

**LAWNDALE ELEMENTARY
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2008

LAWNDALE ELEMENTARY SCHOOL DISTRICT
OF LOS ANGELES COUNTY
LAWNDALE, CALIFORNIA
JUNE 30, 2008

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Ms. Shirley Bennett	President	2011
Mrs. Ann Phillips	Clerk	2009
Ms. Bonnie J. Coronado	Member	2009
Mrs. Shirley Rudolph	Member	2009
Mrs. Cathy Burris	Member	2009

ADMINISTRATION

Mr. Joseph D. Condon, Ed.D.	Superintendent of Schools
Mr. John D. Vinke	Associate Superintendent of Business Services
Ms. Dorinda Dee	Assistant Superintendent of Educational Services
Ms. Shirley Giltzow, Ed.D.	Assistant Superintendent of Human Resources

LAWNDALE ELEMENTARY SCHOOL DISTRICT

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LAWNDALE ELEMENTARY SCHOOL DISTRICT

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FINANCIAL SECTION



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, 2008, 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 2007-08* 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 above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lawndale Elementary School District, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2008, 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 conjunction with this report in considering the results of our audit.

The required supplementary information, such as management's discussion and analysis on pages 4 through 13 and budgetary comparison information on page 47 is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The unaudited supplementary information listed in the table of contents, including the Combining Statements - Non-Major Governmental Funds and General Fund Selected Financial Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion.

Vaughn, Trine, Day & Co., LLP
Rancho Cucamonga, California
December 8, 2008

LAWNDALE ELEMENTARY SCHOOL DISTRICT

4161 West 147th Street • Lawndale, CA 90260 • (310) 973-1300 FAX (310) 675-6462



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, 2008. 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, business-type, and fiduciary.

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

The *Business-Type Activities* are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fiduciary Activities* are agency funds, which only report a balance sheet and do not have a measurement focus.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Lawndale Elementary School District.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

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 on-going effort to improve and maintain buildings and sites. Property taxes, state income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

Business-Type Activities - The District charges fees to help it cover the costs of certain services it provides. The District's Child Care programs and services are included here.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

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.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

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 *Statements 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.

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were \$71.2 million for governmental activities for the fiscal year ended June 30, 2008. Of this amount, \$15.8 million was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use those net assets for day-to-day operations. Our analysis below, in summary form, focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental and business-type activities.

Table 1

(Amounts in thousands)	Governmental Activities		Business-Type Activities		School District Activities	
	2008	2007	2008	2007	2008	2007
Assets						
Current and other assets	\$ 39,471.7	\$ 40,986.0	\$ 244.7	\$ 175.3	\$ 39,716.4	\$ 41,161.3
Capital assets	60,228.5	60,711.6	-	-	60,228.5	60,711.6
Total Assets	99,700.2	101,697.6	244.7	175.3	99,944.9	101,872.9
Liabilities						
Current liabilities	7,649.1	8,548.4	-	0.3	7,649.1	8,548.7
Long-term obligations	20,880.7	21,438.9	-	-	20,880.7	21,438.9
Total Liabilities	28,529.8	29,987.3	-	0.3	28,529.8	29,987.6
Net Assets						
Invested in capital assets, net of related debt	45,021.2	45,731.3	-	-	45,021.2	45,731.3
Restricted	10,338.3	13,390.3	-	-	10,338.3	13,390.3
Unrestricted	15,810.9	12,588.7	244.7	175.0	16,055.6	12,763.7
Total Net Assets	\$ 71,170.4	\$ 71,710.3	\$ 244.7	\$ 175.0	\$ 71,415.1	\$ 71,885.3

The \$15.8 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, 2008

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 15. 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	
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues:						
Charges for services	\$ 454.1	\$ 452.1	\$ 64.9	\$ 59.5	\$ 519.0	\$ 511.6
Operating grants and contributions	19,310.9	21,067.7	-	-	19,310.9	21,067.7
General revenues:						
State revenue limit sources	31,534.9	32,271.0	-	-	31,534.9	32,271.0
Federal and state aid not restricted						
Property taxes	4,852.7	5,341.7	-	-	4,852.7	5,341.7
Other general revenues	4,004.5	4,272.5	10.2	7.4	4,014.7	4,279.9
Total Revenues	60,157.1	63,405.0	75.10	66.9	60,232.2	63,471.9
Expenses						
Instruction-related	44,767.4	42,948.4	-	-	44,767.4	42,948.4
Student support services	5,065.7	4,601.5	-	-	5,065.7	4,601.5
Administration	2,979.4	2,781.3	-	-	2,979.4	2,781.3
Plant	4,252.0	4,683.2	-	-	4,252.0	4,683.2
Other	3,632.5	3,129.7	5.4	0.6	3,637.9	3,130.3
Total Expenses	60,697.0	58,144.1	5.40	0.6	60,702.4	58,144.7
Change in Net Assets	\$ (539.9)	\$ 5,260.9	\$ 69.7	\$ 66.3	\$ (470.2)	\$ 5,327.2

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was \$60.7 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$4.9 million because the cost was paid by those who benefited from the programs (\$.5 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$19.3 million). We paid for the remaining "public benefit" portion of our governmental activities from the \$31.5 million we received in State funds, and from \$4.0 million of other revenues, like interest and general entitlements.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

In Table 3, we have presented the *cost* of each of the districts largest functions including Instruction, Instruction-related activities, Other pupil services, General administration and Plant, as well as each programs *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	
	2008	2007	2008	2007
Instruction	\$ 38,989.8	\$ 37,449.2	\$ (27,429.7)	\$ (24,033.2)
Instruction-related activities	5,777.6	5,499.2	(3,138.2)	(2,777.7)
Other pupil services	5,065.7	4,601.5	(1,054.2)	(780.1)
General administration	2,979.4	2,781.3	(2,727.4)	(2,245.5)
Plant	4,252.0	4,683.2	(3,564.3)	(4,061.9)
Other	3,632.5	3,129.7	(3,018.3)	(2,725.9)
Total	\$ 60,697.0	\$ 58,144.1	\$ (40,932.1)	\$ (36,624.3)

LAWNDALE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

THE DISTRICT'S FUNDS

As the District completed the year, our governmental funds reported a combined fund balance of \$32.2 million, which is a decrease of \$.6 million from last year (Table 4). This \$.6 million decrease is the net difference in the following fund or program balances from the prior year.

The General Fund's (unrestricted and restricted) decrease of \$.6 million reflects not only normal operations for the fiscal year but also the "net" result after an internal freeze on non essential purchases, reductions in conference and travel expenditures, as well as a review before replacements of personnel positions.

Table 4

(Amounts in thousands)

	Fund Balance	
	June 30, 2008	June 30, 2007
General	\$ 15,841.3	\$ 16,518.8
Building	4,849.1	6,019.8
Child Development	694.0	731.8
Cafeteria	2,832.0	2,347.0
Deferred Maintenance	2,767.4	2,286.2
Retiree Benefits	2,821.0	2,496.5
Capital Facilities	656.9	594.5
State School Building Lease-Purchase	2.2	1.0
County School Facilities	32.4	20.1
Special Reserve For Capital Outlay Projects	639.1	728.5
Bond Interest and Redemption	1,078.7	1,097.5
Other Debt Service	17.9	17.1
Total	\$ 32,232.0	\$ 32,858.8

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 1st Interim Budget report was prepared based upon actual information through October 31, 2007, and the 2nd Interim Budget Report was prepared based upon the actual information through January 31, 2008. The final amendments to the budget were adopted in late spring of 2008.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had \$60.2 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of just over \$483 thousand, or one percent, from last year (Table 5).

Table 5

(Amounts in thousands)	Governmental Activities	
	2008	2007
Land and construction in progress	\$ 1,370.1	\$ 18,018.8
Buildings and improvements	58,328.9	42,353.6
Equipment	529.5	339.2
Total	\$ 60,228.5	\$ 60,711.6

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 \$20.5 million in bonds outstanding versus \$21.0 million last year, a decrease of 2 percent. The long-term obligations consisted of:

Table 6

(Amounts in thousands)	Governmental Activities	
	2008	2007
General obligation bonds (financed with property taxes)	\$ 20,515.0	\$ 21,000.0
Compensated absences	347.7	376.9
Early retirement	18.0	62.0
Total	\$ 20,880.7	\$ 21,438.9

The District's general obligation bond rating continues to be "AAA". The State limits the amount of general obligation debt that districts can issue to five percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of \$20.5 million is significantly below the statutorily-imposed limit.

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2007-2008 ARE NOTED BELOW:

The District continued to implement its significant facilities improvement master plan of over \$70 million for all of its schools in the 2007-08 fiscal year including security camera systems and security lock systems to provide greater safety and security for its students and staff.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2008-2009 year, the Governing Board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. A COLA on the District's revenue limit of 0 percent.
2. ADA is reduced by approximately 100 to reflect continuing declining enrollments.
(However, for this year the enrollment decline may have stabilized for now.)
3. Interest earnings will maintain consistent with the prior year.
4. Developer fee collections are based on approximate new housing units to be constructed.
5. Federal income will decrease slightly due to Federal budgeting for the population of qualified students.
6. State income will decrease slightly due to State budgeting for the population of qualified students.
7. Charges to other funds will increase slightly to reflect a percentage increase ranging from 10 percent to 14 percent depending on the plan for medical benefits for eligible employees charged to other funds.
8. All School and Department budgets were reduced by 10 percent.
9. Staff development "buy back" days were eliminated.
10. The following transfers to other funds were temporarily suspended: Deferred Maintenance Fund: \$250,000; Early Retiree Fund: \$250,000; and Food Services "Meals for Needy": \$100,000.

Expenditures are based on the following forecasts:

	Staffing Ratio	Enrollment
Grades kindergarten	30:1	639
Grades first through third	20:1	1,893
Grades four through eight	30:1	3,102

The recent phenomenon of regional sustained declining enrollment is specifically addressed in the budget as reductions in revenue and expenses to reflect anticipated declining enrollment trends, which are expected to continue for the next few years. For example, we anticipated a decline of approximately 100 students in the 2008-09 year. Declining enrollment presents a unique challenge to balance budgets when revenue losses outpace expenditure reduction options. Future year projections show a continuing declining trend for several years that could result in a combined loss of over 500 students over the next few years. However, so far the 2008-09 CBEDS enrollment reports show that the decline may have stabilized for the time being.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Associate Superintendent, Business Services, at Lawndale School District, in Lawndale, California 90260, or e-mail at john_vinke@lawndale.k12.ca.us.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

STATEMENT OF NET ASSETS JUNE 30, 2008

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Deposits and investments	\$ 35,109,643	\$ 242,266	\$ 35,351,909
Receivables	4,132,209	2,417	4,134,626
Stores inventories	90,665	-	90,665
Other current assets	139,184	-	139,184
Capital assets:			
Land and construction in progress	1,370,117	-	1,370,117
Other capital assets	78,942,484	-	78,942,484
Less: Accumulated depreciation	(20,084,144)	-	(20,084,144)
Total Capital Assets	60,228,457	-	60,228,457
Total Assets	99,700,158	244,683	99,944,841
LIABILITIES			
Accounts payable	6,625,042	-	6,625,042
Interest payable	409,455	-	409,455
Deferred revenue	614,651	-	614,651
Long-term obligations:			
Current portion of long-term obligations	519,000	-	519,000
Noncurrent portion of long-term obligations	20,361,658	-	20,361,658
Total Long-Term Obligations	20,880,658	-	20,880,658
Total Liabilities	28,529,806	-	28,529,806
NET ASSETS			
Invested in capital assets, net of related debt	45,021,160	-	45,021,160
Restricted for:			
Debt service	687,111	-	687,111
Capital projects	691,607	-	691,607
Educational programs	2,666,287	-	2,666,287
Other activities	6,293,308	-	6,293,308
Unrestricted	15,810,879	244,683	16,055,562
Total Net Assets	\$ 71,170,352	\$ 244,683	\$ 71,415,035

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities:			
Instruction	\$ 38,989,830	\$ 3,902	\$ 11,556,224
Instruction-related activities:			
Supervision of instruction	1,721,817	556	1,449,735
Instructional library, media, and technology	537,597	-	479,110
School site administration	3,518,147	41	709,951
Pupil services:			
Home-to-school transportation	741,715	151,794	434,409
Food services	2,629,513	268,583	2,320,626
All other pupil services	1,694,462	-	836,091
General administration:			
Data processing	58,060	-	-
All other general administration	2,921,372	4,519	247,471
Plant services	4,251,989	24,663	663,056
Community services	17,430	-	7,420
Interest on long-term obligations	999,044	-	-
Other outgo	2,616,031	-	606,804
Total Governmental Activities	60,697,007	454,058	19,310,897
Business-Type Activities			
Enterprise services	5,440	64,944	-
Total Business-Type Activities	5,440	64,944	-
Total School District	\$ 60,702,447	\$ 519,002	\$ 19,310,897

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
\$ (27,429,704)	\$ -	\$ (27,429,704)
(271,526)	-	(271,526)
(58,487)	-	(58,487)
(2,808,155)	-	(2,808,155)
(155,512)	-	(155,512)
(40,304)	-	(40,304)
(858,371)	-	(858,371)
(58,060)	-	(58,060)
(2,669,382)	-	(2,669,382)
(3,564,270)	-	(3,564,270)
(10,010)	-	(10,010)
(999,044)	-	(999,044)
(2,009,227)	-	(2,009,227)
(40,932,052)	-	(40,932,052)
-	59,504	59,504
-	59,504	59,504
(40,932,052)	59,504	(40,872,548)
3,374,924	-	3,374,924
1,433,007	-	1,433,007
44,821	-	44,821
31,534,851	-	31,534,851
1,389,903	10,195	1,400,098
2,614,596	-	2,614,596
40,392,102	10,195	40,402,297
(539,950)	69,699	(470,251)
71,710,302	174,984	71,885,286
\$ 71,170,352	\$ 244,683	\$ 71,415,035

LAWNDALE ELEMENTARY SCHOOL DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2008

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	\$ 18,585,852	\$ 5,307,703	\$ 11,216,088	\$ 35,109,643
Receivables	3,191,445	50,884	889,880	4,132,209
Stores inventories	76,273	-	14,392	90,665
Other current assets	139,184	-	-	139,184
Total Assets	\$ 21,992,754	\$ 5,358,587	\$ 12,120,360	\$ 39,471,701
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 5,774,493	\$ 509,522	\$ 341,027	\$ 6,625,042
Deferred revenue	376,985	-	237,666	614,651
Total Liabilities	6,151,478	509,522	578,693	7,239,693
FUND BALANCE				
Reserved for:				
Revolving cash	15,000	-	480	15,480
Stores inventories	76,273	-	14,392	90,665
Legally restricted	2,666,287	-	-	2,666,287
Unreserved:				
Designated	13,083,716	4,849,065	10,430,229	28,363,010
Undesignated, reported in:				
Debt service funds	-	-	1,096,566	1,096,566
Total Fund Balance	15,841,276	4,849,065	11,541,667	32,232,008
Total Liabilities and Fund Balances	\$ 21,992,754	\$ 5,358,587	\$ 12,120,360	\$ 39,471,701

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, 2008

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

Total Fund Balance - Governmental Funds **\$ 32,232,008**

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 \$ 80,312,601

 Accumulated depreciation is (20,084,144)

 Total Net Capital Assets 60,228,457

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.

(409,455)

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 20,515,000

 Compensated absences 347,658

 Early retirement incentive 18,000

 Total Long-Term Obligations (20,880,658)

Total Net Assets - Governmental Activities **\$ 71,170,352**

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 BALANCE FOR THE YEAR ENDED JUNE 30, 2008

	General Fund	Building Fund	Non-Major Governmental Funds
REVENUES			
Revenue limit sources	\$ 31,378,436	\$ -	\$ -
Federal sources	4,005,780	-	2,465,733
Other State sources	14,060,311	-	2,206,666
Other local sources	2,622,445	313,443	2,374,788
Total Revenues	52,066,972	313,443	7,047,187
EXPENDITURES			
Current			
Instruction	35,592,767	-	1,454,983
Instruction-related activities:			
Supervision of instruction	1,514,996	-	206,821
Instructional library, media and technology	537,597	-	-
School site administration	3,502,714	-	15,433
Pupil services:			
Home-to-school transportation	703,025	-	-
Food services	-	-	2,500,547
All other pupil services	1,629,979	-	-
General administration:			
Data processing	58,060	-	-
All other general administration	2,631,318	-	112,993
Plant services	4,184,817	-	393,193
Facility acquisition and construction	-	1,484,155	131,289
Community services	17,430	-	-
Other outgo	1,642,385	-	244,191
Debt service			
Principal	-	-	485,000
Interest and other	-	-	1,010,724
Total Expenditures	52,015,088	1,484,155	6,555,174
Excess (Deficiency) of Revenues Over Expenditures	51,884	(1,170,712)	492,013
Other Financing Sources (Uses)			
Transfers in	-	-	729,455
Transfers out	(729,455)	-	-
Net Financing Sources (Uses)	(729,455)	-	729,455
NET CHANGE IN FUND BALANCES	(677,571)	(1,170,712)	1,221,468
Fund Balance - Beginning	16,518,847	6,019,777	10,320,199
Fund Balance - Ending	\$ 15,841,276	\$ 4,849,065	\$ 11,541,667

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

Total Governmental Funds	
<hr/>	
\$	31,378,436
	6,471,513
	16,266,977
	5,310,676
	<hr/>
	59,427,602
	<hr/>
	37,047,750
	1,721,817
	537,597
	3,518,147
	703,025
	2,500,547
	1,629,979
	58,060
	2,744,311
	4,578,010
	1,615,444
	17,430
	1,886,576
	485,000
	1,010,724
	<hr/>
	60,054,417
	<hr/>
	(626,815)
	<hr/>
	729,455
	(729,455)
	<hr/>
	-
	<hr/>
	(626,815)
	32,858,823
	<hr/>
\$	32,232,008
	<hr/>

LAWNDALE ELEMENTARY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008

Total Net Change in Fund Balances - Governmental Funds **\$ (626,815)**

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statements of activities.

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

Capital outlays	\$ 2,096,225	
Depreciation expense	<u>(2,579,325)</u>	(483,100)

In the statement of activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation used was more than the amounts earned by \$29,285. Early retirement incentive paid was \$44,000.

73,285

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:

Principal payment on general obligation bonds	485,000
---	---------

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.

	<u>11,680</u>
Change in Net Assets of Governmental Activities	<u>\$ (539,950)</u>

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF NET ASSETS JUNE 30, 2008

	Business-Type Activities Enterprise Fund
	Child Care
ASSETS	
Current Assets	
Deposits and investments	\$ 242,266
Receivables	2,417
Total Assets	244,683
NET ASSETS	
Unrestricted	244,683
Total Net Assets	\$ 244,683

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, 2008

	Business-Type Activities Enterprise Fund Child Care
OPERATING REVENUES	
Local and intermediate sources	<u>\$ 64,944</u>
OPERATING EXPENSES	
Supplies and materials	4,380
Other operating cost	<u>1,060</u>
Total Operating Expenses	<u>5,440</u>
Operating Income	<u>59,504</u>
NONOPERATING REVENUES	
Interest income	<u>10,195</u>
Change in Net Assets	69,699
Total Net Assets - Beginning	<u>174,984</u>
Total Net Assets - Ending	<u><u>\$ 244,683</u></u>

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, 2008

	Business-Type Activities Enterprise Fund Child Care
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from user charges	\$ 65,287
Cash payments for other operating expenses	(5,713)
Net Cash Provided by Operating Activities	59,574
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	10,195
Net Increase in Cash and Cash Equivalents	69,769
Cash and Cash Equivalents - Beginning	172,497
Cash and Cash Equivalents - Ending	\$ 242,266
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 59,504
Changes in assets and liabilities:	
Receivables	343
Accounts payable	(273)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 59,574

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, 2008

	Agency Funds
ASSETS	
Deposits and investments	\$ 8,767
LIABILITIES	
Due to student groups	\$ 8,767

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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 six 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.

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no component units.

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 for another five years ending on June 30, 2009.

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 GASB 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 financials.

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

Joint Powers Authority The District is associated with Alliance of Schools for Cooperative Insurance Programs (ASCIP), a joint powers authority. This organization does not meet the criteria for inclusion as a component unit of the District. Additional information is presented in Note 14 to the financial statements.

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.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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

Major Governmental Funds

General Fund The General Fund is the chief operating fund for the district. It is used to account for the ordinary operations of the district. All transactions except those required or permitted by law to be in another fund are accounted for in this fund.

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 or for major capital projects) that are restricted to the financing of particular activities:

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

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

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

Retiree Benefits Fund The Retiree Benefits Fund is used to account for amounts the District has earmarked for the future cost of postemployment benefits but has not contributed irrevocably to a separate trust.

Capital Project Funds The Capital Project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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 Lease-Purchase Fund The State School Building Lease Purchase 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 resources for, and the payment of, long-term debt principal, interest, and related costs. The District maintains the following debt service funds:

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 tax levies to be financed from ad valorem tax levies.

Debt Service Fund The Debt Service Fund was used to accumulate the resources for the payment of debt.

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.

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

Fiduciary Fund Fiduciary Fund reporting focuses on net assets and changes in net assets. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student body activities (ASB).

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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 statements 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 program, and exclude 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 enterprise 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.

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 balance 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 financial statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

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.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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 district's 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 district's 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. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

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.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Investments

Investments held at June 30, 2008, 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.

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

Accumulated unpaid vacation benefits 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.

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.

LAWNDAL E ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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.

Fund Balance Reserves and Designations

The District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for revolving cash accounts, stores inventories, and legally restricted grants and entitlements.

Designations of fund balances consist of that portion of the fund balance that has been designated (set aside) by the governing board to provide for specific purposes or uses. Fund balance designations have been established for economic uncertainties, cash in county treasury, and other purposes.

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 reports \$10,338,313 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 nonoperating revenues and expenses.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Interfund Activity

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

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

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 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 purposes of the budget, 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.

LAWNDAL E ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

New Accounting Pronouncements

In July 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement will require local governmental employers who provide OPEB as part of the total compensation offered to employees to recognize the expense and related liabilities (assets) in the government-wide financial statements of net assets and activities. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local governmental employers.

Current financial reporting practices for OPEB generally are based on pay-as-you-go financing approaches. They fail to measure or recognize the cost of OPEB during the periods when employees render the services or to provide relevant information about OPEB obligations and the extent to which progress is being made in funding those obligations.

This Statement generally provides for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District will be required to implement the provisions of this Statement for the fiscal year ended June 30, 2009. The District is in the process of determining the impact the implementation of this Statement will have on the government-wide statement of net assets and activities.

In May 2007, GASB issued No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*. This Statement more closely aligns the financial reporting requirements for pensions with those for OPEB and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement is effective for periods beginning after June 15, 2007, except for requirements related to the use of the entry age actuarial cost method for the purpose of reporting a surrogate funded status and funding progress of plans that use the aggregate actuarial cost method, which are effective for periods for which the financial statements and RSI contain information resulting from actuarial valuations as of June 15, 2007, or later. Early implementation is encouraged.

In June 2007, GASB issued No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The provisions of this Statement generally are required to be applied retroactively. For governments that were classified as phase 1 or phase 2 governments for the purpose of implementing Statement No. 34, retroactive reporting is required for intangible assets acquired in fiscal years ending after June 30, 1980, except for those considered to have indefinite useful lives as of the effective date of this Statement and those that would be considered internally generated.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

In November 2007, GASB issued No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. The guidance in this Statement is effective for financial statements for reporting periods beginning after June 15, 2008, with earlier application encouraged.

In June 2008, GASB issued No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement is intended to improve how State and local governments report information about derivative instruments—financial arrangements used by governments to manage specific risks or make investments—in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements and is effective for financial statements for reporting periods beginning after June 15, 2009, with earlier application encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2008, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 35,109,643
Business-type activities	242,266
Fiduciary funds	8,767
Total Deposits and Investments	<u>\$ 35,360,676</u>

Deposits and investments as of June 30, 2008, consist of the following:

Cash on hand and in banks	\$ 95,395
Cash in revolving	15,480
Investments	35,249,801
Total Deposits and Investments	<u>\$ 35,360,676</u>

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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.

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.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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 County Pool.

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
County Pool	\$ 35,210,701	566

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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, 2008, the District did not have any deposits exposed to custodial credit risk because all balances were FDIC insured.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2008, 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	\$ 863,058	\$ -	\$ 430,851	\$ 1,293,909	\$ -
State Government					
Apportionment	968,117	-	26,732	994,849	-
Categorical aid	325,998	-	315,389	641,387	-
Lottery	370,817	-	-	370,817	-
Local Receivables					
Interest	198,739	50,884	94,525	344,148	2,417
Other	464,716	-	22,383	487,099	-
Total	<u>\$ 3,191,445</u>	<u>\$ 50,884</u>	<u>\$ 889,880</u>	<u>\$ 4,132,209</u>	<u>\$ 2,417</u>

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 1,370,117	\$ -	\$ -	\$ 1,370,117
Construction in progress	16,648,691	798,968	17,447,659	-
Total Capital Assets				
Not Being Depreciated	18,018,808	798,968	17,447,659	1,370,117
Capital Assets Being Depreciated:				
Land improvements	548,500	-	-	548,500
Buildings and improvements	56,475,642	18,491,477	-	74,967,119
Furniture and equipment	3,173,426	253,439	-	3,426,865
Total Capital Assets Being				
Depreciated	60,197,568	18,744,916	-	78,942,484
Total Capital Assets	78,216,376	19,543,884	17,447,659	80,312,601
Less Accumulated Depreciation:				
Land improvements	547,825	675	-	548,500
Buildings and improvements	14,122,741	2,515,537	-	16,638,278
Furniture and equipment	2,834,253	63,113	-	2,897,366
Total Accumulated Depreciation	17,504,819	2,579,325	-	20,084,144
 Governmental Activities Capital				
Assets, Net	<u>\$ 60,711,557</u>	<u>\$16,964,559</u>	<u>\$ 17,447,659</u>	<u>\$ 60,228,457</u>

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

Governmental Activities	
Instruction	\$ 1,986,080
Transportation	38,690
Food services	128,966
All other pupil services	64,483
All other general administration	206,346
Plant services	154,760
Total Depreciation Expenses Governmental Activities	<u>\$ 2,579,325</u>

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 5 - INTERFUND TRANSACTION

Operating Transfers

Interfund transfers for the year ended June 30, 2008, consisted of the following:

Transfer To	Transfer From General Fund
The General Fund transferred to the Non-Major Governmental Cafeteria Fund to support operations.	\$ 121,768
The General Fund transferred to the Non-Major Governmental Deferred Maintenance Fund for the required annual match.	248,585
The General Fund transferred to the Non-Major Governmental Retiree Benefits Fund for District contribution.	359,102
Total	<u>\$ 729,455</u>

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2008, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities
Salaries and benefits	\$ 3,476,021	\$ -	\$ 197,854	\$ 3,673,875
Construction	-	509,522	27,134	536,656
Vendor payables	2,298,472	-	116,039	2,414,511
Total	<u>\$ 5,774,493</u>	<u>\$ 509,522</u>	<u>\$ 341,027</u>	<u>\$ 6,625,042</u>

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2008, consists of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	\$ 14,408	\$ -	\$ 14,408
State categorical aid	349,056	-	349,056
Other local	13,521	237,666	251,187
Total	<u>\$ 376,985</u>	<u>\$ 237,666</u>	<u>\$ 614,651</u>

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008	Due in One Year
General obligation bonds	\$ 21,000,000	\$ -	\$ 485,000	\$ 20,515,000	\$ 510,000
Compensated absences	376,943	-	29,285	347,658	-
Early retirement incentive	62,000	-	44,000	18,000	9,000
	<u>\$ 21,438,943</u>	<u>\$ -</u>	<u>\$ 558,285</u>	<u>\$ 20,880,658</u>	<u>\$ 519,000</u>

Payments on the general obligation bonds are made by the bond interest and redemption fund with local revenues. The accrued vacation is paid by the fund for which the employee worked. Early retirement is paid from the General Fund.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2007	Redeemed	Bonds Outstanding June 30, 2008	Due in One Year
6/1/1999	8/1/2028	3.5% to 5.25%	\$10,000,000	\$ 8,755,000	\$ 235,000	\$ 8,520,000	\$ 250,000
11/6/2002	8/1/2032	3.5% to 5.25%	13,000,000	12,245,000	250,000	11,995,000	260,000
				<u>\$ 21,000,000</u>	<u>\$ 485,000</u>	<u>\$ 20,515,000</u>	<u>\$ 510,000</u>

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Debt Service Requirements to Maturity

The bonds mature through 2033 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2009	\$ 250,000	\$ 425,367	\$ 675,367
2010	260,000	412,630	672,630
2011	270,000	400,380	670,380
2012	280,000	387,795	667,795
2013	295,000	374,279	669,279
2014-2018	1,680,000	1,637,960	3,317,960
2019-2023	2,130,000	1,158,789	3,288,789
2024-2028	2,725,000	531,830	3,256,830
2029	630,000	16,380	646,380
Total	<u>\$ 8,520,000</u>	<u>\$ 5,345,410</u>	<u>\$ 13,865,410</u>

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2009	\$ 260,000	\$ 557,325	\$ 817,325
2010	275,000	544,712	819,712
2011	285,000	535,055	820,055
2012	300,000	524,773	824,773
2013	310,000	513,445	823,445
2014-2018	1,790,000	2,358,972	4,148,972
2019-2023	2,250,000	1,901,541	4,151,541
2024-2028	2,860,000	1,285,436	4,145,436
2029-2033	3,665,000	476,875	4,141,875
Total	<u>\$ 11,995,000</u>	<u>\$ 8,698,134</u>	<u>\$ 20,693,134</u>

Compensated Absences

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2008, amounted to \$347,658.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Early Retirement Incentive

The District has an early retirement plan for employees of the District, meeting certain negotiated criteria. An early retirement plan was implemented in 2003-04, and another in 2005-06 as cost saving strategies for the current and subsequent years. A total of nine employees met the negotiated criteria and only one employee is still participating in the plan. The total cost of the early retirement plan is indicated in the following schedule:

Early Retirement Incentive Plan-2006

Year Ending June 30,	Total
<u>2009</u>	<u>\$ 9,000</u>
2010	9,000
Total	<u><u>\$ 18,000</u></u>

NOTE 9 - FUND BALANCES

Fund balances with reservations/designations are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Reserved				
Revolving cash	\$ 15,000	\$ -	\$ 480	\$ 15,480
Stores inventories	76,273	-	14,392	90,665
Restricted programs	2,666,287	-	-	2,666,287
Total Reserved	<u>2,757,560</u>	<u>-</u>	<u>14,872</u>	<u>2,772,432</u>
Unreserved				
Designated				
Economic uncertainties	12,713,883	-	3,511,048	16,224,931
Other designation	369,833	4,849,065	6,919,181	12,138,079
Total Designated	<u>13,083,716</u>	<u>4,849,065</u>	<u>10,430,229</u>	<u>28,363,010</u>
Undesignated	-	-	1,096,566	1,096,566
Total Unreserved	<u>13,083,716</u>	<u>4,849,065</u>	<u>11,526,795</u>	<u>29,459,576</u>
Total	<u><u>\$ 15,841,276</u></u>	<u><u>\$ 4,849,065</u></u>	<u><u>\$ 11,541,667</u></u>	<u><u>\$ 32,232,008</u></u>

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 10 - POST EMPLOYMENT BENEFITS

The District provides post employment health care benefits, in accordance with District employment contracts, to all employees who retire from the District on or after attaining age 55 with at least 15 years of service. Currently, 30 employees meet those eligibility requirements. The District contributes 100 percent of the amount of premiums incurred by retirees and their dependents and the retiree contributes the remainder. Expenditures for post employment benefits are recognized on a pay-as-you-go basis, as retirees report claims (premiums are paid). During the year, expenditures of \$143,339 were recognized for retirees' health care benefits.

NOTE 11 - 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, 2008, 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 2008, the District participated in the Alliance of Schools Cooperative Insurance Programs joint powers authorities' insurance purchasing pool. The intent of the Alliance of Schools Cooperative Insurance Programs 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 Alliance of Schools Cooperative Insurance Programs selection criteria. The firm of Alliance of Schools Cooperative Insurance Programs provides administrative, cost control and actuarial services to the JPA.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Coverage provided by Alliance of Schools Cooperative Insurance Programs for property and liability and workers' compensation is as follows:

Insurance Program / Company Name	Type of Coverage	Limits
<u>Workers' Compensation Program</u>		
Alliance of Schools Cooperative Insurance Programs (ASCIP)	Workers' Compensation	\$ 1,000,000
<u>Property and Liability Program</u>		
Alliance of Schools Cooperative Insurance Programs (ASCIP)	General and Automotive	\$ 1,000,000
Alliance of Schools 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

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory 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 California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits 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.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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 2007-2008 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, 2008, 2007, and 2006, were \$2,310,012, \$2,002,735, and \$1,931,802, respectively, and equal 100 percent of the required contributions for each year.

PERS

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement 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 2007-2008 was 9.306 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, 2008, 2007, and 2006, were \$749,867, \$674,430, and \$544,935, respectively, and equal 100 percent of the required contributions for each year.

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.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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 \$1,120,265 (4.517 percent of salaries subject to CalSTRS. No contributions were made for CalPERS for the year ended June 30, 2008. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. As a result these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves and in the budget amounts reported in the General Fund budgetary schedule.

NOTE 13 - 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, 2008.

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, 2008.

NOTE 14 - PARTICIPATION IN AUTHORITY JOINT POWER

The District is a member of the Alliance of Schools for Cooperative Insurance Programs 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.

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 entities 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 Alliance of Schools for Cooperative Insurance Program JPA.

During the year ended June 30, 2008, the District made payments of 1,270,862 to the Alliance of Schools for Cooperative Insurance Programs.

REQUIRED SUPPLEMENTARY INFORMATION

LAWNDALE ELEMENTARY SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts (GAAP Basis)		Actual (GAAP Basis)	Variances - Positive (Negative) Final to Actual
	Original	Final		
REVENUES				
Revenue limit sources	\$ 31,666,094	\$ 31,651,394	\$ 31,378,436	\$ (272,958)
Federal sources	4,052,505	4,654,724	4,005,780	(648,944)
Other State sources	11,375,171	12,932,338	14,060,311	1,127,973
Other local sources	1,878,831	2,296,378	2,622,445	326,067
Total Revenues ¹	48,972,601	51,534,834	52,066,972	532,138
EXPENDITURES				
Current				
Instruction	33,144,461	37,384,814	35,592,767	1,792,047
Instruction-related activities:				
Supervision of instruction	1,395,085	1,692,642	1,514,996	177,646
Instructional library, media, and technology	518,413	701,853	537,597	164,256
School site administration	3,364,744	3,542,955	3,502,714	40,241
Pupil services:				
Home-to-school transportation	678,971	746,782	703,025	43,757
All other pupil services	1,494,831	1,640,172	1,629,979	10,193
General administration:				
Data processing	92,854	87,900	58,060	29,840
All other general administration	2,825,015	2,825,839	2,631,318	194,521
Plant services	4,379,625	4,481,591	4,184,817	296,774
Community services	16,627	17,434	17,430	4
Other outgo	1,236,039	1,276,674	1,642,385	(365,711)
Total Expenditures ¹	49,146,665	54,398,656	52,015,088	2,383,568
Excess (Deficiency) of Revenues Over Expenditures	(174,064)	(2,863,822)	51,884	2,915,706
Other Financing Uses				
Transfers out	(633,517)	(633,517)	(729,455)	(95,938)
Net Financing Uses	(633,517)	(633,517)	(729,455)	(95,938)
NET CHANGE IN FUND BALANCES	(807,581)	(3,497,339)	(677,571)	2,819,768
Fund Balance - Beginning	16,518,847	16,518,847	16,518,847	-
Fund Balance - Ending	\$ 15,711,266	\$ 13,021,508	\$ 15,841,276	\$ 2,819,768

¹ On behalf payments of \$1,120,265 are included in the actual revenues and expenditures, but have not been included in the budget amounts.

SUPPLEMENTARY INFORMATION

LAWNDALE ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal 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	\$ 1,720,231
Title II Part A Improving Teacher Quality Local Grants	84.367	14341	375,919
Title II Part D Enhancing Education Through Technology	84.318	14334	20,506
Title III Immigrant Education	84.365	14346	12,682
Title III Limited English Proficient Student Program	84.365	10084	248,608
Title IV Part A Safe and Drug Free Schools	84.186	14347	31,903
Title V Innovative Strategies	84.298A	14354	11,962
Funds for the Improvement of Education - Teaching			
American History	84.215X	[1]	59,617
Safe and Drug Free Schools and Communities-National Programs	84.184E	[1]	40,472
Individuals with Disabilities Education Act			
Special Education Cluster			
Basic Local Assistance Entitlement Part B Section 611	84.027	13379	939,126
Preschool grants, Part B Section 619	84.173	13430	91,440
Preschool Local Entitlement Part B Section 611	84.027A	13682	172,054
Preschool Staff Development Part B Section 619	84.173A	13431	1,035
Total Special Education Cluster			<u>1,203,655</u>
Total U.S. Department of Education			<u>3,725,555</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through the California Department of Education:			
Child Development Quality Improvement Activities	93.575	13942	3,464
After School Enrichment Program	93.575	[2]	2,437
Medicaid Cluster			
Medical Billing Options	93.778	10013	107,391
Medical Administrative Activities	93.778	10013	170,397
Total Medicaid Cluster			<u>277,788</u>
Total U.S. Department of Health and Human Services			<u>283,689</u>
[1] Directly funded by the U.S. Department of Education			
[2] Funded through a contract with Los Angeles County Office of Education			
[3] Pass through identification 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, 2008**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal 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	13396	\$ 1,772,579
Basic Breakfast Program	10.553	13391	26,134
Especially Needy Breakfast Program	10.553	13390	364,656
Meal Supplement	10.555	13389	145,197
Commodities	10.555	[3]	153,703
Total U.S. Department of Agriculture			<u>2,462,269</u>
Total Expenditures of Federal Awards			<u>\$ 6,471,513</u>

[1] Directly funded by the U.S. Department of Education

[2] Funded through a contract with Los Angeles County Office of Education

[3] Pass through identification number was not available

See accompanying note to supplementary information.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2008

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 six 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>
Ms. Shirley Bennett	President	2011
Mrs. Ann Phillips	Clerk	2009
Ms. Bonnie J. Coronado	Member	2009
Ms. Shirley Rudolph	Member	2009
Mrs. Cathy Burris	Member	2009

ADMINISTRATION

<u>NAME</u>	<u>TITLE</u>
Mr. Joseph D. Condon, Ed.D.	Superintendent of Schools
Mr. John D. Vinke	Associate Superintendent of Business Services
Ms. Dorinda Dee	Assistant Superintendent of Educational Services
Ms. Shirley Giltzow, Ed.D.	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, 2008

	Second Period Report Amended	Annual Report
ELEMENTARY		
Kindergarten	564	567
First through third	1,819	1,823
Fourth through sixth	1,799	1,802
Seventh and eighth	1,209	1,212
Home and hospital	2	2
Special education	187	188
Total K-8	<u>5,580</u>	<u>5,594</u>
		Hours of Attendance
SUMMER SCHOOL		
Elementary		<u>75,322</u>

See accompanying note to supplementary information.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2008

Grade Level	1982-83	1986-87	2007-2008	Number of Days		Status
	Actual Minutes	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	32,400	36,000	36,000	180	N/A	Complied
Grades 1 - 3	43,200	50,400				
Grades 1			50,400	180	N/A	Complied
Grades 2			50,400	180	N/A	Complied
Grades 3			50,400	180	N/A	Complied
Grades 4 - 6	48,600	50,400				
Grades 4			54,020	180	N/A	Complied
Grades 5			54,020	180	N/A	Complied
Grades 6			54,020	180	N/A	Complied
Grades 7 - 8	54,000	54,000				
Grades 7			59,660	180	N/A	Complied
Grades 8			59,660	180	N/A	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, 2008

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

See accompanying note to supplementary information.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2008

	(Budget) 2009 ¹	2008	2007	2006
GENERAL FUND				
Revenues	\$ 48,269,713	\$ 52,066,972	\$ 55,328,650	\$ 50,441,183
Total Revenues and Other Sources	48,269,713	52,066,972	55,328,650	50,441,183
Expenditures	50,342,861	52,015,088	49,911,926	47,697,830
Other uses and transfers out	-	729,455	631,628	614,428
Total Expenditures and Other Uses	50,342,861	52,744,543	50,543,554	48,312,258
INCREASE (DECREASE) IN FUND BALANCE	\$ (2,073,148)	\$ (677,571)	\$ 4,785,096	\$ 2,128,925
ENDING FUND BALANCE	\$ 13,768,128	\$ 15,841,276	\$ 16,518,847	\$ 11,733,751
AVAILABLE RESERVES ²	\$ 11,105,253	\$ 12,713,883	\$ 11,779,785	\$ 9,272,550
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	22.06%	24.63%	23.82%	19.62%
LONG-TERM OBLIGATIONS	N/A	\$ 20,880,658	\$ 21,438,943	\$ 21,943,756
K-12 AVERAGE DAILY ATTENDANCE AT P-2	5,473	5,580	5,672	5,902

The General Fund balance has increased by \$4,107,525 the past two years. The fiscal year 2008-2009 budget projects a decrease of \$2,073,148 (13 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 surpluses in two of the past three years but anticipates an operating deficit during the 2008-2009 fiscal year. Total long-term obligations have decreased by \$1,063,098 over the past two years.

Average daily attendance has decreased by 322 in the past two years. A decline of 107 ADA is anticipated during fiscal year 2008-2009

¹ Budget 2009 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all funds designated for economic uncertainty contained within the General Fund.

³ On-behalf payments of \$1,120,265, \$1,092,598, and \$1,054,799 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2008, June 30, 2007, and June 30, 2006 respectively.

See accompanying note to supplementary information.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

EXCESS SICK LEAVE

JUNE 30, 2008

Section 19833.5 (a) (3) or (a) (3) (b) Disclosure

Lawndale Elementary School District does not provide more than 12 sick leave days in a school year to any CalSTRS member.

See accompanying note to supplementary information.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2008**

<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

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2008

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.

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.

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.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2008

Excess Sick Leave

This schedule provides information required by the Audit Guide for California K-12 Local Educational Agencies for excess sick leave authorized or accrued for members of the California State Teachers Retirement System (CalSTRS).

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.

SUPPLEMENTARY INFORMATION - UNAUDITED

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET - UNAUDITED JUNE 30, 2008

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS			
Deposits and investments	\$ 779,837	\$ 2,457,214	\$ 2,744,659
Receivables	324,297	501,820	24,265
Stores inventories	-	14,392	-
Total Assets	\$ 1,104,134	\$ 2,973,426	\$ 2,768,924
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 172,501	\$ 141,473	\$ 1,536
Deferred revenue	237,666	-	-
Total Liabilities	410,167	141,473	1,536
FUND BALANCES			
Reserved for:			
Revolving cash	-	480	-
Stores inventories	-	14,392	-
Unreserved:			
Designated	693,967	2,817,081	2,767,388
Undesignated, reported in:			
Debt service funds	-	-	-
Total Fund Balance	693,967	2,831,953	2,767,388
Total Liabilities and Fund Balances	\$ 1,104,134	\$ 2,973,426	\$ 2,768,924

See accompanying note to supplementary information - unaudited.

Retiree Benefits Fund	Capital Facilities Fund	State School Building Fund	County School Facilities Fund	Special Reserve For Capital Outlay Projects Fund	Bond Interest and Redemption Fund
\$ 2,797,167	\$ 650,594	\$ 27,512	\$ 29,856	\$ 632,855	\$ 1,078,683
23,875	6,321	267	2,574	6,289	-
-	-	-	-	-	-
<u>\$ 2,821,042</u>	<u>\$ 656,915</u>	<u>\$ 27,779</u>	<u>\$ 32,430</u>	<u>\$ 639,144</u>	<u>\$ 1,078,683</u>
\$ -	\$ -	\$ 25,517	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	25,517	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,821,042	656,915	2,262	32,430	639,144	-
-	-	-	-	-	1,078,683
<u>2,821,042</u>	<u>656,915</u>	<u>2,262</u>	<u>32,430</u>	<u>639,144</u>	<u>1,078,683</u>
<u>\$ 2,821,042</u>	<u>\$ 656,915</u>	<u>\$ 27,779</u>	<u>\$ 32,430</u>	<u>\$ 639,144</u>	<u>\$ 1,078,683</u>

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET - UNAUDITED, Continued JUNE 30, 2008

	Tax Override Fund	Debt Service Fund	Total Non-Major Governmental Funds
ASSETS			
Deposits and investments	\$ 8	\$ 17,703	\$ 11,216,088
Receivables	-	172	889,880
Stores inventories	-	-	14,392
Total Assets	\$ 8	\$ 17,875	\$ 12,120,360
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 341,027
Deferred revenue	-	-	237,666
Total Liabilities	-	-	578,693
FUND BALANCES			
Reserved	-	-	
Revolving cash	-	-	480
Stores inventories	-	-	14,392
Unreserved:			
Designated	-	-	10,430,229
Undesignated, reported in:			
Debt service funds	8	17,875	1,096,566
Total Fund Balance	8	17,875	11,541,667
Total Liabilities and Fund Balances	\$ 8	\$ 17,875	\$ 12,120,360

See accompanying note to supplementary information - unaudited.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - UNAUDITED FOR THE YEAR ENDED JUNE 30, 2008

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
REVENUES			
Federal sources	\$ 3,464	\$ 2,462,269	\$ -
Other State sources	1,748,122	203,528	240,140
Other local sources	49,875	425,693	108,804
Total Revenues	1,801,461	3,091,490	348,944
EXPENDITURES			
Current			
Instruction	1,454,983	-	-
Instruction-related activities:			
Supervision of instruction	206,821	-	-
School site administration	15,433	-	-
Pupil services:			
Food services	21,194	2,479,353	-
General administration:			
All other general administration	75,679	37,314	-
Plant services	65,148	211,690	116,355
Facility acquisition and construction	-	-	-
Other outgo	-	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	1,839,258	2,728,357	116,355
Excess (Deficiency) of			
Revenues Over Expenditures	(37,797)	363,133	232,589
Other Financing Sources			
Transfers in	-	121,768	248,585
Net Financing Sources	-	121,768	248,585
NET CHANGE IN FUND BALANCES	(37,797)	484,901	481,174
Fund Balance - Beginning	731,764	2,347,052	2,286,214
Fund Balance - Ending	\$ 693,967	\$ 2,831,953	\$ 2,767,388

See accompanying note to supplementary information - unaudited.

Retiree Benefits Fund	Capital Facilities Fund	State School Building Fund	County School Facilities Fund	Special Reserve For Capital Outlay Projects Fund	Bond Interest and Redemption Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	14,876
209,624	62,359	1,275	12,310	41,955	1,462,078
209,624	62,359	1,275	12,310	41,955	1,476,954
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	131,289	-
244,191	-	-	-	-	-
-	-	-	-	-	485,000
-	-	-	-	-	1,010,724
244,191	-	-	-	131,289	1,495,724
(34,567)	62,359	1,275	12,310	(89,334)	(18,770)
359,102	-	-	-	-	-
359,102	-	-	-	-	-
324,535	62,359	1,275	12,310	(89,334)	(18,770)
2,496,507	594,556	987	20,120	728,478	1,097,453
\$ 2,821,042	\$ 656,915	\$ 2,262	\$ 32,430	\$ 639,144	\$ 1,078,683

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - UNAUDITED, Continued FOR THE YEAR ENDED JUNE 30, 2008

	Tax Override Fund	Debt Service Fund	Total Non-Major Governmental Funds
REVENUES			
Federal sources	\$ -	\$ -	\$ 2,465,733
Other State sources	-	-	2,206,666
Other local sources	-	815	2,374,788
Total Revenues	-	815	7,047,187
EXPENDITURES			
Current			
Instruction	-	-	1,454,983
Instruction-related activities:			
Supervision of instruction	-	-	206,821
School site administration	-	-	15,433
Pupil services:			
Food services	-	-	2,500,547
General administration:			
All other general administration	-	-	112,993
Plant services	-	-	393,193
Facility acquisition and construction	-	-	131,289
Other outgo	-	-	244,191
Debt service			
Principal	-	-	485,000
Interest and other	-	-	1,010,724
Total Expenditures	-	-	6,555,174
Excess (Deficiency) of Revenues Over Expenditures	-	815	492,013
Other Financing Sources			
Transfers in	-	-	729,455
Net Financing Sources	-	-	729,455
NET CHANGE IN FUND BALANCES	-	815	1,221,468
Fund Balance - Beginning	8	17,060	10,320,199
Fund Balance - Ending	\$ 8	\$ 17,875	\$ 11,541,667

See accompanying note to supplementary information - unaudited.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

GENERAL FUND SELECTED FINANCIAL INFORMATION THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES, AND CHANGES OF FUND BALANCE - UNAUDITED FOR THE YEAR ENDED JUNE 30, 2008

(Amounts in thousands excluding
Revenue Limit Per ADA)

	Actual Results for the Years					
	2007-2008		2006-2007		2005-2006	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal revenue	\$ 4,006	7.9	\$ 5,910	10.7	\$ 6,195	12.3
State and local revenue included in revenue limit	31,378	61.6	32,289	58.4	30,729	60.9
Other State revenue	14,060	25.4	14,626	26.4	11,532	22.9
Other local revenue	2,623	5.1	2,504	4.5	1,985	3.9
Total Revenues	<u>52,067</u>	<u>100.0</u>	<u>55,329</u>	<u>100.0</u>	<u>50,441</u>	<u>100.0</u>
EXPENDITURES						
Salaries and benefits						
Certificated salaries	25,653	49.3	24,075	43.5	23,352	46.3
Classified salaries	8,400	16.1	7,736	14.0	7,183	14.2
Employee benefits	7,058	13.6	7,933	14.3	7,944	15.8
Total Salaries and Benefits	41,111	79.0	39,744	71.8	38,479	76.3
Books and supplies	3,422	6.5	3,358	6.1	2,758	5.5
Contracts and operating expenses	5,808	11.2	5,835	10.5	5,274	10.4
Capital outlay	145	0.3	18	0.0	94	0.2
Other outgo	1,529	2.9	957	1.7	1,093	2.2
Total Expenditures	<u>52,015</u>	<u>99.9</u>	<u>49,912</u>	<u>90.1</u>	<u>47,698</u>	<u>94.6</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>52</u>	<u>0.1</u>	<u>5,417</u>	<u>9.9</u>	<u>2,743</u>	<u>5.4</u>
OTHER FINANCING USES						
Outgoing transfers	(730)	(1.4)	(632)	(1.1)	(614)	(1.2)
INCREASE (DECREASE) IN FUND BALANCE	(678)	(1.3)	4,785	8.8	2,129	4.2
FUND BALANCE, BEGINNING	<u>16,519</u>		<u>11,734</u>		<u>9,605</u>	
FUND BALANCE, ENDING	<u>\$ 15,841</u>		<u>\$ 16,519</u>		<u>\$ 11,734</u>	
BASE REVENUE LIMIT PER ADA						
Regular	<u>\$ 5,540</u>		<u>\$ 5,902</u>		<u>\$ 5,772</u>	

See accompanying note to supplementary information - unaudited.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION - UNAUDITED JUNE 30, 2008

NOTE 1 - PURPOSE OF SCHEDULES

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

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balance is 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 Balance.

General Fund Selected Financial Information - Unaudited

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

INDEPENDENT AUDITORS' REPORTS



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

Governing Board
Lawndale Elementary School District
Lawndale, California

We have audited 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, 2008, which collectively comprise Lawndale Elementary School District's basic financial statements and have issued our report thereon dated December 8, 2008. 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.

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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 above.

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.

Vannich, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 8, 2008



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO 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 the compliance of Lawndale Elementary School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2008. 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.

As described in item 2008-1 in the accompanying schedule of findings and questioned costs, Lawndale Elementary School District did not comply with requirements regarding Allowable Costs principles that are applicable to its Title I Program. Compliance with such requirements is necessary, in our opinion, for Lawndale Elementary School District to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Lawndale Elementary School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in a district's internal control over compliance 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 noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2008-1 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we did not consider item 2008-1 to be a material weakness.

Lawndale Elementary School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Lawndale Elementary School District's response and, accordingly, we express no opinion on it.

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.

Vannich, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 8, 2008



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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, 2008, and have issued our report thereon dated December 8, 2008. 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 2007-08*, 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.

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Lawndale Elementary School District's management. 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	8	Yes
Kindergarten continuance	3	Yes
Independent study	23	Not Applicable
Continuation education	10	Not Applicable
Adult education	9	Not Applicable
Regional occupational centers and programs	6	Not Applicable
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not Applicable
Community day schools	9	Not Applicable
Morgan-Hart Class Size Reduction	7	Not Applicable

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Instructional Materials:		
General requirements	12	Yes
K-8 only	1	Yes
9-12 only	1	Not Applicable
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 Construction Funds:		
School District bonds	3	Yes
State school facilities funds	1	Not Applicable
Excess sick leave	2	Yes
Notice of right to elect California State Teachers Retirement System (CalSTRS) membership	1	Yes
Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000)	2	Yes
State Lottery Funds (California State Lottery Act of 1984)	2	Yes
California School Age Families Education (Cal-SAFE) Program	3	Not Applicable
School Accountability Report Card	3	Yes
Mathematics and Reading Professional Development	4	Yes
Class Size Reduction Program (including in Charter Schools):		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Yes
District 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	4	Yes
Before school	5	Yes
Charter Schools:		
Contemporaneous records of attendance	1	Not Applicable
Mode of instruction	1	Not Applicable
Non classroom-based instruction/independent study	15	Not Applicable
Determination of funding for non classroom-based instruction	3	Not Applicable
Annual instruction minutes classroom based	3	Not Applicable

Based on our audit, we found that for the items tested, the Lawndale Elementary School District complied with the State laws and regulations referred to above. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Lawndale Elementary School District had not complied with the laws and regulations. Our audit does not provide a legal determination on Lawndale Elementary School District's compliance with the State laws and regulations referred to 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, 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.

Vannich, Tim, Day & Co., LLP

Rancho Cucamonga, California
December 8, 2008

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LAWNDALE ELEMENTARY SCHOOL DISTRICT

SUMMARY OF AUDITORS' RESULTS FOR THE YEAR ENDED JUNE 30, 2008

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<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 not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for major programs:	<u>Qualified</u>

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	
Identification of major programs:	<u>Yes</u>

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I, Part A- Basic Grants Low-Income and Neglected</u>
<u>84.367</u>	<u>Title II, Part A Improving Teacher Quality Local Grants</u>
<u>10.553, 10.555</u>	<u>Child Nutrition 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

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for State programs:	<u>Unqualified</u>

LAWNDALE ELEMENTARY SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008**

None reported.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

The following findings represent significant deficiencies, and/or instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
30000	Internal Control
50000	Federal Compliance

2008-1 30000, 50000

Programs Affected

Title I, Part A - Basic Grants Low Income and Neglected CFDA 84.010

Criteria or Specific Requirements

OMB Circular A87 Section C. Basic Cost Guidelines 1f

Condition

Employees of the District were improperly charged to the Title I, Part A - Basic Grants Low Income and Neglected grant as direct charges to the grant due to the fact their job functions were inappropriately coded to Instructional Administration function instead of a General Administration function.

Questioned Costs

Total salaries and benefits questioned equal \$108,792. These costs represent four employees' salaries including benefits.

Context

The charges were coded as expenditures to site administration instead of indirect costs.

Effect

Both direct and indirect costs were affected. Direct charges were overstated and indirect charges were understated. The total costs charged were reasonable in total.

Cause

The improper coding may have been an oversight.

Recommendation

Business services employees should be charged to General Administration and included in indirect cost pools and calculations and charged accordingly.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

District Response

While the District understands the logic for this recommendation, it has also submitted documentation to the auditors of other appropriate charges of \$149,744.97 that were inadvertently omitted from the instructional program under Title 1 for the same time period, and those charges exceed the amount questioned, so there is no "net" fiscal impact

LAWNDALE ELEMENTARY SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

None reported.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

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 Award Findings

SUBRECIPIENT MONITORING

Federal Program Affected - Title II - Part B California Math and Science Partnership-U.S. Department of Education - CFDA Number 84.366

2007-1 30000, 50000

Condition

District did not properly notify a pass - through entity of the proper award identification and applicable administrative requirements.

When a pass-through entity makes a sub-award, it must identify the origin of the Federal assistance by informing each subrecipient of the Catalog of Federal Domestic Assistance (CFDA), title, award name and number, award year, if any of the award is research and development, and the name of the Federal awarding agency.

The pass-through entity must also advise any subrecipient of any requirements imposed on them by Federal laws, regulations and provisions of contracts or grant agreements as well as, any additional requirements imposed by the pass-through entity.

Effect

By not providing subrecipients with the necessary information about the program and program requirements, both the District and the subrecipient may be vulnerable to non-compliance conditions in the administration and reporting of Federal awards.

Questioned Cost

The contract value in question is \$290,500.

Criteria

The requirements for subrecipient monitoring are contained in 31 USC 7502(f)(2)(B) (Single Audit Act Amendments of 1996 (Pub. L. 104-156), OMB Circular A-133 Section.225 and section .400(d), A102 Common Rule (Section .37 and .40 and OMB Circular A-110 Section .51(a).

LAWNDALE ELEMENTARY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

Recommendation

A pass-through entity should develop procedures to ensure:

- Award identification
- During the award monitoring
- Subrecipient audits

Current Status

Implemented.

State Award Findings

ATTENDANCE - JANE ADDAMS MIDDLE SCHOOL

2007-2 10000, 30000

Condition

Our testing identified a significant attendance issue related to a systematic problem with how the software was set up for the new Jane Addams Middle School. It was discovered that the computer schedule set-up for Addams was done in manner that combined Periods 1 and 2 on the same reporting line for Sixth grade. The outcome of this software scheduling set-up was that the clerk only marked one box in that row when a student was absent, not both, and this allowed the Power School Student Attendance System to count the student for ADA purposes, when the student in fact was absent the entire day.

Criteria

§ 19817.1 Attendance Reporting.

Effect

This condition was discovered and corrected in time to file an amended second period attendance report with the State, which resulted in a decrease of eight ADA. The amended second period attendance report filed with the State fairly reflects ADA.

Recommendation

This issue was resolved and retested. We found that the District controls over reporting did not detect the issue and that is the primary basis of this comment. We have and will continue to work with management to identify internal control measures that assist management in identifying issues before they become problems. We recommend that:

- Monitoring controls be developed to evaluate monthly attendance information to assist in identifying unusual relationships in the attendance data that could be reporting problems.

Current Status

Implemented.