

**LAWNDALE ELEMENTARY  
SCHOOL DISTRICT**

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ANNUAL FINANCIAL REPORT

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**JUNE 30, 2007**

**LAWNDALE ELEMENTARY SCHOOL DISTRICT**  
**OF LOS ANGELES COUNTY**  
**LAWNDALE, CALIFORNIA**  
**JUNE 30, 2007**

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**GOVERNING BOARD**

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Ms. Shirley Rudolph	President	2009
Ms. Shirley A. Bennett	Clerk	2007
Mr. Craig W. Burris	Member	2007
Ms. Bonnie J. Coronado	Member	2009
Ms. Ann M. Phillips	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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***FINANCIAL SECTION***

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## INDEPENDENT AUDITORS' REPORT

Governing Board  
Lawndale Elementary School District  
Lawndale, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lawndale Elementary School District (the "District") as of and for the year ended June 30, 2007, 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 2006-07* 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, 2007, 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 November 19, 2007, 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 14 and budgetary comparison information on page 49, 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 the 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 on it.

Vannish, Trim, Day & Co., LLP

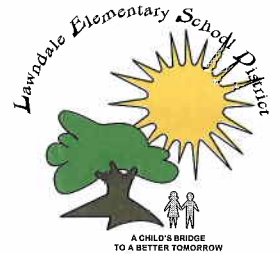
Rancho Cucamonga, California  
November 19, 2007



# LAWNDALE ELEMENTARY SCHOOL DISTRICT

4161 W. 147th Street  
Lawndale, California 90260

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This section of Lawndale Elementary School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2007. 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, 2007

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### REPORTING THE DISTRICT AS A WHOLE

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

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

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

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

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

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

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

### REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

#### **Fund Financial Statements**

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

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

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

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

### THE DISTRICT AS A TRUSTEE

#### Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like the associated student body activities. The District's fiduciary activities are reported in the *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.

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2007

### THE DISTRICT AS A WHOLE

#### Net Assets

The District's net assets were \$71.7 million for governmental activities for the fiscal year ended June 30, 2007. Of this amount, \$12.6 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	
	2007	2006	2007	2006	2007	2006
<b>Assets</b>						
Current and other assets	\$ 40,986.0	\$ 42,625.3	\$ 175.3	\$ 108.9	\$ 41,161.3	\$ 42,734.2
Capital assets	60,711.6	57,391.7	-	-	60,711.6	57,391.7
<b>Total Assets</b>	<b>101,697.6</b>	<b>100,017.0</b>	<b>175.3</b>	<b>108.9</b>	<b>101,872.9</b>	<b>100,125.9</b>
<b>Liabilities</b>						
Current liabilities	8,548.4	11,623.8	0.3	0.2	8,548.7	11,624.0
Long-term obligations	21,438.9	21,943.8	-	-	21,438.9	21,943.8
<b>Total Liabilities</b>	<b>29,987.3</b>	<b>33,567.6</b>	<b>0.3</b>	<b>0.2</b>	<b>29,987.6</b>	<b>33,567.8</b>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	45,731.3	45,881.8	-	-	45,731.3	45,881.8
Restricted	13,390.3	11,185.3	-	-	13,390.3	11,185.3
Unrestricted	12,588.7	9,382.3	175.0	108.7	12,763.7	9,491.0
<b>Total Net Assets</b>	<b>\$ 71,710.3</b>	<b>\$ 66,449.4</b>	<b>\$ 175.0</b>	<b>\$ 108.7</b>	<b>\$ 71,885.3</b>	<b>\$ 66,558.1</b>

The \$12.6 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, 2007

### 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 16. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

**Table 2**

(Amounts in thousands)	Governmental Activities		Business-Type Activities		School District Activities	
	2007	2006	2007	2006	2007	2006
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 452.1	\$ 472.1	\$ 59.5	\$ 58.7	\$ 511.6	\$ 530.8
Operating grants and contributions	21,067.7	18,222.6	-	-	21,067.7	18,222.6
Capital grants and contributions	-	379.5	-	-	-	379.5
General revenues:						
State revenue limit sources	32,271.0	30,494.5	-	-	32,271.0	30,494.5
Federal and state aid not restricted						
Property taxes	5,341.7	5,220.1	-	-	5,341.7	5,220.1
Other general revenues	4,272.5	3,713.0	7.4	3.4	4,279.9	3,716.4
<b>Total Revenues</b>	<b>63,405.0</b>	<b>58,501.8</b>	<b>66.90</b>	<b>62.1</b>	<b>63,471.9</b>	<b>58,563.9</b>
<b>Expenses</b>						
Instruction-related	42,948.4	41,033.5	-	-	42,948.4	41,033.5
Student support services	4,601.5	3,759.7	-	-	4,601.5	3,759.7
Administration	2,781.3	2,626.7	-	-	2,781.3	2,626.7
Plant	4,683.2	4,461.7	-	-	4,683.2	4,461.7
Other	3,129.7	3,142.0	0.6	13.8	3,130.3	3,155.8
<b>Total Expenses</b>	<b>58,144.1</b>	<b>55,023.6</b>	<b>0.60</b>	<b>13.8</b>	<b>58,144.7</b>	<b>55,037.4</b>
<b>Change in Net Assets</b>	<b>\$ 5,260.9</b>	<b>\$ 3,478.2</b>	<b>\$ 66.3</b>	<b>\$ 48.3</b>	<b>\$ 5,327.2</b>	<b>\$ 3,526.5</b>

### Governmental Activities

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was \$58.1 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$5.3 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 (\$21.0 million). We paid for the remaining "public benefit" portion of our governmental activities from the \$32.3 million we received in State funds, and from \$4.3 million of other revenues, like interest and general entitlements.

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2007**

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In Table 3, we have presented the *cost* of each of the districts five 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	
	2007	2006	2007	2006
Instruction	\$ 37,449.2	\$ 35,517.9	\$ (24,033.2)	\$ (23,964.6)
Instruction-related activities	5,499.2	5,515.6	(2,777.7)	(2,849.2)
Other pupil services	4,601.5	3,759.7	(780.1)	(467.0)
General administration	2,781.3	2,626.7	(2,245.5)	(2,107.4)
Plant	4,683.2	4,461.7	(4,061.9)	(3,895.4)
Other	3,129.7	3,142.0	(2,725.9)	(2,665.8)
<b>Totals</b>	<b>\$ 58,144.1</b>	<b>\$ 55,023.6</b>	<b>\$ (36,624.3)</b>	<b>\$ (35,949.4)</b>



# **LAWNDALE ELEMENTARY SCHOOL DISTRICT**

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

**JUNE 30, 2007**

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### **THE DISTRICT'S FUNDS**

As the District completed the year, our governmental funds reported a combined fund balance of \$32.9 million, which is an increase of \$1.4 million from last year (Table 4). This \$1.4 million increase is the net difference in the following fund or program balances from the prior year.

The General Fund's (unrestricted and restricted) increase of \$4,785,096 includes \$1,618,498 in categorically restricted funding which was allocated very late in the 2006-07 fiscal year by the State and therefore is largely a restricted carry-over that will be committed to the respective programs in fiscal year 2007-08. The remaining \$3,166,598 is comprised of the following: \$580,372 in MediCal (MAA) reimbursements "one-time" funding; \$533,885 in "one-time" mandated cost claims State reimbursements as an unanticipated back payment for many years of non-funding; \$532,000 in current cycle staffing costs reductions due to declining enrollment of 222 ADA; \$505,776 in "one-time" interest earnings partly related to unallocated State categorical funding; \$396,956 as a prior-year revenue limit adjustment; \$206,235 in fringe benefit savings due to lower worker's compensation premium costs and also reduced staffing due to declining enrollment; \$60,008 in school site unrestricted carry-over; \$50,569 in "one-time" back payments from the City Redevelopment Agency; and a remaining \$300,797 from other cost saving measures implemented by the District as it faces continued declining enrollment and the resultant loss of revenues over time.

The Building fund saw a fund balance decrease of (\$3.9) million, as the District opened its new Jane Addams Middle School at a combined construction project budget of \$16.6 million. The Child Development Fund saw a short term increase of \$45,330; while the Cafeteria Fund increased by \$448,383 as they plan for equipment and software upgrade requirements and improvements to the multipurpose eating areas. The Deferred Maintenance Fund increased by \$486,911 in the short term in anticipation of facilities repairs. The Retiree Benefits Fund increased as expected by \$253,475. This fund is set-up to pre-fund expected retiree medical premium costs over time. The Capital Facilities Fund increased by \$65,098 from developer fees which will be committed to facilities improvements; while the State School Building Lease-Purchase Fund declined by \$25,803. The County School Facilities fund decreased by \$450,973 related to construction projects, and the Special Reserve Capital Outlay Fund also decreased by \$284,647 related to indentified capital projects. Lastly, the Bond Interest and Redemption Fund and Other Debt Service saw a combined increase of \$37,456.

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2007

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**Table 4**

(Amounts in thousands)

	Fund Balance	
	June 30, 2007	June 30, 2006
General	\$ 16,518.8	\$ 11,733.7
Building	6,019.8	9,955.1
Child Development	731.8	686.4
Cafeteria	2,347.0	1,898.7
Deferred Maintenance	2,286.2	1,799.3
Retiree Benefits	2,496.5	2,243.0
Capital Facilities	594.5	529.5
State School Building Lease-Purchase	1.0	26.8
County School Facilities	20.1	471.1
Special Reserve Capital Outlay	728.5	1,013.1
Bond Interest and Redemption	1,097.5	1,060.9
Other Debt Service	17.1	16.2
<b>Totals</b>	<b>\$ 32,858.8</b>	<b>\$ 31,433.8</b>

### General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The 1<sup>st</sup> Interim Budget report was prepared based upon actual information through October 31, 2006, and the 2<sup>nd</sup> Interim Budget Report was prepared based upon the actual information through January 31, 2007. The final amendments to the budget were adopted in late spring of 2007 (a schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 49).



# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

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### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2007, the District had \$60.7 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of just over \$3.3 million, or 6 percent, from last year (Table 5).

**Table 5**

(Amounts in thousands)	Governmental Activities	
	2007	2006
Land and construction in progress	\$ 18,018.8	\$ 25,578.5
Buildings and improvements	42,353.6	31,422.8
Equipment	339.2	390.4
<b>Totals</b>	<b>\$ 60,711.6</b>	<b>\$ 57,391.7</b>

This year's addition of over \$3.3 million mostly reflects the District's facilities and construction program accomplishments including the Addams Middle School budgeted at \$16.6 million. We present more detailed information about our capital assets in Note 4 to the financial statements.

#### Long-Term Obligations

At the end of this year, the District had \$21.0 million in bonds outstanding versus \$21.5 million last year, a decrease of 2%. The long-term obligations consisted of:

**Table 6**

(Amounts in thousands)	Governmental Activities	
	2007	2006
General obligation bonds (financed with property taxes)	\$ 21,000.0	\$ 21,465.0
Compensated absences	376.9	327.8
Early retirement	62.0	151.0
<b>Totals</b>	<b>\$ 21,438.9</b>	<b>\$ 21,943.8</b>

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 \$21.0 million is significantly below the statutorily-imposed limit.

Other obligations include compensated absences payable, post-employment benefits (not including health benefits). 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, 2007

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### SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2006-2007 ARE NOTED BELOW:

The District continued to implement its significant facilities improvement master plan of over \$67 million for all of its schools in the 2006-07 fiscal year with the completion of Jane Addams Middle School budgeted at \$16,594,870. These facilities were essential to the district-wide grade level reconfiguration from K-6 elementary schools and one 7<sup>th</sup> and 8<sup>th</sup> grade middle school (Rogers); to two (2) 6,7,8 middle schools, Addams and Rogers, with the remaining schools as K-5 elementary schools. That conversion and its related school attendance boundary realignments were successfully implemented in 2006-07.

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

In considering the District Budget for the 2007-2008 year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. A cost of living adjustment (COLA) on the District's revenue limit of 4.53%.
2. ADA is reduced by approximately 125 to reflect continuing declining enrollments.
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 declining enrollment for the population of qualified students.
6. State income will decrease slightly due to declining enrollment for the population of qualified students.
7. Charges to other funds will increase slightly to reflect a percentage increase ranging from 10% to 18% depending on the plan for medical benefits for eligible employees charged to other funds.

Expenditures are based on the following forecasts:

	Staffing Ratio	Enrollment
Grades kindergarten	30:1	575
Grades first through third	20:1	1,880
Grades four through eight	30:1	3,107

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 anticipate a decline of approximately 125 students in the 2007-08 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 600 students over the next few years.

# **LAWNDALE ELEMENTARY SCHOOL DISTRICT**

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

**JUNE 30, 2007**

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### **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](mailto:john_vinke@lawndale.k12.ca.us).

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# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## STATEMENT OF NET ASSETS JUNE 30, 2007

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Deposits and investments	\$ 35,292,900	\$ 172,497	\$ 35,465,397
Receivables	5,489,090	2,760	5,491,850
Stores inventories	72,787	-	72,787
Other current assets	131,313	-	131,313
Capital assets:			
Land and construction in progress	18,018,808	-	18,018,808
Other capital assets	60,197,568	-	60,197,568
Less: Accumulated depreciation	(17,504,819)	-	(17,504,819)
Total Capital Assets	60,711,557	-	60,711,557
<b>Total Assets</b>	<b>101,697,647</b>	<b>175,257</b>	<b>101,872,904</b>
<b>LIABILITIES</b>			
Accounts payable	7,672,557	273	7,672,830
Interest payable	421,135	-	421,135
Deferred revenue	454,710	-	454,710
Long-term obligations:			
Current portion of long-term obligations	529,000	-	529,000
Noncurrent portion of long-term obligations	20,909,943	-	20,909,943
Total Long-Term Obligations	21,438,943	-	21,438,943
<b>Total Liabilities</b>	<b>29,987,345</b>	<b>273</b>	<b>29,987,618</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	45,731,334	-	45,731,334
Restricted for:			
Debt service	693,386	-	693,386
Capital projects	1,344,141	-	1,344,141
Educational programs	3,491,187	-	3,491,187
Other activities	7,861,537	-	7,861,537
Unrestricted	12,588,717	174,984	12,763,701
<b>Total Net Assets</b>	<b>\$ 71,710,302</b>	<b>\$ 174,984</b>	<b>\$ 71,885,286</b>

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

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2007

Functions/Programs	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
<b>Governmental Activities:</b>			
Instruction	\$ 37,449,190	\$ 1,416	\$ 13,414,620
Instruction-related activities:			
Supervision of instruction	1,602,836	212	1,451,217
Instructional library, media, and technology	448,321	-	518,637
School site administration	3,448,022	18	751,393
Pupil services:			
Home-to-school transportation	719,125	129,710	471,053
Food services	2,414,623	287,996	2,141,997
All other pupil services	1,467,774	-	790,634
General administration:			
Data processing	65,528	-	-
All other general administration	2,715,792	5,132	530,655
Plant services	4,683,236	27,582	593,707
Facility acquisition and construction	119,730	-	-
Community services	20,118	-	11,104
Enterprise services	234,135	-	-
Interest on long-term obligations	1,026,343	-	-
Other outgo	1,729,330	-	392,688
<b>Total Governmental Activities</b>	<b>58,144,103</b>	<b>452,066</b>	<b>21,067,705</b>
<b>Business-Type Activities</b>			
Enterprise services	622	59,538	-
<b>Total School District</b>	<b>\$ 58,144,725</b>	<b>\$ 511,604</b>	<b>\$ 21,067,705</b>

### General revenues and subventions:

Property taxes, levied for general purposes  
Property taxes, levied for debt service  
Taxes levied for other specific purposes  
Federal and State aid not restricted  
to specific purposes  
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
\$ (24,033,154)	\$ -	\$ (24,033,154)
(151,407)	-	(151,407)
70,316	-	70,316
(2,696,611)	-	(2,696,611)
(118,362)	-	(118,362)
15,370	-	15,370
(677,140)	-	(677,140)
(65,528)	-	(65,528)
(2,180,005)	-	(2,180,005)
(4,061,947)	-	(4,061,947)
(119,730)	-	(119,730)
(9,014)	-	(9,014)
(234,135)	-	(234,135)
(1,026,343)	-	(1,026,343)
(1,336,642)	-	(1,336,642)
(36,624,332)	-	(36,624,332)
-	58,916	58,916
(36,624,332)	58,916	(36,565,416)
3,796,208	-	3,796,208
1,494,943	-	1,494,943
50,569	-	50,569
32,270,958	-	32,270,958
1,644,161	7,413	1,651,574
2,628,351	-	2,628,351
41,885,190	7,413	41,892,603
5,260,858	66,329	5,327,187
66,449,444	108,655	66,558,099
\$ 71,710,302	\$ 174,984	\$ 71,885,286

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2007

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Deposits and investments	\$ 17,457,304	\$ 7,505,879	\$ 10,329,717	\$ 35,292,900
Receivables	4,568,792	148,219	772,079	5,489,090
Stores inventory	58,610	-	14,177	72,787
Other current assets	131,313	-	-	131,313
<b>Total Assets</b>	<b>\$ 22,216,019</b>	<b>\$ 7,654,098</b>	<b>\$ 11,115,973</b>	<b>\$ 40,986,090</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 5,480,128	\$ 1,634,321	\$ 558,108	\$ 7,672,557
Deferred revenue	217,044	-	237,666	454,710
<b>Total Liabilities</b>	<b>5,697,172</b>	<b>1,634,321</b>	<b>795,774</b>	<b>8,127,267</b>
<b>FUND BALANCE</b>				
Reserved	3,564,797	-	14,657	3,579,454
Unreserved:				
Designated	12,954,050	6,019,777	9,191,021	28,164,848
Undesignated, reported in:				
Debt service funds	-	-	1,114,521	1,114,521
<b>Total Fund Balance</b>	<b>16,518,847</b>	<b>6,019,777</b>	<b>10,320,199</b>	<b>32,858,823</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 22,216,019</b>	<b>\$ 7,654,098</b>	<b>\$ 11,115,973</b>	<b>\$ 40,986,090</b>

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, 2007

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

<b>Total Fund Balance - Governmental Funds</b>		<b>\$ 32,858,823</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 78,216,376	
Accumulated depreciation is	<u>(17,504,819)</u>	
Total Net Capital Assets		60,711,557
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.		
		(421,135)
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	21,000,000	
Early retirement incentive	62,000	
Compensated absences	<u>376,943</u>	
Total Long-Term Liabilities		<u>(21,438,943)</u>
<b>Total Net Assets - Governmental Activities</b>		<b><u>\$ 71,710,302</u></b>

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, 2007

	General Fund	Building Fund	Non-Major Governmental Funds
<b>REVENUES</b>			
Revenue limit sources	\$ 32,289,401	\$ -	\$ -
Federal sources	5,909,710	10,261	2,139,088
Other State sources	14,625,380	-	2,240,257
Other local sources	2,504,159	481,885	2,608,889
<b>Total Revenues</b>	<b>55,328,650</b>	<b>492,146</b>	<b>6,988,234</b>
<b>EXPENDITURES</b>			
Current			
Instruction	34,772,675	-	1,295,178
Instruction-related activities:			
Supervision of instruction	1,411,374	-	191,462
Instructional library, media and technology	448,321	-	-
School site administration	3,431,988	-	16,034
Pupil services:			
Home-to-school transportation	690,816	-	-
Food services	-	-	2,330,079
All other pupil services	1,421,294	-	-
General administration:			
Data processing	65,528	-	-
All other general administration	2,392,398	-	140,314
Plant services	4,159,712	-	374,329
Facility acquisition and construction	-	4,427,419	960,602
Community services	20,118	-	-
Other outgo	1,097,702	-	-
Enterprise services	-	-	234,135
Debt service			
Principal	-	-	465,000
Interest and other	-	-	1,037,499
<b>Total Expenditures</b>	<b>49,911,926</b>	<b>4,427,419</b>	<b>7,044,632</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>5,416,724</b>	<b>(3,935,273)</b>	<b>(56,398)</b>
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	-	631,628
Transfers out	(631,628)	-	-
<b>Net Financing Sources (Uses)</b>	<b>(631,628)</b>	<b>-</b>	<b>631,628</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>4,785,096</b>	<b>(3,935,273)</b>	<b>575,230</b>
<b>Fund Balance - Beginning</b>	<b>11,733,751</b>	<b>9,955,050</b>	<b>9,744,969</b>
<b>Fund Balance - Ending</b>	<b>\$ 16,518,847</b>	<b>\$ 6,019,777</b>	<b>\$ 10,320,199</b>

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

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<b>Total Governmental Funds</b>	
\$	32,289,401
	8,059,059
	16,865,637
	5,594,933
	<u>62,809,030</u>
	36,067,853
	1,602,836
	448,321
	3,448,022
	690,816
	2,330,079
	1,421,294
	65,528
	2,532,712
	4,534,041
	5,388,021
	20,118
	1,097,702
	234,135
	465,000
	1,037,499
	<u>61,383,977</u>
	<u>1,425,053</u>
	631,628
	<u>(631,628)</u>
	-
	1,425,053
	31,433,770
\$	<u><u>32,858,823</u></u>

# 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, 2007

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<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ 1,425,053</b>
<b>Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:</b>	
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statements of activities.	
This is the amount by which capital outlays exceed depreciation expense in the period.	
Capital outlays	\$ 5,268,291
Depreciation expense	<u>(1,912,758)</u>
	3,355,533
Loss on disposal of capital assets is reported in the government-wide financial statement of net assets, but is not recorded in the governmental funds.	(35,697)
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 less than the amounts earned by \$49,187. Early retirement incentive paid was \$89,000.	39,813
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	465,000
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. The additional interest reported in the statement of activities is the net result of two factors.	
Accrued interest of current period.	(421,135)
Accrued interest from prior period.	<u>432,291</u>
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ 5,260,858</u></b>

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

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## PROPRIETARY FUNDS STATEMENT OF NET ASSETS JUNE 30, 2007

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	<b>Business-Type Activities Enterprise Fund</b>
	<b>Child Care</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Deposits and investments	\$ 172,497
Receivables	2,760
<b>Total Assets</b>	<u>175,257</u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable	273
<b>Total Liabilities</b>	<u>273</u>
<b>NET ASSETS</b>	
Unrestricted	174,984
<b>Total Net Assets</b>	<u><u>\$ 174,984</u></u>

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, 2007

	<b>Business-Type Activities Enterprise Fund Child Care</b>
<b>OPERATING REVENUES</b>	
Local and intermediate sources	\$ 59,538
<b>Total Operating Revenues</b>	<u>59,538</u>
<b>OPERATING EXPENSES</b>	
Payroll costs	<u>622</u>
<b>Total Operating Expenses</b>	<u>622</u>
<b>Operating Income</b>	<u>58,916</u>
<b>NONOPERATING REVENUES</b>	
Interest income	<u>7,413</u>
<b>Total Nonoperating Revenues</b>	<u>7,413</u>
<b>Change in Net Assets</b>	<u>66,329</u>
<b>Total Net Assets - Beginning</b>	<u>108,655</u>
<b>Total Net Assets - Ending</b>	<u><u>\$ 174,984</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, 2007

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	<b>Business-Type Activities Enterprise Fund Child Care</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from user charges	\$ 60,635
Cash payments for other operating expenses	(612)
Net Cash Provided from Operating Activities	<u>60,023</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	<u>7,413</u>
Net Increase in Cash and Cash Equivalents	67,436
Cash and Cash Equivalents - Beginning	105,061
Cash and Cash Equivalents - Ending	<u><u>\$ 172,497</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 58,916
Changes in assets and liabilities:	
Receivables	1,097
Accounts payable	10
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 60,023</u></u>

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

# **LAWNDALE ELEMENTARY SCHOOL DISTRICT**

## **FIDUCIARY FUNDS**

### **STATEMENT OF NET ASSETS**

**FOR THE YEAR ENDED JUNE 30, 2007**

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Deposits and investments	<u>\$ 16,673</u>
<b>LIABILITIES</b>	
Due to student groups	<u>\$ 16,673</u>

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



# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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### 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 therefore 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 Collective Insurance purchasing (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, 2007

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**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 accounts for all financial resources except those required to be recorded in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of California.

**Building Fund** The Building Fund exists primarily to account separately for proceeds from sale of bonds and the acquisition of major governmental capital facilities and buildings.

### Non-Major Governmental Funds

**Special Revenue Funds** The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains the following special revenue funds:

**Child Development Fund** The Child Development Fund is used to account for resources committed to child development programs maintained by the District.

**Cafeteria Fund** The Cafeteria Fund is used to account for the financial transactions related to the food service operations of the District.

**Deferred Maintenance Fund** The Deferred Maintenance Fund is used for the purpose of major repair or replacement of District property.

**Retiree Benefits Fund** The Retiree Benefits Fund is used to account for contributions for employees' retirement benefit payments and programs.

**Capital Projects Funds** The Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental fixed assets. The District maintains the following capital projects funds:

**Capital Facilities Fund** The Capital Facilities Fund is used to account for moneys received from fees levied on developers or other agencies as a condition of approving a development (Education Code sections 17620-17626). The authority for these levies may be county/city ordinances (Government Code 65970-65981) or private agencies between the District and the developer.

**State School Building Fund** The State School Building Fund is used primarily to account for State apportionments provided for construction and reconstruction of school facilities (Education Code Sections 17070-17080).

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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**County School Facilities Fund** The County School Facilities Fund is used primarily to account separately for State apportionments provided for construction and reconstruction of school facilities (Education Code Sections 17010.10-17076.10).

**Special Reserve Capital Outlay Fund** The Special Reserve Fund is used to account for funds set aside for Board designated construction projects.

**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 to account for the accumulation of resources for, and the repayment of, district bonds, interest, and related costs.

**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 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, 2007

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### Basis of Accounting - Measurement Focus

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

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the District and for each governmental program. 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.

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 fund is presented in a separate column. Non-major 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, 2007

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**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, 2007**

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### **Investments**

Investments held at June 30, 2007, 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.

### **Restricted Assets**

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation.

### **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.

# **LAWNDALE ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2007**

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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.

### **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, unrealized gains of investments and 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 governmental-wide financial statements reports \$13,390,251 of restricted net assets.

# **LAWNDALE ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2007**

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### **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.

### **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.



# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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### 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 other postemployment benefits (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.

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

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### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2007, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 35,292,900
Business-type activities	172,497
Fiduciary funds	16,673
Total Deposits and Investments	<u>\$ 35,482,070</u>

Deposits and investments as of June 30, 2007, consist of the following:

Cash on hand and in banks	\$ 79,139
Cash in revolving	15,480
Investments	35,387,451
Total Deposits and Investments	<u>\$ 35,482,070</u>

#### Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

#### Investment in County Treasury

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

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

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2007**

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

### General Authorizations

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

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

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Pool.

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

### 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	\$ 35,326,178	543

### 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. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type. The District's investment in the County Pool is not required to be rated.

Investment Type	Fair Value	Minimum Legal Rating	Rating June 30, 2007
County Pool	\$ 35,326,178	Not required	Not 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, 2007, the District did not have any deposits exposed to custodial credit risk because all balances were FDIC insured.

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2007**

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### NOTE 3 - RECEIVABLES

Receivables at June 30, 2007, 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	\$ 1,546,340	\$ -	\$ 461,660	\$ 2,008,000	\$ -
State Government					
Apportionment	1,021,488	-	-	1,021,488	-
Categorical aid	642,702	-	141,742	784,444	-
Lottery	443,044	-	-	443,044	-
Other State	129,710	-	-	129,710	-
Local Government					
Local grant	265,142	106,087	120,432	491,661	-
Other	520,366	42,132	48,245	610,743	2,760
Total	<u>\$ 4,568,792</u>	<u>\$ 148,219</u>	<u>\$ 772,079</u>	<u>\$ 5,489,090</u>	<u>\$ 2,760</u>

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2007**

### NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 1,370,117	\$ -	\$ -	\$ 1,370,117
Construction in progress	24,208,428	4,925,213	12,484,950	16,648,691
Total Capital Assets Not Being Depreciated	25,578,545	4,925,213	12,484,950	18,018,808
Capital Assets Being Depreciated:				
Land improvements	573,000	-	24,500	548,500
Buildings and improvements	43,939,722	12,804,112	268,192	56,475,642
Furniture and equipment	3,149,510	23,916	-	3,173,426
Total Capital Assets Being Depreciated	47,662,232	12,828,028	292,692	60,197,568
Total Capital Assets	73,240,777	17,753,241	12,777,642	78,216,376
Less Accumulated Depreciation:				
Land improvements	570,727	1,598	24,500	547,825
Buildings and improvements	12,519,245	1,835,991	232,495	14,122,741
Furniture and equipment	2,759,084	75,169	-	2,834,253
Total Accumulated Depreciation	15,849,056	1,912,758	256,995	17,504,819
Governmental Activities Capital Assets, Net	<u>\$ 57,391,721</u>	<u>\$15,840,483</u>	<u>\$ 12,520,647</u>	<u>\$ 60,711,557</u>

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

<b>Governmental Activities</b>	
Instruction	\$ 1,470,337
Transportation	28,309
Food services	84,544
All other pupil services	46,480
All other general administration	133,893
Plant services	149,195
Total Depreciation Expenses Governmental Activities	<u>\$ 1,912,758</u>

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

### NOTE 5 - INTERFUND TRANSACTION

#### Operating Transfers

Interfund transfers for the year ended June 30, 2007, consisted of the following:

Transfer To		Transfer From General Fund
Non-Major Governmental Funds		<u>\$631,628</u>
The General Fund transferred to the Cafeteria Fund to support operations.		\$107,251
The General Fund transferred to the Deferred Maintenance Fund for the required annual match.		248,585
The General Fund transferred to the Retiree Benefits Fund for District contribution.		275,792
Total		<u>\$631,628</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, 2007, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities	Enterprise Fund
Salaries and benefits	\$ 3,605,400	\$ 7,663	\$ 180,893	\$ 3,793,956	\$ 273
Construction	-	1,626,511	327,193	1,953,704	-
Vendor payables	1,862,181	-	48,653	1,910,834	-
Other payables	12,547	147	1,369	14,063	-
Total	<u>\$ 5,480,128</u>	<u>\$ 1,634,321</u>	<u>\$ 558,108</u>	<u>\$ 7,672,557</u>	<u>\$ 273</u>

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

### NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2007, consists of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	\$ 52,224	\$ -	\$ 52,224
State categorical aid	145,099	-	145,099
Other local	19,721	237,666	257,387
Total	<u>\$ 217,044</u>	<u>\$ 237,666</u>	<u>\$ 454,710</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, 2006	Additions	Deductions	Balance June 30, 2007	Due in One Year
General obligation bonds	\$ 21,465,000	\$ -	\$ 465,000	\$ 21,000,000	\$ 485,000
Compensated absences	327,756	49,187	-	376,943	-
Early retirement incentive	151,000	-	89,000	62,000	44,000
	<u>\$ 21,943,756</u>	<u>\$ 49,187</u>	<u>\$ 554,000</u>	<u>\$ 21,438,943</u>	<u>\$ 529,000</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, 2006	Redeemed	Bonds Outstanding June 30, 2007	Due in One Year
6/1/1999	8/1/2028	3.5% to 5.25%	\$10,000,000	\$ 8,980,000	\$ 225,000	\$ 8,755,000	\$ 235,000
11/6/2002	8/1/2032	3.5% to 5.25%	13,000,000	12,485,000	240,000	12,245,000	250,000
				<u>\$ 21,465,000</u>	<u>\$ 465,000</u>	<u>\$ 21,000,000</u>	<u>\$ 485,000</u>



# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2007**

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### 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>
2008	\$ 235,000	\$ 438,099	\$ 673,099
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
2013-2017	1,605,000	1,718,772	3,323,772
2018-2022	2,030,000	1,265,576	3,295,576
2023-2027	2,595,000	670,150	3,265,150
2028-2029	1,230,000	64,740	1,294,740
Total	<u>\$ 8,755,000</u>	<u>\$ 5,783,509</u>	<u>\$ 14,538,509</u>

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2008	\$ 250,000	\$ 572,625	\$ 822,625
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
2013-2017	1,705,000	2,432,268	4,137,268
2018-2022	2,155,000	2,005,316	4,160,316
2023-2027	2,720,000	1,422,810	4,142,810
2028-2032	3,485,000	655,625	4,140,625
2033	810,000	20,250	830,250
Total	<u>\$ 12,245,000</u>	<u>\$ 9,270,759</u>	<u>\$ 21,515,759</u>

### Compensated Absences

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2007, amounted to \$376,943.

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

### 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 are participating in the plan. The total cost of the early retirement plan is indicated in the following schedule:

#### Early Retirement Incentive Plan-2005

Year Ending June 30,	Total
<u>2008</u>	<u>\$ 5,000</u>

#### Early Retirement Incentive Plan-2006

Year Ending June 30,	Total
<u>2008</u>	<u>\$ 39,000</u>
2009	9,000
2010	9,000
Total	<u>\$ 57,000</u>

### NOTE 9 - FUND BALANCES

Fund balances 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	58,610	-	14,177	72,787
Restricted programs	3,491,187	-	-	3,491,187
Total Reserved	<u>3,564,797</u>	<u>-</u>	<u>14,657</u>	<u>3,579,454</u>
Unreserved				
Designated				
Economic uncertainties	11,779,785	-	3,064,159	14,843,944
Other designation	1,174,265	6,019,777	6,126,862	13,320,904
Total Designated	<u>12,954,050</u>	<u>6,019,777</u>	<u>9,191,021</u>	<u>28,164,848</u>
Undesignated	-	-	1,114,521	1,114,521
Total Unreserved	<u>12,954,050</u>	<u>6,019,777</u>	<u>10,305,542</u>	<u>29,279,369</u>
Total	<u>\$ 16,518,847</u>	<u>\$ 6,019,777</u>	<u>\$ 10,320,199</u>	<u>\$ 32,858,823</u>

# **LAWNDALE ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2007**

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### **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, 22 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 \$137,920 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, 2007, the District contracted with Alliance of Schools for Collective 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 2007, the District participated in the Alliance for School Cooperative Insurance Programs joint powers authorities' insurance purchasing pool. The intent of the Alliance for School 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 for School Cooperative Insurance Programs selection criteria. The firm of Alliance for School Cooperative Insurance Programs provides administrative, cost control and actuarial services to the JPA.

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Coverage provided by Alliance for School 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 for School Cooperative Insurance Programs (ASCIP)	Workers' Compensation	\$ 1,000,000
<u>Property and Liability Program</u>		
Alliance for Schools Cooperative Insurance Programs (ASCIP)	General and Automotive	\$ 1,000,000
Alliance for 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 State Teachers' Retirement System (STRS) and classified employees are members of the Public Employees' Retirement System (PERS).

#### STRS

##### Plan Description

The District contributes to the California State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. 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. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Blvd., Sacramento, CA 95826.

# **LAWNDALE ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007**

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### **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 STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2006-2007 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal years ending June 30, 2007, 2006, and 2005, were \$2,002,735, \$1,931,802, and \$1,865,650, 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, CA 95814.

### **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 2006-2007 was 9.124 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, 2007, 2006, and 2005, were \$674,430, \$544,935, and \$566,612, 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 (STRS or PERS) 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, 2007

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### On Behalf Payments

The State of California makes contributions to STRS and PERS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of \$1,092,598 (4.517 percent of salaries subject to STRS. No contributions were made for PERS for the year ended June 30, 2007. 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, 2007.

#### 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, 2007.

#### Construction Commitments

As of June 30, 2007, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Addams Classrooms	\$ 291,552	9/11/07
Addams Conversion	224,674	9/11/07
Addams Drop-off	250,008	9/11/07
Addams Gym	809,637	9/11/07
	<u>\$ 1,575,871</u>	

# **LAWNDALE ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2007**

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### **NOTE 14 - PARTICIPATION IN AUTHORITY JOINT POWER**

The District is a member of the Alliance for Schools Cooperative Insurance Programs joint powers authority (JPA). The District pays an annual premium to the applicable entity for its health, 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 for Schools Cooperative Insurance Program JPA.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts (GAAP Basis)		Actual (GAAP Basis)	Variances - Positive (Negative)
	Original	Final		Final to Actual
<b>REVENUES</b>				
Revenue limit sources	\$ 31,751,109	\$ 31,923,041	\$ 32,289,401	\$ 366,360
Federal sources	5,208,462	6,541,929	5,909,710	(632,219)
Other State sources	9,502,417	13,185,082	14,625,380	1,440,298
Other local sources	1,673,698	2,637,258	2,504,159	(133,099)
<b>Total Revenues <sup>1</sup></b>	<b>48,135,686</b>	<b>54,287,310</b>	<b>55,328,650</b>	<b>1,041,340</b>
<b>EXPENDITURES</b>				
Current				
Instruction	32,096,061	36,968,633	34,772,675	2,195,958
Instruction-related activities:				
Supervision of instruction	1,195,998	1,161,361	1,411,374	(250,013)
Instructional library, media, and technology	566,119	1,466,898	448,321	1,018,577
School site administration	3,244,945	3,565,500	3,431,988	133,512
Pupil services:				
Home-to-school transportation	725,313	677,107	690,816	(13,709)
All other pupil services	1,270,797	1,439,440	1,421,294	18,146
General administration:				
Data processing	91,158	87,900	65,528	22,372
All other general administration	2,454,752	2,556,184	2,392,398	163,786
Plant services	4,316,117	4,478,062	4,159,712	318,350
Community services	34,066	26,444	20,118	6,326
Other outgo	1,353,700	1,106,316	1,097,702	8,614
<b>Total Expenditures <sup>1</sup></b>	<b>47,349,026</b>	<b>53,533,845</b>	<b>49,911,926</b>	<b>3,621,919</b>
<b>Over Expenditures</b>	<b>786,660</b>	<b>753,465</b>	<b>5,416,724</b>	<b>4,663,259</b>
<b>Other Financing Uses</b>				
Transfers out	(618,666)	(628,775)	(631,628)	(2,853)
<b>Net Financing Uses</b>	<b>(618,666)</b>	<b>(628,775)</b>	<b>(631,628)</b>	<b>(2,853)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>167,994</b>	<b>124,690</b>	<b>4,785,096</b>	<b>4,660,406</b>
<b>Fund Balance - Beginning</b>	<b>11,733,751</b>	<b>11,733,751</b>	<b>11,733,751</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 11,901,745</b>	<b>\$ 11,858,441</b>	<b>\$ 16,518,847</b>	<b>\$ 4,660,406</b>

<sup>1</sup> On behalf payments of \$1,092,598 are included in the actual revenues and expenditures, but have not been included in the budget amounts.

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***SUPPLEMENTARY INFORMATION***

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# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
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	\$ 1,974,095
Title I, Part A - Comprehensive School Reform	84.332	13966	271,920
Title I Program Improvement	84.010A	04581	45,111
Title IV Part A Safe and Drug Free Schools	84.186	14347	34,159
Title II Part A Teacher Quality	84.367	14341	389,431
Title II - Part B California Math and Science Partnership	84.366	14512	686,260
Title II Part D Enhancing Education Through Technology	84.318	14334	22,426
Title V Innovative Strategies	84.298	14354	34,195
Title IV 21st Century Community Centers Learning Program	84.287	14350	42,761
Title IV Part B 21st Century Community Centers Learning Program	84.287	14350	118,698
Title III Immigrant Education	84.365	14349	33,439
Title III Limited English Proficiency	84.365	10017	250,227
Funds for the Improvement of Education - Teaching			
American History	84.215	[1]	80,611
Individuals with Disabilities Education Act			
Special Education Cluster			
Basic Local Assistance Entitlement Part B Section 611	84.027	13379	996,443
Preschool grants, Part B Section 619	84.173	13430	130,260
Preschool Local Entitlement Part B Section 611	84.027A	13682	241,579
Local Staff Development Part B Section 611	84.027A	13431	1,702
Preschool Staff Development Part B Section 619	84.173A	13459	2,916
Total U.S. Department of Education			<u>5,356,233</u>
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY</b>			
Passed through the California Department of Education:			
Hazard Mitigation	97.039	10041	<u>10,261</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through the California Department of Education:			
Emergency Impact Aid for Displaced Students	93.778	10060	10,405
Medi-Cal Billing Options	93.778	10013	156,795
Child Development Quality Improvement Activities	93.575	13942	3,719
After School Enrichment Program	93.575	[2]	<u>183,648</u>
Total U.S. Department of Health and Human Services			<u>354,567</u>

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

[2] Funded through a contract with the Los Angeles County Office of Education (LACOE)

[3] Pass-through entity identifying number was not available

See accompanying note to supplementary information.

**LAWNDALE ELEMENTARY SCHOOL DISTRICT****SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2007**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Passed through the California Department of Education:			
Child Nutrition Cluster			
National School Lunch Program	10.555	13396	\$ 1,622,579
Basic Breakfast Program	10.553	13391	19,026
Especially Needy Breakfast Program	10.553	13390	303,056
Meal Supplement	10.555	13389	116,297
Summer Food Service Program	10.559	[3]	74,411
Food Distribution	10.550	[3]	166,676
Total U.S. Department of Agriculture			<u>2,302,045</u>
Total Expenditures of Federal Awards			<u>\$ 8,023,106</u>

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

[2] Funded through a contract with the Los Angeles County Office of Education (LACOE)

[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, 2007

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### 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 Rudolph	President	2009
Ms. Shirley A. Bennett	Clerk	2007
Mr. Craig W. Burris	Member	2007
Ms. Bonnie J. Coronado	Member	2009
Ms. Ann M. Phillips	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, 2007

	<u>Second Period Report</u>	<u>Annual Report</u>
ELEMENTARY		
Kindergarten	563	567
First through third	1,861	1,862
Fourth through sixth	1,866	1,866
Seventh and eighth	1,190	1,190
Home and hospital	1	1
Special education	191	193
Total K-8	<u>5,672</u>	<u>5,679</u>
		<u>Hours of Attendance</u>
SUMMER SCHOOL		
Elementary		<u>72,885</u>

See accompanying note to supplementary information.

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2007

Grade Level	1982-83	1986-87	2006-2007	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			54,000	180	N/A	Complied
Grades 5			54,000	180	N/A	Complied
Grades 6			54,000	180	N/A	Complied
Grades 7 - 8	54,000	54,000				
Grades 7			59,460	180	N/A	Complied
Grades 8			59,460	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, 2007**

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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, 2007

	(Budget) 2008 <sup>1</sup>	2007	2006	2005
GENERAL FUND				
Revenues	\$ 48,972,601	\$ 55,328,650	\$ 50,441,183	\$ 46,637,622
Total Revenues and Other Sources	48,972,601	55,328,650	50,441,183	46,637,622
Expenditures	49,146,665	49,911,926	47,697,830	44,474,599
Other uses and transfers out	633,517	631,628	614,428	442,003
Total Expenditures and Other Uses	49,780,182	50,543,554	48,312,258	44,916,602
INCREASE (DECREASE) IN FUND BALANCE	\$ (807,581)	\$ 4,785,096	\$ 2,128,925	\$ 1,721,020
ENDING FUND BALANCE	\$ 15,711,266	\$ 16,518,847	\$ 11,733,751	\$ 9,604,826
AVAILABLE RESERVES <sup>2</sup>	\$ 12,146,469	\$ 11,779,785	\$ 9,272,550	\$ 7,047,312
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO <sup>3</sup>	24.40%	23.82%	19.62%	16.05%
LONG-TERM OBLIGATIONS	N/A	\$ 21,438,943	\$ 21,943,756	\$ 22,244,505
K-12 AVERAGE DAILY ATTENDANCE AT P-2	5,506	5,672	5,902	6,027

The General Fund balance has increased by \$6,914,021 the past two years. The fiscal year 2007-2008 budget projects a decrease of \$807,581 (5 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 an operating surplus for the past three years, but, anticipates incurring an operating deficit during the 2007-2008 fiscal year. Total long-term obligations have decreased by \$805,562 over the past two years.

Average daily attendance has decreased by 355 in the past two years. A decline of 166 ADA is anticipated during fiscal year 2007-2008.

<sup>1</sup> Budget 2008 is included for analytical purposes only and has not been subjected to audit.

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

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

See accompanying note to supplementary information.

# **LAWNDALE ELEMENTARY SCHOOL DISTRICT**

## **EXCESS SICK LEAVE**

**JUNE 30, 2007**

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### **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, 2007**

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<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, 2007

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### 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.

#### Subrecipients

Of the Federal expenditures presented in the schedule, the District provided Federal awards to subrecipients as follows:

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA Number	Amount Provided to Subrecipients
University of California, Los Angeles	84.366	\$ 290,500
Centinela Valley High School District	84.366	88,125
		<u>\$ 378,625</u>

#### Local Education Agency Organization Structure

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

#### Schedule of Average Daily Attendance (ADA)

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

#### Schedule of Instructional Time

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

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

#### 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.



# **LAWNDALE ELEMENTARY SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2007**

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### **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.

### **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.

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***SUPPLEMENTARY INFORMATION - UNAUDITED***

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# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET - UNAUDITED JUNE 30, 2007

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
<b>ASSETS</b>			
Deposits and investments	\$ 912,823	\$ 1,957,537	\$ 2,259,850
Receivables	163,463	499,397	37,004
Stores inventories	-	14,177	-
<b>Total Assets</b>	<u>\$ 1,076,286</u>	<u>\$ 2,471,111</u>	<u>\$ 2,296,854</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	106,856	124,059	10,640
Deferred revenue	237,666	-	-
<b>Total Liabilities</b>	<u>344,522</u>	<u>124,059</u>	<u>10,640</u>
<b>FUND BALANCES</b>			
Reserved	-	14,657	-
Unreserved:			
Designated	731,764	2,332,395	2,286,214
Undesignated, reported in:			
Debt service funds	-	-	-
<b>Total Fund Balance</b>	<u>731,764</u>	<u>2,347,052</u>	<u>2,286,214</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,076,286</u>	<u>\$ 2,471,111</u>	<u>\$ 2,296,854</u>

See accompanying note to supplementary information - unaudited.

<b>Retiree Benefits Fund</b>	<b>Capital Facilities Fund</b>	<b>State School Building Fund</b>	<b>County School Facilities Fund</b>	<b>Special Reserve Capital Outlay Fund</b>	<b>Bond Interest and Redemption Fund</b>
\$ 2,454,695	\$ 586,042	\$ 26,768	\$ 253,148	\$ 764,649	\$ 1,097,453
41,812	9,378	501	5,181	15,027	-
-	-	-	-	-	-
<u>\$ 2,496,507</u>	<u>\$ 595,420</u>	<u>\$ 27,269</u>	<u>\$ 258,329</u>	<u>\$ 779,676</u>	<u>\$ 1,097,453</u>
-	864	26,282	238,209	51,198	-
-	-	-	-	-	-
-	864	26,282	238,209	51,198	-
-	-	-	-	-	-
2,496,507	594,556	987	20,120	728,478	-
-	-	-	-	-	1,097,453
<u>2,496,507</u>	<u>594,556</u>	<u>987</u>	<u>20,120</u>	<u>728,478</u>	<u>1,097,453</u>
<u>\$ 2,496,507</u>	<u>\$ 595,420</u>	<u>\$ 27,269</u>	<u>\$ 258,329</u>	<u>\$ 779,676</u>	<u>\$ 1,097,453</u>

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# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET - UNAUDITED, Continued JUNE 30, 2007

	Tax Override Fund	Debt Service Fund	Total Non-Major Governmental Funds
<b>ASSETS</b>			
Deposits and investments	\$ 8	\$ 16,744	\$ 10,329,717
Receivables	-	316	772,079
Stores inventories	-	-	14,177
<b>Total Assets</b>	<u>\$ 8</u>	<u>\$ 17,060</u>	<u>\$ 11,115,973</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	-	-	558,108
Deferred revenue	-	-	237,666
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>795,774</u>
<b>FUND BALANCES</b>			
Reserved	-	-	14,657
Unreserved:			
Designated	-	-	9,191,021
Undesignated, reported in:			
Debt service funds	8	17,060	1,114,521
<b>Total Fund Balance</b>	<u>8</u>	<u>17,060</u>	<u>10,320,199</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 8</u>	<u>\$ 17,060</u>	<u>\$ 11,115,973</u>

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, 2007

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
<b>REVENUES</b>			
Federal sources	\$ 3,719	\$ 2,135,369	\$ -
Other State sources	1,669,555	306,196	248,585
Other local sources	64,106	445,810	98,844
<b>Total Revenues</b>	<u>1,737,380</u>	<u>2,887,375</u>	<u>347,429</u>
<b>EXPENDITURES</b>			
Current			
Instruction	1,295,178	-	-
Instruction-related activities:			
Supervision of instruction	191,462	-	-
School site administration	16,034	-	-
Pupil services:			
Food services	25,750	2,304,329	-
General administration:			
All other general administration	103,000	37,314	-
Plant services	60,626	204,600	109,103
Facility acquisition and construction	-	-	-
Enterprise services	-	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
<b>Total Expenditures</b>	<u>1,692,050</u>	<u>2,546,243</u>	<u>109,103</u>
<b>Excess (Deficiency) of</b>			
<b>Revenues Over Expenditures</b>	<u>45,330</u>	<u>341,132</u>	<u>238,326</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	107,251	248,585
<b>Net Financing Sources (Uses)</b>	<u>-</u>	<u>107,251</u>	<u>248,585</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>45,330</u>	<u>448,383</u>	<u>486,911</u>
<b>Fund Balance - Beginning</b>	<u>686,434</u>	<u>1,898,669</u>	<u>1,799,303</u>
<b>Fund Balance - Ending</b>	<u>\$ 731,764</u>	<u>\$ 2,347,052</u>	<u>\$ 2,286,214</u>

See accompanying note to supplementary information - unaudited.



<b>Retiree Benefits Fund</b>	<b>Capital Facilities Fund</b>	<b>State School Building Fund</b>	<b>County School Facilities Fund</b>	<b>Special Reserve Capital Outlay Fund</b>	<b>Bond Interest and Redemption Fund</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	15,921
211,818	197,063	947	20,072	46,195	1,523,149
<u>211,818</u>	<u>197,063</u>	<u>947</u>	<u>20,072</u>	<u>46,195</u>	<u>1,539,070</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	131,965	26,750	471,045	330,842	-
234,135	-	-	-	-	-
-	-	-	-	-	465,000
-	-	-	-	-	1,037,499
<u>234,135</u>	<u>131,965</u>	<u>26,750</u>	<u>471,045</u>	<u>330,842</u>	<u>1,502,499</u>
<u>(22,317)</u>	<u>65,098</u>	<u>(25,803)</u>	<u>(450,973)</u>	<u>(284,647)</u>	<u>36,571</u>
275,792	-	-	-	-	-
<u>275,792</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
253,475	65,098	(25,803)	(450,973)	(284,647)	36,571
2,243,032	529,458	26,790	471,093	1,013,125	1,060,882
<u>\$ 2,496,507</u>	<u>\$ 594,556</u>	<u>\$ 987</u>	<u>\$ 20,120</u>	<u>\$ 728,478</u>	<u>\$ 1,097,453</u>

# 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, 2007

	Tax Override Fund	Debt Service Fund	Total Non-Major Governmental Funds
<b>REVENUES</b>			
Federal sources	\$ -	\$ -	\$ 2,139,088
Other State sources	-	-	2,240,257
Other local sources	-	885	2,608,889
<b>Total Revenues</b>	-	885	6,988,234
<b>EXPENDITURES</b>			
Current			
Instruction	-	-	1,295,178
Instruction-related activities:			
Supervision of instruction	-	-	191,462
School site administration	-	-	16,034
Pupil services:			
Food services	-	-	2,330,079
General administration:			
All other general administration	-	-	140,314
Plant services	-	-	374,329
Facility acquisition and construction	-	-	960,602
Enterprise services	-	-	234,135
Debt service			
Principal	-	-	465,000
Interest and other	-	-	1,037,499
<b>Total Expenditures</b>	-	-	7,044,632
<b>Excess (Deficiency) of</b>			
<b>Revenues Over Expenditures</b>	-	885	(56,398)
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	631,628
<b>Net Financing Sources (Uses)</b>	-	-	631,628
<b>NET CHANGE IN FUND BALANCES</b>	-	885	575,230
<b>Fund Balance - Beginning</b>	8	16,175	9,744,969
<b>Fund Balance - Ending</b>	\$ 8	\$ 17,060	\$ 10,320,199

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, 2007

(Amounts in thousands)

	Actual Results for the Years					
	2006-2007		2005-2006		2004-2005	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
<b>REVENUES</b>						
Federal revenue	\$ 5,910	10.7	\$ 6,195	12.3	\$ 5,670	12.1
State and local revenue included in revenue limit	32,289	58.4	30,729	60.9	29,061	62.3
Other State revenue	14,626	26.4	11,532	22.9	10,335	22.2
Other local revenue	2,504	4.5	1,985	3.9	1,572	3.4
Total Revenues	<u>55,329</u>	<u>100.0</u>	<u>50,441</u>	<u>100.0</u>	<u>46,638</u>	<u>100.0</u>
<b>EXPENDITURES</b>						
Salaries and benefits						
Certificated salaries	24,075	43.5	23,352	46.3	22,459	48.2
Classified salaries	7,736	14.0	7,183	14.2	6,640	14.2
Employee benefits	7,933	14.3	7,944	15.8	7,018	15.0
Total Salaries and Benefits	39,744	71.8	38,479	76.3	36,117	77.4
Books and supplies	3,358	6.1	2,758	5.5	2,169	4.7
Contracts and operating expenses	5,835	10.5	5,274	10.4	5,125	11.0
Capital outlay	18	0.0	94	0.2	14	0.0
Other outgo	957	1.7	1,093	2.2	1,050	2.3
Total Expenditures	<u>49,912</u>	<u>90.1</u>	<u>47,698</u>	<u>94.6</u>	<u>44,475</u>	<u>95.4</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>5,417</u>	<u>9.9</u>	<u>2,743</u>	<u>5.4</u>	<u>2,163</u>	<u>4.6</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Outgoing transfers	<u>(632)</u>	<u>(1.1)</u>	<u>(614)</u>	<u>(1.2)</u>	<u>(442)</u>	<u>(0.9)</u>
<b>INCREASE IN FUND BALANCE</b>	<u>4,785</u>	<u>8.8</u>	<u>2,129</u>	<u>4.2</u>	<u>1,721</u>	<u>3.7</u>
<b>FUND BALANCE, BEGINNING</b>	<u>11,734</u>		<u>9,605</u>		<u>7,884</u>	
<b>FUND BALANCE, ENDING</b>	<u>\$16,519</u>		<u>\$11,734</u>		<u>\$9,605</u>	
<b>BASE REVENUE LIMIT PER ADA</b>						
Regular	<u>\$ 5,902</u>		<u>\$ 5,772</u>		<u>\$5,844</u>	

See accompanying note to supplementary information - unaudited.

# **LAWNDALE ELEMENTARY SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION - UNAUDITED JUNE 30, 2007**

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### **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.

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***INDEPENDENT AUDITORS' REPORTS***

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

Governing Board  
Lawndale Elementary School District  
Lawndale, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lawndale Elementary School District as of and for the year ended June 30, 2007, which collectively comprise Lawndale Elementary School District's basic financial statements and have issued our report thereon dated November 19, 2007. 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.

*Vavrieh, Trinn, Day & Co., LLP*

Rancho Cucamonga, California  
November 19, 2007





**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, 2007. 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 2007-1 in the accompanying schedule of findings and questioned costs, Lawndale Elementary School District did not comply with requirements regarding Subrecipient Monitoring that are applicable to its Title II, Part B, CA Math and Science Partnerships grant. 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, 2007.

## 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 items 2007-1 to be a significant deficiency.

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. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Lawndale Elementary School District's response to the findings identified in our audit is 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.

*Vavrinch, Trinn, Day & Co., LLP*

Rancho Cucamonga, California  
November 19, 2007



## 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, 2007, and have issued our report thereon dated November 19, 2007. 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 2006-07*, 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
<b>Attendance Accounting:</b>		
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
<b>Instructional Time:</b>		
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

	Procedures in Audit Guide	Procedures Performed
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
Early retirement incentive	4	Not Applicable
Gann limit calculation	1	Yes
School Construction Funds:		
School District bonds	3	Yes
State school facilities funds	1	Yes
Alternative pension plans	2	Yes
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
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
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, except as described in the Schedule of State Award Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs. 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, Trina, Day & Co., LLP*

Rancho Cucamonga, California  
November 19, 2007

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

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# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## SUMMARY OF AUDITORS' RESULTS FOR THE YEAR ENDED JUNE 30, 2007

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### 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)	<u>Yes</u>
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Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.366</u>	<u>Title II , Part B, CA Math and Science Partnership</u>
<u>84.287</u>	<u>Title IV Part B, 21st Century Community Centers Learning Program</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>Yes</u>

### STATE AWARDS

Internal control over state 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 state programs:	<u>Qualified</u>

**LAWNDALE ELEMENTARY SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2007**

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None reported.



# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007

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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	Federal Compliance
50000	Internal Control

### SUBRECIPIENT MONITORING

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**

### **FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007**

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#### **Recommendation**

A pass-through entity should develop procedures to ensure:

- Award identification
- During the award monitoring
- Subrecipient audits

#### **District Response**

While the District did provide information about this grant opportunity to the subrecipient UCLA, which is confirmed in their correspondence, dated November 21, 2006, the District plans to modify future applicable memorandums of understanding between itself and sub recipients to provide written notice of the grant award and requirements imposed upon them by federal laws, regulations and provisions of contracts or grant agreements as well as, any additional requirements imposed by the pass-through entity.

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007

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The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
10000	Attendance
30000	Internal Control

### ATTENDANCE- JANE ADDAMS MIDDLE SCHOOL

2007-2    10000, 30000

#### Condition

Our testing identified a significant attendance issues 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.

#### District Response

The District was aware of an anomaly with reported ADA at Addams, but the source was identified as a result of the auditor's field testing. The District promptly conducted its own internal audit and made the appropriate corrections to the software and amended its ADA reports to the State for accuracy. The District has built in safeguards, including internal random audits, and cross-referencing to protect against any recurrence.

**LAWNDALE ELEMENTARY SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2007**

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There were no audit findings reported in the prior year's schedule of findings.