 810,000 | \$ 20,865,000 | \$ 655,000 |
| Compensated absences | 389,225 | - | 1,180 | 388,045 | - |
| Net OPEB obligation | 1,033,674 | 590,074 | 204,083 | 1,419,665 | - |
| Premium on debt | 1,020,644 | - | 104,438 | 916,206 | - |
| | <u>\$ 24,118,543</u> | <u>\$ 590,074</u> | <u>\$ 1,119,701</u> | <u>\$ 23,588,916</u> | <u>\$ 655,000</u> |

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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.

Description of Obligations

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 are being 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, 2012, the principal balance outstanding was \$5,205,000.

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 are being 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, 2012, 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, 2012, the principal balance outstanding was \$12,660,000.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

| Series | Issue Date | Maturity Date | Interest Rate | Original Issue | Bonds Outstanding | | | Bonds Outstanding | |
|----------------|------------|---------------|---------------|----------------|----------------------|-------------|-------------------|----------------------|-------------------|
| | | | | | July 1, 2011 | Issued | Redeemed | June 30, 2012 | Due in One Year |
| 1998, Series B | 11/6/2002 | 8/1/2032 | 3.50-5.25% | \$ 13,000,000 | \$ 5,505,000 | \$ - | \$ 300,000 | \$ 5,205,000 | \$ 310,000 |
| 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 | 13,170,000 | - | 510,000 | 12,660,000 | 345,000 |
| | | | | | <u>\$ 21,675,000</u> | <u>\$ -</u> | <u>\$ 810,000</u> | <u>\$ 20,865,000</u> | <u>\$ 655,000</u> |

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

Debt Service Requirements to Maturity

The 1998 Series B bonds mature through 2033 as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest to Maturity</u> | <u>Total</u> |
|--------------------|---------------------|---------------------------------|---------------------|
| 2013 | \$ 310,000 | \$ 513,445 | \$ 823,445 |
| 2014 | - | - | - |
| 2015 | - | - | - |
| 2016 | - | - | - |
| 2017 | - | - | - |
| 2018-2022 | - | - | - |
| 2023-2027 | 600,000 | 229,750 | 829,750 |
| 2028-2032 | 3,485,000 | 655,625 | 4,140,625 |
| 2033 | 810,000 | 20,250 | 830,250 |
| Total | <u>\$ 5,205,000</u> | <u>\$ 1,419,070</u> | <u>\$ 6,624,070</u> |

The 1998 Series C bonds mature through 2028 as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest to Maturity</u> | <u>Total</u> |
|--------------------|---------------------|---------------------------------|---------------------|
| 2013 | \$ - | \$ 119,475 | \$ 119,475 |
| 2014 | - | 119,475 | 119,475 |
| 2015 | - | 119,475 | 119,475 |
| 2016 | - | 119,475 | 119,475 |
| 2017 | - | 119,475 | 119,475 |
| 2018-2022 | 495,000 | 582,825 | 1,077,825 |
| 2023-2027 | 1,940,000 | 379,525 | 2,319,525 |
| 2028 | 565,000 | 22,600 | 587,600 |
| Total | <u>\$ 3,000,000</u> | <u>\$ 1,582,325</u> | <u>\$ 4,582,325</u> |

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

The 2010 Refunding bonds mature through 2029 as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest to Maturity</u> | <u>Total</u> |
|--------------------|----------------------|---------------------------------|----------------------|
| 2013 | \$ 345,000 | \$ 458,788 | \$ 803,788 |
| 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 |
| 2018-2022 | 4,095,000 | 1,557,238 | 5,652,238 |
| 2023-2027 | 4,345,000 | 730,213 | 5,075,213 |
| 2028-2029 | 1,090,000 | 68,575 | 1,158,575 |
| Total | <u>\$ 12,660,000</u> | <u>\$ 4,526,566</u> | <u>\$ 17,186,566</u> |

Compensated Absences

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2012, amounted to \$388,045.

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2012, was \$605,632 and contributions made by the District during the year were \$204,083. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$51,684 and (\$67,242), respectively, which resulted in an increase to the net OPEB obligation of \$385,991. As of June 30, 2012, the net OPEB obligation was \$1,419,665. 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, 2012

NOTE 8 - FUND BALANCES

Fund balances are composed of the following elements:

| | General Fund | Building Fund | Non-Major Governmental Funds | Total |
|------------------------------------|-----------------|------------------|------------------------------------|---------------|
| Nonspendable | | | | |
| Revolving cash | \$ 15,000 | \$ - | \$ 669 | \$ 15,669 |
| Stores inventories | 69,180 | - | 25,755 | 94,935 |
| Total Nonspendable | 84,180 | - | 26,424 | 110,604 |
| Restricted | | | | |
| Legally restricted programs | 1,217,078 | - | 3,015,064 | 4,232,142 |
| Capital projects | - | 4,540,221 | 814,282 | 5,354,503 |
| Debt services | - | - | 1,115,097 | 1,115,097 |
| Total Restricted | 1,217,078 | 4,540,221 | 4,944,443 | 10,701,742 |
| Assigned | | | | |
| Retiree benefits | 3,141,363 | - | - | 3,141,363 |
| Capital projects | - | - | 682,044 | 682,044 |
| Total Assigned | 3,141,363 | - | 682,044 | 3,823,407 |
| Unassigned | | | | |
| Reserve for economic uncertainties | 9,355,625 | - | - | 9,355,625 |
| Total Unassigned | 9,355,625 | - | - | 9,355,625 |
| Total | \$13,798,246 | \$ 4,540,221 | \$ 5,652,911 | \$ 23,991,378 |

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.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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 2011-2012, the District contributed \$204,083 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 | 51,684 |
| Adjustment to annual required contribution | (67,242) |
| Annual OPEB cost (expense) | <u>590,074</u> |
| Contributions made | <u>(204,083)</u> |
| Increase in net OPEB obligation | 385,991 |
| Net OPEB obligation, beginning of year | 1,033,674 |
| Net OPEB obligation, end of year | <u><u>\$ 1,419,665</u></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 |
|------------------------|---------------------|------------------------|---------------------------|------------------------|
| 2010 | \$ 530,488 | \$ 185,188 | 35% | \$ 695,669 |
| 2011 | 547,753 | 209,748 | 38% | 1,033,674 |
| 2012 | 590,074 | 204,083 | 35% | 1,419,665 |

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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 Accrued 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, 2012

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, 2012, 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 2012, 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 |

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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, 7919 Folsom Blvd., Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011-2012 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2012, 2011, and 2010, were \$1,917,282, \$1,941,868, and \$1,995,730, 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 2011-2012 was 10.923 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, 2012, 2011, and 2010, were \$959,143, \$955,095, and \$874,661, respectively, and equal 100 percent of the required contributions for each year.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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 \$1,174,360 (4.855 percent of annual payroll.) Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 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, 2012.

Litigation

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

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, 2012

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, 2012, the District made payments of \$1,134,335 to the ASCIP.

NOTE 14 - FISCAL ISSUES RELATING TO BUDGET REDUCTIONS

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

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REQUIRED SUPPLEMENTARY INFORMATION

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LAWNDALE ELEMENTARY SCHOOL DISTRICT

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

| | Budgeted Amounts | | Actual | Variances - |
|--|----------------------|---------------------|----------------------|--|
| | Original | Final | (GAAP Basis) | Positive (Negative) Final to Actual |
| REVENUES | | | | |
| Revenue limit sources | \$ 28,685,051 | \$ 28,685,051 | \$ 28,322,952 | \$ (362,099) |
| Federal sources | 4,329,580 | 4,329,580 | 4,928,440 | 598,860 |
| Other State sources | 10,609,085 | 10,609,085 | 12,254,652 | 1,645,567 |
| Other local sources | 405,018 | 405,018 | 1,279,625 | 874,607 |
| Total Revenues ¹ | 44,028,734 | 44,028,734 | 46,785,669 | 2,756,935 |
| EXPENDITURES | | | | |
| Current | | | | |
| Certificated salaries | 23,643,738 | 23,755,464 | 24,573,285 | (817,821) |
| Classified salaries | 8,642,355 | 8,921,162 | 8,428,227 | 492,935 |
| Employee benefits | 7,853,990 | 8,063,465 | 7,833,429 | 230,036 |
| Books and supplies | 1,610,737 | 2,604,321 | 1,814,607 | 789,714 |
| Services and operating expenditures | 5,080,548 | 5,797,704 | 5,316,797 | 480,907 |
| Other outgo | 1,763,638 | 1,146,055 | 1,140,556 | 5,499 |
| Capital outlay | - | 11,948 | 11,948 | - |
| Total Expenditures ¹ | 48,595,006 | 50,300,119 | 49,118,849 | 1,181,270 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (4,566,272) | (6,271,385) | (2,333,180) | 3,938,205 |
| Other Financing Sources | | | | |
| Transfers in | 187,072 | - | - | - |
| NET CHANGE IN FUND BALANCES | (4,379,200) | (6,271,385) | (2,333,180) | 3,938,205 |
| Fund Balances - Beginning | 16,131,426 | 16,131,426 | 16,131,426 | - |
| Fund Balances - Ending | \$ 11,752,226 | \$ 9,860,041 | \$ 13,798,246 | \$ 3,938,205 |

¹ On behalf payments of \$1,174,360 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, Retiree Benefits Fund 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

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS FOR THE YEAR ENDED JUNE 30, 2012

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued 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

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LAWNDALE ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

| 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: | | | |
| No Child Left Behind Act | | | |
| Title I, Part A, Basic Grants Low-Income and Neglected | 84.010 | 14329 | \$ 1,447,742 |
| Education Jobs Fund | 84.410 | 25152 | 485,153 |
| Title II, Part A, Improving Teacher Quality Local Grants | 84.367 | 14341 | 267,299 |
| Title II, Part D, Enhancing Education Through Technology | | | |
| Formula Grants | 84.318 | 14334 | 4,432 |
| Title III, Limited English Proficient Student Program | 84.365 | 14346 | 234,313 |
| Title IV, Part B, 21st Century Community Learning Centers | | | |
| Program Century Core | 84.287 | 14349 | 394,712 |
| Fund for the Improvement of Education | 84.215 | [1] | 490,354 |
| Individuals with Disabilities Education Act | | | |
| Special Education (IDEA) Cluster | | | |
| Basic Local Assistance Entitlement, Part B, Section 611 | 84.027 | 13379 | 885,271 |
| Preschool Grants, Part B, Section 619 | 84.173 | 13430 | 92,264 |
| Preschool Local Entitlement, Part B, Section 611 | 84.027A | 13682 | 185,781 |
| Preschool Staff Development, Part B, Section 619 | 84.173A | 13431 | 1,571 |
| Total Special Education (IDEA) Cluster | | | <u>1,164,887</u> |
| Total U.S. Department of Education | | | <u>4,488,892</u> |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| Medicaid Cluster | | | |
| Medi-Cal Billing Options | 93.778 | 10013 | 160,383 |
| Medi-Cal Administrative Activities (MAA) | 93.778 | 10060 | 298,746 |
| Total Medicaid Cluster | | | <u>459,129</u> |
| Total U.S. Department of Health and Human Services | | | <u>459,129</u> |
| U.S. DEPARTMENT OF JUSTICE | | | |
| Passed through the County of Los Angeles Sherri's Department | | | |
| Community Oriented Policing Services Secure our Schools Grant | 16.710 | [2] | 15,466 |
| Total U.S. Department of Justice | | | <u>15,466</u> |

[1] Direct funded

[2] Pass-Through Entity Identifying Number was not available

See accompanying note to supplementary information.

LAWNDALE ELEMENTARY SCHOOL DISTRICT**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2012**

| 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 the California Department of Education: | | | |
| Child Nutrition Cluster | | | |
| National School Lunch Program | 10.555 | 13391 | \$ 1,929,053 |
| Meal Supplement | 10.555 | 13391 | 181,059 |
| Especially Needy Breakfast Program | 10.553 | 13526 | 465,729 |
| Summer Seamless Option | 10.559 | 13004 | 113,225 |
| Commodities | 10.555 | 13391 | 189,561 |
| Total Child Nutrition Cluster | | | <u>2,878,627</u> |
| Total U.S. Department of Agriculture | | | <u>2,878,627</u> |
| Total Expenditures of Federal Awards | | | <u><u>\$ 7,842,114</u></u> |

See accompanying note to supplementary information.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2012

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. Cathy Burris | President | 2015 |
| Mrs. Shirley Bennett | Clerk | 2015 |
| Mrs. Shirley Rudolph | Trustee | 2013 |
| Ms. Bonnie J. Coronado | Trustee | 2013 |
| Mrs. Ann Phillips | Trustee | 2013 |

ADMINISTRATION

| | |
|----------------------------|--|
| Dr. Ellen Dougherty, Ed.D. | Superintendent of Schools |
| Mr. John D. Vinke | Deputy Superintendent of Business Services |
| Dr. Betsy Hamilton | Assistant Superintendent of Educational Services |
| Dr. Cesar Morales | 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, 2012

| | Amended Second Period Report | Annual Report |
|----------------------|------------------------------------|------------------|
| ELEMENTARY | | |
| Kindergarten | 605 | 606 |
| First through third | 1,938 | 1,929 |
| Fourth through sixth | 1,725 | 1,721 |
| Seventh and eighth | 1,173 | 1,173 |
| Home and hospital | 3 | 3 |
| Special education | 149 | 157 |
| Total Elementary | 5,593 | 5,589 |

See accompanying note to supplementary information.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2012

| Grade Level | 1982-83 | Reduced | 1986-87 | Reduced | 2011-12 | Number of Days | | Status |
|--------------|-------------------|------------------------------|------------------------|-----------------------------------|-------------------|-------------------------|------------------------|----------|
| | Actual Minutes | 1982-83 Actual Minutes | Minutes Requirement | 1986-87 Minutes Requirement | Actual Minutes | Traditional Calendar | Multitrack Calendar | |
| Kindergarten | 32,400 | 30,240 | 36,000 | 33,600 | 36,000 | 180 | - | Complied |
| Grades 1 - 3 | 43,200 | 40,320 | 50,400 | 47,040 | | | | |
| Grade 1 | | | | | 50,400 | 180 | - | Complied |
| Grade 2 | | | | | 50,400 | 180 | - | Complied |
| Grade 3 | | | | | 50,400 | 180 | - | Complied |
| Grades 4 - 6 | 48,600 | 45,360 | 54,000 | 50,400 | | | | |
| Grade 4 | | | | | 54,020 | 180 | - | Complied |
| Grade 5 | | | | | 54,020 | 180 | - | Complied |
| Grade 6 | | | | | 58,500 | 180 | - | Complied |
| Grades 7 - 8 | 54,000 | 50,400 | 54,000 | 50,400 | | | | |
| Grade 7 | | | | | 59,460 | 180 | - | Complied |
| Grade 8 | | | | | 59,460 | 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, 2012

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2012.

See accompanying note to supplementary information.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012

| | (Budget) 2013 ¹ | 2012 | 2011 | 2010 |
|---|-------------------------------|----------------|---------------|----------------|
| GENERAL FUND ⁴ | | | | |
| Revenues | \$ 44,656,994 | \$ 46,754,412 | \$ 50,054,399 | \$ 47,453,178 |
| Other sources and transfers in | 204,083 | 204,083 | 712,765 | 1,236,887 |
| Total Revenues and Other Sources | 44,861,077 | 46,958,495 | 50,767,164 | 48,690,065 |
| Expenditures | 48,329,560 | 49,118,849 | 50,335,282 | 50,873,698 |
| Other uses and transfers out | - | - | - | 342,705 |
| Total Expenditures and Other Uses | 48,329,560 | 49,118,849 | 50,335,282 | 51,216,403 |
| INCREASE (DECREASE) IN FUND BALANCE | \$ (3,468,483) | \$ (2,160,354) | \$ 431,882 | \$ (2,526,338) |
| ENDING FUND BALANCE | \$ 7,184,153 | \$ 10,652,636 | \$ 12,812,990 | \$ 12,381,108 |
| AVAILABLE RESERVES ² | \$ 6,047,700 | \$ 9,355,625 | \$ 11,570,147 | \$ 10,626,880 |
| AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³ | 12.51% | 19.51% | 23.45% | 21.18% |
| LONG-TERM OBLIGATIONS | N/A | \$ 23,588,916 | \$ 24,118,543 | \$ 20,523,382 |
| K-12 AVERAGE DAILY ATTENDANCE AT P-2 | 5,593 | 5,593 | 5,603 | 5,622 |

The General Fund balance has decreased by \$1,728,472 over the past two years. The fiscal year 2012-2013 budget projects a further decrease of \$3,468,483 (33 percent). 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 2012-2013 fiscal year. Total long-term obligations have increased by \$3,065,534 over the past two years.

Average daily attendance has decreased by 29 over the past two years. No change in ADA is anticipated during fiscal year 2012-2013.

¹ Budget 2013 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 \$1,174,360, \$1,004,354, and \$1,032,216, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2012, 2011, and 2010, respectively.

⁴ General Fund amounts do not include activity related to the consolidation of the Deferred Maintenance Fund, and the Retiree Benefits Fund as required by GASB Statement No. 54.

See accompanying note to supplementary information.

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LAWNDALE ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2012**

| <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, 2012

| | Child Development Fund | Cafeteria Fund | Capital Facilities Fund | State School Building Fund |
|--|---------------------------------------|----------------------------|--|---|
| ASSETS | | | | |
| Deposits and investments | \$ (26,399) | \$ 2,557,711 | \$ 777,248 | \$ 27,741 |
| Receivables | 292,699 | 581,336 | 1,505 | 54 |
| Stores inventories | - | 25,754 | - | - |
| Total Assets | <u><u>\$ 266,300</u></u> | <u><u>\$ 3,164,801</u></u> | <u><u>\$ 778,753</u></u> | <u><u>\$ 27,795</u></u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | <u>\$ 190,560</u> | <u>\$ 199,053</u> | <u>\$ 1,489</u> | <u>\$ 25,256</u> |
| Fund Balances: | | | | |
| Nonspendable | - | 26,424 | - | - |
| Restricted | 75,740 | 2,939,324 | 777,264 | 2,539 |
| Assigned | - | - | - | - |
| Total Fund Balances | <u>75,740</u> | <u>2,965,748</u> | <u>777,264</u> | <u>2,539</u> |
| Total Liabilities and Fund Balances | <u><u>\$ 266,300</u></u> | <u><u>\$ 3,164,801</u></u> | <u><u>\$ 778,753</u></u> | <u><u>\$ 27,795</u></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 |
|--|---|--|------------------------------|------------------------------|---|
| \$ 34,413 | \$ 693,205 | \$ 1,096,076 | \$ 9 | \$ 18,976 | \$ 5,178,980 |
| 66 | 1,339 | - | - | 36 | 877,035 |
| - | - | - | - | - | 25,754 |
| <u>\$ 34,479</u> | <u>\$ 694,544</u> | <u>\$ 1,096,076</u> | <u>\$ 9</u> | <u>\$ 19,012</u> | <u>\$ 6,081,769</u> |
| | | | | | |
| <u>\$ -</u> | <u>\$ 12,500</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 428,858</u> |
| | | | | | |
| - | - | - | - | - | 26,424 |
| 34,479 | - | 1,096,076 | 9 | 19,012 | 4,944,443 |
| - | 682,044 | - | - | - | 682,044 |
| <u>34,479</u> | <u>682,044</u> | <u>1,096,076</u> | <u>9</u> | <u>19,012</u> | <u>5,652,911</u> |
| | | | | | |
| <u>\$ 34,479</u> | <u>\$ 694,544</u> | <u>\$ 1,096,076</u> | <u>\$ 9</u> | <u>\$ 19,012</u> | <u>\$ 6,081,769</u> |

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2012

| | Child Development Fund | Cafeteria Fund | Capital Facilities Fund | State School Building Fund | County School Facilities Fund |
|--|------------------------------|---------------------|-------------------------------|-------------------------------------|--|
| REVENUES | | | | | |
| Federal sources | \$ - | \$ 2,878,627 | \$ - | \$ - | \$ - |
| Other State sources | 2,062,456 | 219,673 | - | - | - |
| Other local sources | 3,102 | 284,632 | 22,780 | 73 | 322 |
| Total Revenues | <u>2,065,558</u> | <u>3,382,932</u> | <u>22,780</u> | <u>73</u> | <u>322</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Instruction | 1,641,208 | - | - | - | - |
| Instruction-related activities: | | | | | |
| Supervision of instruction | 170,343 | - | - | - | - |
| School site administration | 34,015 | - | - | - | - |
| Pupil services: | | | | | |
| Food services | 31,544 | 2,953,237 | - | - | - |
| All other general administration | 122,810 | 137,325 | - | - | - |
| Plant services | 63,723 | 211,271 | 7,591 | - | - |
| Facility acquisition and construction | - | - | 1,489 | - | - |
| Debt service | | | | | |
| Principal | - | - | - | - | - |
| Interest and other | - | - | - | - | - |
| Total Expenditures | <u>2,063,643</u> | <u>3,301,833</u> | <u>9,080</u> | <u>-</u> | <u>-</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>1,915</u> | <u>81,099</u> | <u>13,700</u> | <u>73</u> | <u>322</u> |
| NET CHANGE IN FUND BALANCES | 1,915 | 81,099 | 13,700 | 73 | 322 |
| Fund Balances - Beginning | <u>73,825</u> | <u>2,884,649</u> | <u>763,564</u> | <u>2,466</u> | <u>34,157</u> |
| Fund Balances - Ending | <u>\$ 75,740</u> | <u>\$ 2,965,748</u> | <u>\$ 777,264</u> | <u>\$ 2,539</u> | <u>\$ 34,479</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 |
|---|--|----------------------------------|----------------------------------|---|
| \$ - | \$ - | \$ - | \$ - | \$ 2,878,627 |
| - | 13,244 | - | - | 2,295,373 |
| 6,509 | 1,311,653 | - | 177 | 1,629,248 |
| <u>6,509</u> | <u>1,324,897</u> | <u>-</u> | <u>177</u> | <u>6,803,248</u> |
| - | - | - | - | 1,641,208 |
| - | - | - | - | 170,343 |
| - | - | - | - | 34,015 |
| - | - | - | - | 2,984,781 |
| - | - | - | - | 260,135 |
| 12,500 | - | - | - | 295,085 |
| - | - | - | - | 1,489 |
| - | 810,000 | - | - | 810,000 |
| - | 845,331 | - | - | 845,331 |
| <u>12,500</u> | <u>1,655,331</u> | <u>-</u> | <u>-</u> | <u>7,042,387</u> |
| <u>(5,991)</u> | <u>(330,434)</u> | <u>-</u> | <u>177</u> | <u>(239,139)</u> |
| (5,991) | (330,434) | - | 177 | (239,139) |
| 688,035 | 1,426,510 | 9 | 18,835 | 5,892,050 |
| <u>\$ 682,044</u> | <u>\$ 1,096,076</u> | <u>\$ 9</u> | <u>\$ 19,012</u> | <u>\$ 5,652,911</u> |

LAWNDALE 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, 2012

| | Actual Results for the Years | | | | | |
|---|------------------------------|--------------------|------------------|--------------------|------------------|--------------------|
| | 2011-2012 | | 2010-2011 | | 2009-2010 | |
| | Amount | Percent of Revenue | Amount | Percent of Revenue | Amount | Percent of Revenue |
| REVENUES¹ | | | | | | |
| Federal revenue | \$ 4,883 | 10.4 | \$ 6,107 | 12.2 | \$ 6,379 | 13.4 |
| State and local revenue included in revenue limit | 28,323 | 60.6 | 29,696 | 59.3 | 26,623 | 56.1 |
| Other State revenue | 12,254 | 26.2 | 12,290 | 24.6 | 12,132 | 25.6 |
| Other local revenue | 1,294 | 2.8 | 1,961 | 3.9 | 2,319 | 4.9 |
| Total Revenues | <u>46,754</u> | <u>100.0</u> | <u>50,054</u> | <u>100.0</u> | <u>47,453</u> | <u>100.0</u> |
| EXPENDITURES¹ | | | | | | |
| Salaries and Benefits | | | | | | |
| Certificated salaries | 24,573 | 52.6 | 24,573 | 49.1 | 25,176 | 53.1 |
| Classified salaries | 8,428 | 18.0 | 8,652 | 17.3 | 8,744 | 18.4 |
| Employee benefits | 7,833 | 16.8 | 7,573 | 15.1 | 7,447 | 15.7 |
| Total Salaries and Benefits | 40,834 | 87.4 | 40,798 | 81.5 | 41,367 | 87.2 |
| Books and supplies | 1,815 | 3.9 | 2,306 | 4.6 | 1,959 | 4.1 |
| Services and operating expenses | 5,317 | 11.4 | 5,640 | 11.3 | 5,391 | 11.3 |
| Capital outlay | 12 | 0.0 | - | 0.0 | 77 | 0.2 |
| Other outgo | 1,140 | 2.4 | 1,591 | 3.2 | 2,080 | 4.4 |
| Total Expenditures | <u>49,118</u> | <u>105.1</u> | <u>50,335</u> | <u>100.6</u> | <u>50,874</u> | <u>107.2</u> |
| EXCESS OF REVENUES OVER (UNDER)EXPENDITURES | <u>(2,364)</u> | <u>(5.1)</u> | <u>(281)</u> | <u>(0.6)</u> | <u>(3,421)</u> | <u>(7.2)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | 204 | 0.4 | 713 | 1.4 | 1,237 | 3 |
| Transfers out | - | 0.0 | - | 0.0 | (342) | (0.7) |
| INCREASE (DECREASE) IN FUND BALANCE | <u>(2,160)</u> | <u>(4.7)</u> | <u>432</u> | <u>0.8</u> | <u>(2,526)</u> | <u>(5.3)</u> |
| FUND BALANCE, BEGINNING | <u>12,813</u> | | <u>12,381</u> | | <u>14,907</u> | |
| FUND BALANCE, ENDING | <u>\$ 10,653</u> | | <u>\$ 12,813</u> | | <u>\$ 12,381</u> | |

¹ General Fund amounts do not include activity related to the consolidation of the Deferred Maintenance Fund and the Retiree Benefits Fund as required by GASB Statement No. 54.

See accompanying note to supplementary information.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2012

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.

| Description | CFDA Number | Amount |
|--|----------------|---------------------|
| Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances | | \$ 7,807,067 |
| Medi-Cal Billing Option | 93.778 | 35,047 |
| Total Schedule of Expenditures of Federal Awards | | <u>\$ 7,842,114</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, 2012

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

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**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 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 as of and for the year ended June 30, 2012, which collectively comprise Lawndale Elementary School District's basic financial statements and have issued our report thereon dated December 6, 2012. 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.

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

Internal Control Over Financial Reporting

Management of Lawndale Elementary School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Lawndale Elementary School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lawndale Elementary School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Lawndale Elementary School District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

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

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

Vaurine, Time, Day & Co., LLP.

Rancho Cucamonga, California
December 6, 2012



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Governing Board
Lawndale Elementary School District
Lawndale, California

Compliance

We have audited Lawndale Elementary School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Lawndale Elementary School District's major Federal programs for the year ended June 30, 2012. Lawndale Elementary School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Lawndale Elementary School District's management. Our responsibility is to express an opinion on Lawndale Elementary School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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. Our audit does not provide a legal determination of Lawndale Elementary School District's compliance with those requirements.

In our opinion, Lawndale Elementary School District complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

Management of Lawndale Elementary School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Lawndale Elementary School District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 the 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.

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 that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Vauvinez, Time, Day & Co., LLP.

Rancho Cucamonga, California
December 6, 2012

**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE**

Governing Board
Lawndale Elementary School District
Lawndale, California

We have audited Lawndale Elementary School District's compliance with the requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2011-2012*, applicable to Lawndale Elementary School District's government programs as noted below for the year ended June 30, 2012. Compliance with the requirements referred to above is the responsibility of Lawndale Elementary School District's management. Our responsibility is to express an opinion on Lawndale Elementary School District's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-2012*, 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 opinions. Our audit does not provide a legal determination of Lawndale Elementary School District's compliance with those requirements.

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, 2012.

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:

| | Procedures in Audit Guide | Procedures Performed |
|--|------------------------------|-------------------------|
| 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 |

| | <u>Procedures in Audit Guide</u> | <u>Procedures Performed</u> |
|---|--------------------------------------|---------------------------------|
| 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 |
| Public Hearing Requirement - Receipt of Funds | 1 | Yes |
| Juvenile Court Schools | 8 | Not Applicable |
| Exclusion of Pupils - Pertussis Immunization | 2 | Yes |
| 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 | 3 | 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 |

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

Vaurine, Time, Day & Co., LLP.

Rancho Cucamonga, California
December 6, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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LAWNDALE ELEMENTARY SCHOOL DISTRICT

SUMMARY OF AUDITORS' RESULTS FOR THE YEAR ENDED JUNE 30, 2012

FINANCIAL STATEMENTS

| | |
|---|----------------------|
| Type of auditors' report issued: | <u>Unqualified</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>Unqualified</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>84.215</u> | <u>Fund for the Improvement of Education</u> |
| | <u>Title IV, Part B, 21st Century Community</u> |
| <u>84.287</u> | <u>Learning Centers, Program Century Core</u> |
| <u>93.778</u> | <u>Medicaid Cluster</u> |

| | |
|--|-------------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | <u>\$ 300,000</u> |
| Auditee qualified as low-risk auditee? | <u>No</u> |

STATE AWARDS

| | |
|---|--------------------|
| Type of auditors' report issued on compliance for programs: | <u>Unqualified</u> |
|---|--------------------|

LAWNDALE ELEMENTARY SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

None reported.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

None reported.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

None reported.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2012

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 financial statement findings.

Federal Awards Findings

SUSPENSION AND DEBARMENT

2011-1 50000

Federal Program Affected

U.S. Department of Education (DOE), Title I, Part A Cluster, CFDA Nos. 84.010 and 84.389 (ARRA)

Special Education Cluster, CFDA Nos. 84.027, 84.027A, and 84.391 (ARRA)

Criteria

Agencies shall establish procedures for the effective use of the List of Parties Excluded from Federal Procurement or Non-procurement programs to assure that they do not expend assistance to listed parties in violation of the Executive Order.

Condition

The District is not verifying that all vendors for which the federal grant has expended over \$25,000 has been suspended or debarred by the Federal government as required by the Office of Management and Budget, only vendors that have been awarded formal bids are being verified.

Questioned costs

No questioned costs. See context.

Context

The District did not expend any funds to excluded parties, but controls are not in place to ensure that future Federal funds are not expended to an entity included in the Excluded Parties List.

Effect

Future expenditures to excluded parties can result in the District having to return Federal funds.

Cause

The District has not implemented a control to ensure all vendors are being verified as not being suspended or debarred.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2012

Recommendation

We recommend the District implement procedures to verify all vendors who are providing services to federally funded programs in excess of \$25,000 are not suspended, debarred, or otherwise excluded. The District should also update contract templates, or purchase orders, for all contract types that exceed \$25,000 to avoid any non-compliance and possible return of Federal monies.

Current Status

Implemented.