

**LAWNDALE ELEMENTARY  
SCHOOL DISTRICT**

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ANNUAL FINANCIAL REPORT

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**JUNE 30, 2006**

**LAWNDALE ELEMENTARY SCHOOL DISTRICT**  
**OF LOS ANGELES COUNTY**  
**LAWNDALE, CALIFORNIA**  
**JUNE 30, 2006**

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**GOVERNING BOARD**

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Ms. Bonnie J. Coronado	President	2009
Ms. Shirley Rudolph	Clerk	2009
Ms. Shirley Bennett	Member	2007
Mr. Craig W. Burris	Member	2007
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, 2006, 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 2005-06*, 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, 2006, 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 October 27, 2006, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The required supplementary information, such as management's discussion and analysis on pages 4 through 13 and budgetary comparison information on page 48, are not a required part of the basic financial statements, but are 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*, are presented for purposes of additional analysis and are 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, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Vaurech, Tuma, Day & Co., LLP

Rancho Cucamonga, California  
October 27, 2006

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

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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, 2006. Please read it in conjunction with the District's financial statements, which immediately follow this section.

## OVERVIEW OF THE FINANCIAL STATEMENTS

### The Financial Statements

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

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the District, 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, 2006

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### FINANCIAL HIGHLIGHTS OF THE PAST YEAR

#### 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 program is included here.

#### REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

##### **Fund Financial Statements**

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

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

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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, 2006

### THE DISTRICT AS A WHOLE

#### Net Assets

The District's net assets were \$66.4 million for governmental activities for the fiscal year ended June 30, 2006. Of this amount, \$8.95 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	
	2006	2005	2006	2005	2006	2005
<b>Assets</b>						
Current and other assets	\$ 42,625.3	\$ 48,039.4	\$ 108.9	\$ 67.0	\$ 42,734.2	\$ 48,106.4
Capital assets	57,391.7	45,583.5	-	-	57,391.7	45,583.5
<b>Total Assets</b>	<b>100,017.0</b>	<b>93,622.9</b>	<b>108.9</b>	<b>67.0</b>	<b>100,125.9</b>	<b>93,689.9</b>
<b>Liabilities</b>						
Current liabilities	11,623.8	8,407.1	0.2	6.7	11,624.0	8,869.8
Long-term obligations	21,943.8	22,244.5	-	-	21,943.8	21,788.5
<b>Total Liabilities</b>	<b>33,567.6</b>	<b>30,651.6</b>	<b>0.2</b>	<b>6.7</b>	<b>33,567.8</b>	<b>30,658.3</b>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	35,926.7	23,683.5	-	-	35,926.7	23,683.5
Restricted	21,572.7	32,145.8	-	-	21,572.7	32,145.8
Unrestricted	8,950.0	7,142.0	108.7	60.3	9,058.7	7,202.3
<b>Total Net Assets</b>	<b>\$ 66,449.4</b>	<b>\$ 62,971.3</b>	<b>\$ 108.7</b>	<b>\$ 60.3</b>	<b>\$ 66,558.1</b>	<b>\$ 63,031.6</b>

The \$8.95 million in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. It means that if we had to pay off all of our bills *today*, including all of our non-capital liabilities (compensated absences as an example), we would have \$8.95 million left.

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2006

### Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 15. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

**Table 2**

(Amounts in thousands)	Governmental Activities		Business-Type Activities		School District Activities	
	2006	2005	2006	2005	2006	2005
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 472.1	\$ 513.5	\$ 58.7	\$ 88.1	\$ 530.8	\$ 601.6
Operating grants and contributions	18,222.6	15,961.2	-	-	18,222.6	15,961.2
Capital grants and contributions	379.5	5,146.3	-	-	379.5	5,146.3
General revenues:						
State revenue limit sources	30,494.5	27,789.2	-	-	30,494.5	27,789.2
Property taxes	5,220.1	5,973.4	-	-	5,220.1	5,973.4
Other general revenues	3,713.0	3,690.1	3.4	1.5	3,716.4	3,691.6
<b>Total Revenues</b>	<b>58,501.8</b>	<b>59,073.7</b>	<b>62.1</b>	<b>89.6</b>	<b>58,563.9</b>	<b>59,163.3</b>
<b>Expenses</b>						
Instruction-related	41,033.5	37,481.1	-	-	41,033.5	37,481.1
Student support services	3,759.7	3,985.7	-	-	3,759.7	3,985.7
Administration	2,626.7	3,304.7	-	-	2,626.7	3,304.7
Maintenance and operations	4,461.7	4,258.9	-	-	4,461.7	4,258.9
Other	3,142.0	3,146.2	13.8	55.7	3,155.8	3,201.9
<b>Total Expenses</b>	<b>55,023.6</b>	<b>52,176.6</b>	<b>13.8</b>	<b>55.7</b>	<b>55,037.4</b>	<b>52,232.3</b>
<b>Excess</b>						
<b>Change in Net Assets</b>	<b>\$ 3,478.2</b>	<b>\$ 6,897.1</b>	<b>\$ 48.3</b>	<b>\$ 33.9</b>	<b>\$ 3,526.5</b>	<b>\$ 6,931.0</b>

### Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was \$55.0 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$5.2 million because the cost was paid by those who benefited from the programs (\$0.5 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$18.6 million). We paid for the remaining "public benefit" portion of our governmental activities with \$34.2 million in State funds, and with other revenues, like interest and general entitlements.

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

In Table 3, we have presented the cost of each of the District's five largest functions: instruction, instruction-related activities, other pupil services, general administration and maintenance and operation, as well as each program's *net* cost (total cost less revenues generated by the activities). As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

**Table 3**

(Amounts in thousands)	Total Cost of Services		Net Cost of Services	
	2006	2005	2006	2005
Instruction	\$ 35,517.9	\$ 33,049.6	\$ (23,964.6)	\$ (18,304.0)
Instruction-related activities	5,515.6	4,431.5	(2,849.2)	(2,703.2)
Other pupil services	3,759.7	3,985.7	(467.0)	(692.7)
General administration	2,626.7	3,304.7	(2,107.4)	(2,163.5)
Maintenance and operations	4,461.7	4,258.9	(3,895.4)	(3,976.9)
Other	3,142.0	3,146.2	(2,665.8)	(2,715.2)
<b>Totals</b>	<b>\$ 55,023.6</b>	<b>\$ 52,176.6</b>	<b>\$ (35,949.4)</b>	<b>\$ (30,555.5)</b>

### THE DISTRICT'S FUNDS

As the District completed the year, our governmental funds reported a combined fund balance of \$31.4 million, which is a decrease of \$8.6 million from last year (Table 4). The largest component of this decrease, (\$12.0) million in our four facilities and capital improvements fund balances, is related to actual completed construction which is part of the District's facilities master plan. In 2005-06, the District invested \$8.78 million to complete its new Smith Elementary School (budgeted at \$12.2 million) and another \$4.5 million on its new Addams Middle School (budgeted at \$16.6 million). The general fund reflected a fiscal year increase of \$2.1 million which includes a delay in increased operational costs for the new Smith School and Addams School of approximately \$1 million annually to the 2006-07 fiscal year, and other cost saving measures implemented by the District as it faces continued declining enrollment and the resulting loss of revenues over time.

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2006**

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The Deferred Maintenance Fund increased by \$0.4 million in anticipation of district wide improvements this year including new lunch shelters; the Cafeteria Fund reflected an increase of \$0.4 million as they planned for up graded equipment requirements; the Retiree Benefits Fund reflected an increase of \$0.3 million in anticipation of future retiree medical costs; and the Child Development Fund reflected an increase of \$0.2 million.

**Table 4**

(Amounts in thousands)	Fund Balance	
	June 30, 2006	June 30, 2005
General	\$ 11,733.7	\$ 9,604.8
Building	9,955.1	16,163.8
County School Facilities	471.1	5,287.1
Child Development	686.4	442.1
Cafeteria	1,898.7	1,486.3
Deferred Maintenance	1,799.3	1,398.8
Retiree Benefits	2,243.0	1,987.9
Capital Facilities	529.5	315.8
State School Building Lease-Purchase	26.8	1,300.0
Special Reserve Capital Outlay	1,013.1	890.3
Bond Interest and Redemption	1,060.9	1,182.6
Other	16.2	15.6
<b>Totals</b>	<b>\$ 31,433.8</b>	<b>\$ 40,075.1</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, 2005, and the 2<sup>nd</sup> Interim Budget Report was prepared based upon the actual information through January 31, 2006. The final amendments to the budget were adopted in late spring of 2006 (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 48).

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2006, the District had \$57.4 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 \$11.8 million, or 26 percent, from last year (Table 5).

Table 5

(Amounts in thousands)

	Governmental Activities	
	2006	2005
Land and construction in progress	\$ 25,578.5	\$ 12,281.9
Buildings and improvements	31,422.8	32,862.5
Equipment	390.4	439.1
<b>Totals</b>	<b>\$ 57,391.7</b>	<b>\$ 45,583.5</b>

This year's addition of over \$11.8 million mostly reflects the District's facilities and construction program accomplishments including the nearly complete new Smith Elementary School budgeted at \$12.2 million and its new Addams Middle School budgeted at \$16.6 million well into construction. 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 \$21.5 million in bonds outstanding versus \$21.9 million last year, a decrease of 2 percent. The long-term obligations consisted of:

Table 6

(Amounts in thousands)

	Governmental Activities	
	2006	2005
General obligation bonds (financed with property taxes)	\$ 21,465.0	\$ 21,900.0
Compensated absences	327.8	313.5
Early retirement	151.0	31.0
<b>Totals</b>	<b>\$ 21,943.8</b>	<b>\$ 22,244.5</b>

The District's general obligation bond rating continues to be "AAA". The State limits the amount of general obligation debt that District's 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 \$21.5 million is significantly below the statutorily-imposed limit.

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2006**

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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 7 of the financial statements.

### **SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2005-2006 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 2005-06 fiscal year with the completion and grand opening of its new Smith Elementary School budgeted at \$12,272,522, which now includes the recent bid award for a steel canopy structure which was in the original design at a budgeted cost of \$370,129. We also successfully opened our new Addams Middle School budgeted at \$16,594,870, which now includes a kitchen remodel at a budgeted cost of \$678,146. The Smith canopy, the new Addams Gymnasium, and other site improvements are still under construction at this time. 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 2006-2007 year, the Governing Board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. A Cost of Living Adjustments (COLA) on the District's revenue limit of 5.92 percent and an additional 0.89 percent for deficit reduction.
2. Equalization funding of approximately \$33.17 per Average Daily Attendance (ADA).
3. ADA is reduced by approximately 125 to reflect continuing declining enrollments.
4. Interest earnings will maintain consistent with the prior year.
5. Developer fee collections are based on approximate new housing units to be constructed.
6. Federal income will decrease slightly due to declining enrollment for the population of qualified students.
7. State income will decrease slightly due to declining enrollment for the population of qualified students.
8. Charges to other funds will increase slightly to reflect a percentage increase ranging from 10 to 18 percent 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 through third	30:1	608
Grades four through eight	20:1	1,980
Grades nine through twelve	30:1	3,288

## **LAWNDALE ELEMENTARY SCHOOL DISTRICT**

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

**JUNE 30, 2006**

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The new items specifically addressed in the budget are reductions in revenue and expenses to reflect 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 2006-07 year. Declining enrollment is a new phenomenon for our District that presents a unique challenge to balance budgets when revenues losses outpace expenditure reduction options. Future year projections show a continuing declining trend for several years that could result in a combined loss of over 500 students over the next few years.

### **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).

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## STATEMENT OF NET ASSETS

JUNE 30, 2006

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Deposits and investments	\$ 36,500,479	\$ 105,061	\$ 36,605,540
Receivables	5,953,994	3,857	5,957,851
Stores inventories	51,210	-	51,210
Other current assets	119,610	-	119,610
Capital Assets:			
Land and construction in progress	25,578,545	-	25,578,545
Other capital assets	47,662,232	-	47,662,232
Less: Accumulated depreciation	(15,849,056)	-	(15,849,056)
Total Capital Assets	57,391,721	-	57,391,721
<b>Total Assets</b>	<b>100,017,014</b>	<b>108,918</b>	<b>100,125,932</b>
<b>LIABILITIES</b>			
Accounts payable	10,329,384	263	10,329,647
Interest payable	432,291	-	432,291
Deferred revenue	862,139	-	862,139
Long-term liabilities:			
Current portion of long-term obligations	554,000	-	554,000
Noncurrent portion of long-term obligations	21,389,756	-	21,389,756
Total Long-Term Liabilities	21,943,756	-	21,943,756
<b>Total Liabilities</b>	<b>33,567,570</b>	<b>263</b>	<b>33,567,833</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	35,926,721	-	35,926,721
Restricted for:			
Debt service	1,077,065	-	1,077,065
Capital projects	11,995,516	-	11,995,516
Educational programs	1,872,690	-	1,872,690
Other activities	6,627,438	-	6,627,438
Unrestricted	8,950,014	108,655	9,058,669
<b>Total Net Assets</b>	<b>\$ 66,449,444</b>	<b>\$ 108,655</b>	<b>\$ 66,558,099</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, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Instruction	\$ 35,517,865	\$ 2,502	\$ 11,171,227	\$ 379,522
Instruction-related activities:				
Supervision of instruction	1,673,298	423	1,519,460	-
Instructional library, media, and technology	542,890	-	457,700	-
School site administration	3,299,475	66	688,771	-
Pupil services:				
Home-to-school transportation	678,480	104,652	372,978	-
Food services	2,040,418	325,470	1,896,143	-
All other pupil services	1,040,756	-	593,443	-
General administration:				
Data processing	86,364	-	-	-
All other general administration	2,540,345	6,345	512,931	-
Plant services	4,461,711	32,631	533,683	-
Facility acquisition and construction	63,884	-	-	-
Community services	33,691	-	23,371	-
Enterprise services	195,789	-	-	-
Interest on long-term obligations	1,052,298	-	-	-
Other outgo	1,796,307	-	452,873	-
<b>Total Governmental Activities</b>	<u>55,023,571</u>	<u>472,089</u>	<u>18,222,580</u>	<u>379,522</u>
<b>Business-Type Activities</b>				
Enterprise services	13,857	58,736	-	-
<b>Total School District</b>	<u>\$ 55,037,428</u>	<u>\$ 530,825</u>	<u>\$ 18,222,580</u>	<u>\$ 379,522</u>

### 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
\$ (23,964,614)	\$ -	\$ (23,964,614)
(153,415)	-	(153,415)
(85,190)	-	(85,190)
(2,610,638)	-	(2,610,638)
(200,850)	-	(200,850)
181,195	-	181,195
(447,313)	-	(447,313)
(86,364)	-	(86,364)
(2,021,069)	-	(2,021,069)
(3,895,397)	-	(3,895,397)
(63,884)	-	(63,884)
(10,320)	-	(10,320)
(195,789)	-	(195,789)
(1,052,298)	-	(1,052,298)
(1,343,434)	-	(1,343,434)
(35,949,380)	-	(35,949,380)
-	44,879	44,879
(35,949,380)	44,879	(35,904,501)
3,864,327	-	3,864,327
1,350,587	-	1,350,587
5,187	-	5,187
30,494,531	-	30,494,531
1,359,544	3,420	1,362,964
2,353,390	-	2,353,390
39,427,566	3,420	39,430,986
3,478,186	48,299	3,526,485
62,971,258	60,356	63,031,614
\$ 66,449,444	\$ 108,655	\$ 66,558,099

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2006

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Deposits and investments	\$ 14,135,933	\$ 13,301,445	\$ 9,063,101	\$ 36,500,479
Receivables	4,500,446	205,449	1,248,099	5,953,994
Stores inventory	36,760	-	14,450	51,210
Other current assets	119,610	-	-	119,610
<b>Total Assets</b>	<b>\$ 18,792,749</b>	<b>\$ 13,506,894</b>	<b>\$ 10,325,650</b>	<b>\$ 42,625,293</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	6,440,894	3,551,844	336,646	10,329,384
Deferred revenue	618,104	-	244,035	862,139
<b>Total Liabilities</b>	<b>7,058,998</b>	<b>3,551,844</b>	<b>580,681</b>	<b>11,191,523</b>
<b>FUND BALANCE</b>				
Reserved	1,924,450	-	14,930	1,939,380
Unreserved:				
Designated	9,809,301	9,955,050	8,652,974	28,417,325
Undesignated, reported in:				
Debt service funds	-	-	1,077,065	1,077,065
<b>Total Fund Balance</b>	<b>11,733,751</b>	<b>9,955,050</b>	<b>9,744,969</b>	<b>31,433,770</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 18,792,749</b>	<b>\$ 13,506,894</b>	<b>\$ 10,325,650</b>	<b>\$ 42,625,293</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, 2006**

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

**Total Fund Balance - Governmental Funds** **\$ 31,433,770**

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 \$ 73,240,777

Accumulated depreciation is (15,849,056)

**Total Net Capital Assets** **57,391,721**

In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term obligations is recognized when it is incurred.

(432,291)

Long-term liabilities, including general obligation bonds, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year end consist of:

General obligation bonds 21,465,000

Early retirement incentive 151,000

Compensated absences 327,756

**Total Long-Term Liabilities** (21,943,756)

**Total Net Assets - Governmental Activities** **\$ 66,449,444**

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, 2006

	General Fund	Building Fund	Non-Major Governmental Funds
<b>REVENUES</b>			
Revenue limit sources	\$ 30,729,069	\$ -	\$ -
Federal sources	6,195,424	-	1,956,317
Other State sources	11,532,079	-	2,332,453
Other local sources	1,984,611	559,337	2,598,039
<b>Total Revenues</b>	<b>50,441,183</b>	<b>559,337</b>	<b>6,886,809</b>
<b>EXPENDITURES</b>			
Current			
Instruction	33,119,712	-	1,098,817
Instruction-related activities:			
Supervision of instruction	1,494,147	-	179,151
Instructional library, media and technology	542,890	-	-
School site administration	3,270,553	-	28,922
Pupil Services:			
Home-to-school transportation	655,033	-	-
Food services	-	-	1,970,396
All other pupil services	1,002,259	-	-
General administration:			
Data processing	86,364	-	-
All other general administration	2,325,508	-	89,691
Plant services	3,985,794	-	408,397
Facility acquisition and construction	-	6,768,057	6,593,735
Community services	33,691	-	-
Other outgo	1,181,879	-	-
Enterprise services	-	-	195,789
Debt service			
Principal	-	-	435,000
Interest and other	-	-	1,062,868
<b>Total Expenditures</b>	<b>47,697,830</b>	<b>6,768,057</b>	<b>12,062,766</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>2,743,353</b>	<b>(6,208,720)</b>	<b>(5,175,957)</b>
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	-	614,428
Transfers out	(614,428)	-	-
<b>Net Financing Sources (Uses)</b>	<b>(614,428)</b>	<b>-</b>	<b>614,428</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>2,128,925</b>	<b>(6,208,720)</b>	<b>(4,561,529)</b>
<b>Fund Balance - Beginning</b>	<b>9,604,826</b>	<b>16,163,770</b>	<b>14,306,498</b>
<b>Fund Balance - Ending</b>	<b>\$ 11,733,751</b>	<b>\$ 9,955,050</b>	<b>\$ 9,744,969</b>

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

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<b>Total Governmental Funds</b>	
\$	30,729,069
	8,151,741
	13,864,532
	5,141,987
	<u>57,887,329</u>
	34,218,529
	1,673,298
	542,890
	3,299,475
	655,033
	1,970,396
	1,002,259
	86,364
	2,415,199
	4,394,191
	13,361,792
	33,691
	1,181,879
	195,789
	435,000
	<u>1,062,868</u>
	<u>66,528,653</u>
	<u>(8,641,324)</u>
	614,428
	<u>(614,428)</u>
	-
	<u>(8,641,324)</u>
	40,075,094
\$	<u><u>31,433,770</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, 2006

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Total Net Change in Fund Balances - Governmental Funds \$ (8,641,324)

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

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

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

Capital outlays	\$ 13,392,400	
Depreciation expense	<u>(1,584,209)</u>	
		11,808,191

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 \$14,251. Early retirement incentive paid was \$21,000. A new Special Early Retirement Incentive was created. The expenditures reported in the statement of activities are accrued while in the fund financial statements the balances are expensed in the year of payment. The new plan increases long-term obligations by (\$141,000).

(134,251)

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities:

Principal payment on general obligation bonds	435,000
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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.	(432,291)
Accrued interest from prior period.	<u>442,861</u>

**Change in Net Assets of Governmental Activities**

\$ 3,478,186

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

**LAWNDALE ELEMENTARY SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
JUNE 30, 2006**

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**Business-Type Activities Enterprise Fund**

	<u>Child Care</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
Deposits and investments	\$ 105,061
Receivables	<u>3,857</u>
<b>Total Assets</b>	<u>108,918</u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable	<u>263</u>
<b>Total Liabilities</b>	<u>263</u>
<b>NET ASSETS</b>	
Unrestricted	<u>108,655</u>
<b>Total Net Assets</b>	<u>\$ 108,655</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, 2006

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### Business-Type Activities Enterprise Fund

	<u>Child Care</u>
<b>OPERATING REVENUES</b>	
Local and intermediate sources	\$ 58,736
<b>Total Operating Revenues</b>	<u>58,736</u>
<b>OPERATING EXPENSES</b>	
Payroll costs	<u>13,857</u>
<b>Total Operating Expenses</b>	<u>13,857</u>
<b>Operating Income</b>	<u>44,879</u>
<b>NONOPERATING REVENUES</b>	
Interest income	<u>3,420</u>
<b>Total Nonoperating Revenues</b>	<u>3,420</u>
<b>Change in Net Assets</b>	<u>48,299</u>
<b>Total Net Assets - Beginning</b>	<u>60,356</u>
<b>Total Net Assets - Ending</b>	<u>\$ 108,655</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, 2006

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### Business-Type Activities Enterprise Fund

	<u>Child Care</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from user charges	\$ 55,294
Cash payments for other operating expenses	(20,276)
Net Cash Provided from Operating Activities	<u>35,018</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	<u>3,420</u>
Net Cash Provided from Investing Activities	<u>3,420</u>
Net Increase in Cash and Cash Equivalents	38,438
Cash and Cash Equivalents - Beginning	66,623
Cash and Cash Equivalents - Ending	<u><u>\$ 105,061</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 44,879
Changes in assets and liabilities:	
Receivables	(3,442)
Accounts Payable	(6,419)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 35,018</u></u>

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

**LAWNDALE ELEMENTARY SCHOOL DISTRICT**

**FIDUCIARY FUNDS**

**STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2006**

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	<b>Agency Funds</b>
<b>ASSETS</b>	
Deposits and investments	<u>\$ 30,679</u>
<b>LIABILITIES</b>	
Due to student groups	<u>\$ 30,679</u>

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

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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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 one middle school.

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 Agencies and Public Entity Risk Pools** The District is associated with two joint powers agencies. These organizations do not meet the criteria for inclusion as component units of the District. Additional information is presented in Note 13 to the financial statements. These organizations are:

Alliance of Schools for Collective Insurance Purchasing (ASCIP)  
Centinela - South Bay School Insurance Authority (CSBSIA)

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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### Basis of Presentation - Fund Accounting

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

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

### Major Governmental Funds

**General Fund** The General Fund 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.

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

**Capital Facilities Fund** The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

---

**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).

**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, general 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, 2006

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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, 2006

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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 45 or 60 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.

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.

Under the modified accrual basis, 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.

**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, 2006**

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### **Investments**

Investments held at June 30, 2006, 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, 2006**

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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 equity 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 \$21,572,709 of restricted net assets.

# **LAWNDALE ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2006**

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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.

### **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.

### **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, 2006

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### Changes in Accounting Principles

In December 2004, GASB issued Statement No. 46, *Net Assets Restricted by Enabling Legislation*. This Statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government, such as citizens, public interest groups, or the judiciary, can compel a government to honor. The Statement states that the legal enforceability of an enabling legislation restriction should be reevaluated if any of the resources raised by the enabling legislation are used for a purpose not specified by the enabling legislation or if a government has other cause for reconsideration. Although the determination that a particular restriction is not legally enforceable may cause a government to review the enforceability of other restrictions, it should not necessarily lead a government to the same conclusion for all enabling legislation restrictions.

The Statement also specifies the accounting and financial reporting requirements if new enabling legislation replaces existing enabling legislation or if legal enforceability is reevaluated. Finally, this Statement requires governments to disclose the portion of total net assets that is restricted by enabling legislation. As such, the District has made all applicable required disclosures.

### 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.

In June 2005, the GASB issued GASBS No. 47, *Accounting for Termination Benefits*. GASBS No. 47 addresses accounting for both voluntary and involuntary termination benefits. For termination benefits that affect an employer's obligations for defined benefit OPEB, the provisions of GASBS No. 47 should be applied simultaneously with the requirements of GASBS No. 45. GASBS No. 45 is effective in three phases, with implementation required for Phase I governments in periods beginning after December 15, 2006. For all other termination benefits, including those that affect an employer's obligations for defined benefit pension benefits, GASBS No. 47 is effective for financial statements for periods beginning after June 15, 2005. Earlier application of GASBS No. 47 is encouraged.

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

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### NOTE 2 – DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2006, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 36,500,479
Business-type activities	105,061
Fiduciary funds	30,679
Total Deposits and Investments	<u>\$ 36,636,219</u>

Deposits and investments as of June 30, 2006, consist of the following:

Cash on hand and in banks	\$ 102,323
Cash in revolving	15,480
Investments	36,518,416
Total Deposits and Investments	<u>\$ 36,636,219</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.

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

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

### 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.

### Specific Identification

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

Investment Type	Fair Value	Weighted Average Maturity In Days
County Pool	\$ 36,433,679	251

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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### 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, 2006
County Pool	<u>\$ 36,433,679</u>	Not required	Unrated

### 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, 2006, 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, 2006**

### NOTE 3 - RECEIVABLES

Receivables at June 30, 2006, 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	\$ 703,441	\$ -	\$ 901,157	\$ 1,604,598	\$ -
State Government					
Apportionment	1,560,581	-	-	1,560,581	-
Categorical aid	934,694	-	225,857	1,160,551	-
Lottery	219,894	-	-	219,894	-
Other State	37,250	-	-	37,250	-
Local Government					
Local grant	368,047	-	-	368,047	-
Other	676,539	205,449	121,085	1,003,073	3,857
Total	<u>\$ 4,500,446</u>	<u>\$ 205,449</u>	<u>\$ 1,248,099</u>	<u>\$ 5,953,994</u>	<u>\$ 3,857</u>

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

### NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 1,370,117	\$ -	\$ -	\$ 1,370,117
Construction in progress	10,911,818	13,296,610	-	24,208,428
Total Capital Assets Not Being Depreciated	12,281,935	13,296,610	-	25,578,545
Capital Assets Being Depreciated:				
Land improvements	573,000	-	-	573,000
Buildings and improvements	43,939,722	-	-	43,939,722
Furniture and equipment	3,053,720	95,790	-	3,149,510
Total Capital Assets Being Depreciated	47,566,442	95,790	-	47,662,232
Total Capital Assets	59,848,377	13,392,400	-	73,240,777
Less Accumulated Depreciation:				
Land improvements	569,252	1,475	-	570,727
Buildings and improvements	11,081,001	1,438,244	-	12,519,245
Furniture and equipment	2,614,594	144,490	-	2,759,084
Total Accumulated Depreciation	14,264,847	1,584,209	-	15,849,056
Governmental Activities Capital Assets, Net	\$ 45,583,530	\$ 11,808,191	\$ -	\$ 57,391,721

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

<b>Governmental Activities</b>	
Instruction	\$ 1,217,781
All other pupil services	38,497
Food services	70,022
Transportation	23,446
All other general administration	110,895
Plant services	123,568
Total Depreciation Expenses Governmental Activities	\$ 1,584,209

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

### Operating Transfers

Interfund transfers for the year ended June 30, 2006, consisted of the following:

Transfer To	Transfer From	
	General Fund	Total
Non-Major Governmental Funds	\$ 614,428	\$ 614,428
The General Fund transferred to the Retiree Benefits Fund for District contribution.		\$ 275,792
The General Fund transferred to the Deferred Maintenance Fund the required annual match.		240,000
The General Fund transferred to the Cafeteria Fund to support operations.		98,536
Total		\$ 614,328

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 5 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2006, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities	Enterprise Fund
Vendor payables	\$ 1,465,586	\$ 3,542,604	\$ 122,409	\$ 5,130,599	\$ -
Salaries and benefits	4,687,123	9,240	214,237	4,910,600	263
Other payables	288,185	-	-	288,185	-
Total	\$ 6,440,894	\$ 3,551,844	\$ 336,646	\$ 10,329,384	\$ 263

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

### NOTE 6 - DEFERRED REVENUE

Deferred revenue at June 30, 2006, consists of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	\$ 398,902	\$ -	\$ 398,902
State categorical aid	162,174	-	162,174
Other local	57,028	244,035	301,063
Total	<u>\$ 618,104</u>	<u>\$ 244,035</u>	<u>\$ 862,139</u>

### NOTE 7 - LONG-TERM OBLIGATIONS

#### Summary

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

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006	Due in One Year
General obligation bonds	\$ 21,900,000	\$ -	\$ 435,000	\$ 21,465,000	\$ 465,000
Compensated absences	313,505	14,251	-	327,756	-
Early retirement incentive	31,000	141,000	21,000	151,000	89,000
	<u>\$ 22,244,505</u>	<u>\$ 155,251</u>	<u>\$ 456,000</u>	<u>\$ 21,943,756</u>	<u>\$ 554,000</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, 2005	Redeemed	Bonds Outstanding June 30, 2006	Due in One Year
6/1/1999	8/1/2028	3.5% to 5.25%	\$26,000,000	\$ 9,190,000	\$ 210,000	\$ 8,980,000	\$ 225,000
11/6/2002	8/1/2032	3.5% to 5.25%	13,000,000	12,710,000	225,000	12,485,000	240,000
				<u>\$ 21,900,000</u>	<u>\$ 435,000</u>	<u>\$ 21,465,000</u>	<u>\$ 465,000</u>

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

### Debt Service Requirements to Maturity

The bonds mature through 2033 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2007	\$ 225,000	\$ 450,174	\$ 675,174
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
2012-2016	1,535,000	1,795,099	3,330,099
2017-2021	1,935,000	1,366,574	3,301,574
2022-2026	2,470,000	801,840	3,271,840
2027-2029	1,800,000	143,520	1,943,520
Total	<u>\$ 8,980,000</u>	<u>\$ 6,233,683</u>	<u>\$ 15,213,683</u>

Fiscal Year	Principal	Interest to Maturity	Total
2007	\$ 240,000	\$ 587,325	\$ 827,325
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
2012-2016	1,630,000	2,499,802	4,129,802
2017-2021	2,060,000	2,103,019	4,163,019
2022-2026	2,590,000	1,552,596	4,142,596
2027-2031	3,315,000	825,625	4,140,625
2032-2033	1,580,000	80,000	1,660,000
Total	<u>\$ 12,485,000</u>	<u>\$ 9,858,084</u>	<u>\$ 22,343,084</u>

### Compensated Absences

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2006, amounted to \$327,756.

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2006**

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### 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
2007	\$ 5,000
2008	5,000
Total	<u>\$ 10,000</u>

#### Early Retirement Incentive Plan-2006

Year Ending June 30,	Total
2007	\$ 84,000
2008	39,000
2009	9,000
2010	9,000
Total	<u>\$ 141,000</u>

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

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### NOTE 8 - 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 inventory	36,760	-	14,450	51,210
Restricted programs	1,872,690	-	-	1,872,690
Total Reserved	1,924,450	-	14,930	1,939,380
Unreserved				
Designated				
Economic uncertainties	9,272,550	-	2,570,173	11,842,723
Other designation	536,751	9,955,050	6,082,801	16,574,602
Total Designated	9,809,301	9,955,050	8,652,974	28,417,325
Undesignated	-	-	1,077,065	1,077,065
Total Unreserved	9,809,301	9,955,050	9,730,039	29,494,390
Total	\$ 11,733,751	\$ 9,955,050	\$ 9,744,969	\$ 31,433,770

### NOTE 9 - POSTEMPLOYMENT BENEFITS

The District provides postemployment 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 postemployment benefits are recognized on a pay-as-you-go basis, as retirees report claims (premiums are paid). During the year, expenditures of \$104,172 were recognized for retirees' health care benefits.

### NOTE 10 - RISK MANAGEMENT

#### Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2006, 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.

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

The District's risk management activities are recorded in the General Fund. Employee life, health, and disability programs are administered by the General Fund through the purchase of commercial insurance. The District participates in the Centinela-South Bay School Insurance Authority public entity risk pools for the workers' compensation programs and purchases excess liability coverage through the JPA. Refer to Note 13 for additional information regarding the JPA. The Property and Liability Program, for which the District remains risk of loss, is administered through the Alliance of Schools for Collective Insurance Purchasing (ASCIP). Excess property and liability coverage is obtained through Schools Excess Liability Fund (SELF).

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 2006, the District participated in the Centinela - South Bay School Insurance Authority, an insurance purchasing pool. The intent of the Centinela - South Bay School Insurance Authority is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Centinela - South Bay School Insurance Authority. 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 Centinela - South Bay School Insurance Authority. Each participant pays its workers' compensation premium based on its individual rate. A participant will then either receive money from or 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 Centinela - South Bay School Insurance Authority. Participation in the Centinela - South Bay School Insurance Authority is limited to districts that can meet the Centinela - South Bay School Insurance Authority selection criteria. The firm of Centinela - South Bay School Insurance Authority provides administrative, cost control, and actuarial services to the JPA.

Coverage provided by Centinela - South Bay School Insurance Authority for property and liability and workers' compensation is as follows:

Insurance Program / Company Name	Type of Coverage	Limits
<u>Workers' Compensation Program</u> Centinela-South Bay School Insurance Authority (CSBSIA)	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

# **LAWNDALE ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2006**

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### **NOTE 11 - 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.

##### **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 2005-2006 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, 2006, 2005, and 2004, were \$1,931,802, \$1,865,650, and \$1,798,211, 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.

# **LAWNDALE ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2006**

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### **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 2005-2006 was 9.116 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, 2006, 2005, and 2004, were \$544,935, \$566,612, and \$617,161, 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 7.5 percent of employees earnings based on a contribution formula.

### **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 \$1,059,609 (4.517 percent of salaries subject to STRS). Of this \$1,054,799 was recorded in the General Fund and \$4,810 was recorded in the Child Development Fund for each respective share of certificated employees. No contributions were made for PERS for the year ended June 30, 2006. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures, however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report. These amounts have not been included in the budget amounts reported in the General Fund Budgetary Schedule. These amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves.

## **NOTE 12 - COMMITMENTS AND CONTINGENCIES**

### **Grants**

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2006.

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2006**

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### **Litigation**

The District is not currently a party to any legal proceedings.

### **Construction Commitments**

As of June 30, 2006, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Addams Classrooms	\$ 391,585	August 2006
Addams Conversion	1,646,298	August 2006
Addams Drop-off	865,352	August 2006
Smith Elementary School	743,017	August 2006
Addams Gym	1,357,541	September 2006
	<u>\$ 5,003,793</u>	

### **NOTE 13 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER AUTHORITIES**

The District is a member of the Alliance of Schools for Collective Insurance Purchasing (ASCIP) and Centinela-South Bay School Insurance Authority (CSBSIA) joint powers authorities (JPAs). The District pays an annual premium to the applicable entity for its health, workers' compensation, and property liability coverage. Payments for premiums are paid to the JPAs. The relationships between the District and the JPAs are such that they are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2006, the District made payments of \$266,373 to Alliance of Schools for Collective Insurance Purchasing, and Centinela-South Bay School Insurance Authority for premiums.

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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, 2006

	Budgeted Amounts (GAAP Basis)		Actual (GAAP Basis)	Variances - Positive (Negative) Final to Actual
	Original	Final		
<b>REVENUES</b>				
Revenue limit sources	\$ 30,158,534	\$ 30,359,619	\$ 30,729,069	\$ 369,450
Federal sources	5,265,280	6,643,218	6,195,424	(447,794)
Other State sources	9,172,204	10,413,526	11,532,079	1,118,553
Other local sources	1,453,165	1,710,278	1,984,611	274,333
<b>Total Revenues <sup>1</sup></b>	<b>46,049,183</b>	<b>49,126,641</b>	<b>50,441,183</b>	<b>1,314,542</b>
<b>EXPENDITURES</b>				
Current				
Instruction	31,564,852	34,720,166	33,119,712	1,600,454
Instruction-related activities:				
Supervision of instruction	1,239,306	1,584,213	1,494,147	90,066
Instructional library, media, and technology	487,216	496,812	542,890	(46,078)
School site administration	3,088,021	3,274,313	3,270,553	3,760
Pupil services:				
Home-to-school transportation	742,729	706,459	655,033	51,426
All other pupil services	1,115,227	1,074,646	1,002,259	72,387
General administration:				
Data processing	103,229	85,832	86,364	(532)
All other general administration	2,817,956	2,468,768	2,325,508	143,260
Plant services	3,621,574	4,118,438	3,985,794	132,644
Community services	29,641	41,714	33,691	8,023
Other outgo	1,429,841	1,208,336	1,181,879	26,457
<b>Total Expenditures <sup>1</sup></b>	<b>46,239,592</b>	<b>49,779,697</b>	<b>47,697,830</b>	<b>2,081,867</b>
<b>Over Expenditures</b>	<b>(190,409)</b>	<b>(653,056)</b>	<b>2,743,353</b>	<b>3,396,409</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(373,219)	(612,895)	(614,428)	(1,533)
<b>Net Financing Sources (Uses)</b>	<b>(373,219)</b>	<b>(612,895)</b>	<b>(614,428)</b>	<b>(1,533)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(563,628)</b>	<b>(1,265,951)</b>	<b>2,128,925</b>	<b>3,394,876</b>
<b>Fund Balance - Beginning</b>	<b>9,604,826</b>	<b>9,604,826</b>	<b>9,604,826</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 9,041,198</b>	<b>\$ 8,338,875</b>	<b>\$ 11,733,751</b>	<b>\$ 3,394,876</b>

<sup>1</sup> On behalf payments of \$1,054,799 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, 2006

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>			
No Child Left Behind Act			
Title I [1]	84.010	14329	\$ 1,932,854
Title I Comprehensive School Reform	84.332	13966	271,920
Title I Program Improvement	84.010A	04581	214,889
Title IV Part A Safe and Drug Free Schools	84.186	14347	72,756
Title II Part A Teacher Quality	84.367	14341	366,423
Title II Part D Enhancing Education Through Technology	84.318	14334	69,934
Title V Innovative Strategies	84.298A	14354	57,646
Title IV 21st Century Community Centers Learning Program	84.287	14350	33,242
Title IV Part B 21st Century Community Centers Learning Program	84.287	14681	540,529
Title III Limited Immigrant Education	84.365	14346	31,619
Title III Limited English Proficiency	84.365	10017	242,550
Funds for the Improvement of Education- Teaching American History [1]	84.215	[2]	381,756
Individuals with Disabilities Education Act			
Special Education Cluster [1]			
Basic Local Assistance Entitlement Part B Section 611 [1]	84.027	13379	1,051,067
Preschool grants, Part B Section 619 [1]	84.173	13430	123,937
Preschool Local Entitlement Part B Section 611 [1]	84.027A	13682	276,800
Local Staff Development Part B Section 611 [1]	84.027A	13431	1,705
Preschool Staff Development Part B Section 619 [1]	84.173A	13459	1,121
Total U.S. Department of Education			<u>5,670,748</u>
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY</b>			
Hazard Mitigation	97.039	10041	<u>104,304</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Medical Administrative Allowance	93.778	10060	33,687
Medi-Cal Billing Options	93.778	10013	166,223
CalWorks	93.575	[3]	80,380
Child Development Quality Improvement Activities	93.575	13942	16,354
Total U.S. Department of Health and Human Services			<u>296,644</u>
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>			
Child Nutrition Cluster			
National School Lunch Program	10.555	13524	1,466,244
Especially Needy Breakfast Program	10.553	13526	291,032
Meal Supplement	10.555	13527	102,103
Summer Food Service Program	10.559	[3]	74,883
Fresh Start	[4]	[3]	5,701
Food Distribution	10.550	03524	109,453
Total U.S. Department of Agriculture			<u>2,049,416</u>
Total Expenditures of Federal Awards			<u>\$ 8,121,112</u>

[1] Tested as a major program

[2] Direct funded

[3] Pass-through identification number was not available

[4] Catalog of Federal Domestic Assistance number was not available

See accompanying note to supplementary information.

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2006

	<u>Second Period Report</u>	<u>Annual Report</u>
ELEMENTARY		
Kindergarten	594	594
First through third	1,943	1,937
Fourth through sixth	1,942	1,935
Seventh and eighth	1,206	1,202
Home and hospital	3	3
Special education	214	212
Total K-8	<u>5,902</u>	<u>5,883</u>
		<u>Hours of Attendance</u>
SUMMER SCHOOL		
Elementary		<u>62,832</u>

See accompanying note to supplementary information.

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2006

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Grade Level	1982-83	1986-87	2005-2006	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	50,400	180	N/A	Complied
Grades 4 - 6	48,600	50,400	54,000	180	N/A	Complied
Grades 7 - 8	54,000	54,000	59,920	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, 2006**

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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, 2006

	(Budget) 2007 <sup>1</sup>	2006	2005	2004
GENERAL FUND				
Revenues	\$ 48,135,686	\$ 50,441,183	\$ 46,637,622	\$ 43,180,098
Total Revenues and Other Sources	48,135,686	50,441,183	46,637,622	43,180,098
Expenditures	47,349,026	47,697,830	44,474,599	40,772,430
Other uses and transfers out	618,666	614,428	442,003	1,920,139
Total Expenditures and Other Uses	47,967,692	48,312,258	44,916,602	42,692,569
INCREASE IN FUND BALANCE	\$ 167,994	\$ 2,128,925	\$ 1,721,020	\$ 487,529
ENDING FUND BALANCE	\$ 11,901,745	\$ 11,733,751	\$ 9,604,826	\$ 7,883,806
AVAILABLE RESERVES <sup>2</sup>	\$ 10,072,615	\$ 9,272,550	\$ 7,047,312	\$ 6,029,377
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO <sup>3</sup>	21.00%	19.62%	16.05%	14.12%
LONG-TERM OBLIGATIONS	N/A	\$ 21,943,756	\$ 22,244,505	\$ 22,776,057
K-12 AVERAGE DAILY ATTENDANCE AT P-2	5,777	5,902	6,027	6,082

The General Fund balance has increased by \$3,849,945 the past two years. The fiscal year 2006-2007 budget projects an increase of \$167,994 (1.4 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, and, anticipates incurring an operating surplus during the 2006-2007 fiscal year. Total long-term obligations have decreased by \$832,301 over the past two years.

Average daily attendance has decreased by 180 in the past two years. A decline of 125 ADA is anticipated during fiscal year 2006-2007.

<sup>1</sup> Budget 2007 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 have been excluded from the calculation of available reserves for fiscal year ending June 30, 2006.

See accompanying note to supplementary information.

**LAWNDALE ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF CHARTER SCHOOLS  
FOR THE YEAR ENDED JUNE 30, 2006**

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Name of Charter School  
Environmental Charter School

Included in  
Audit Report  
No

See accompanying note to supplementary information.

# **LAWNDALE ELEMENTARY SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2006**

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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.

#### **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 requirement, whichever is greater, as required by Education Code Section 46201.

#### **Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

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

#### **Schedule of Financial Trends and Analysis**

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

#### **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, 2006

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
<b>ASSETS</b>			
Deposits and investments	\$ 816,478	\$ 1,121,434	\$ 1,783,384
Receivables	240,220	914,363	22,693
Stores inventories	-	14,450	-
<b>Total Assets</b>	<u>\$ 1,056,698</u>	<u>\$ 2,050,247</u>	<u>\$ 1,806,077</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	126,229	151,578	6,774
Deferred revenue	244,035	-	-
<b>Total Liabilities</b>	<u>370,264</u>	<u>151,578</u>	<u>6,774</u>
<b>FUND BALANCES</b>			
Reserved	-	14,930	-
Unreserved:			
Designated	686,434	1,883,739	1,799,303
Undesignated, reported in:			
Debt service funds	-	-	-
<b>Total Fund Balance</b>	<u>686,434</u>	<u>1,898,669</u>	<u>1,799,303</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,056,698</u>	<u>\$ 2,050,247</u>	<u>\$ 1,806,077</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>
\$ 2,213,970	\$ 523,250	\$ 73,575	\$ 452,238	\$ 1,001,945	\$ 1,060,882
29,062	6,208	2,780	18,855	13,680	-
-	-	-	-	-	-
<u>\$ 2,243,032</u>	<u>\$ 529,458</u>	<u>\$ 76,355</u>	<u>\$ 471,093</u>	<u>\$ 1,015,625</u>	<u>\$ 1,060,882</u>
-	-	49,565	-	2,500	-
-	-	-	-	-	-
-	-	49,565	-	2,500	-
-	-	-	-	-	-
2,243,032	529,458	26,790	471,093	1,013,125	-
-	-	-	-	-	1,060,882
<u>2,243,032</u>	<u>529,458</u>	<u>26,790</u>	<u>471,093</u>	<u>1,013,125</u>	<u>1,060,882</u>
<u>\$ 2,243,032</u>	<u>\$ 529,458</u>	<u>\$ 76,355</u>	<u>\$ 471,093</u>	<u>\$ 1,015,625</u>	<u>\$ 1,060,882</u>

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# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS

### COMBINING BALANCE SHEET - UNAUDITED, Continued

JUNE 30, 2006

	Tax Override Fund	Debt Service Fund	Total Non-Major Governmental Funds
<b>ASSETS</b>			
Deposits and investments	\$ 8	\$ 15,937	\$ 9,063,101
Receivables	-	238	1,248,099
Stores inventories	-	-	14,450
<b>Total Assets</b>	<u>\$ 8</u>	<u>\$ 16,175</u>	<u>\$ 10,325,650</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	-	-	336,646
Deferred revenue	-	-	244,035
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>580,681</u>
<b>FUND BALANCES</b>			
Reserved	-	-	14,930
Unreserved:			
Designated	-	-	8,652,974
Undesignated, reported in:			
Debt service funds	8	16,175	1,077,065
<b>Total Fund Balance</b>	<u>8</u>	<u>16,175</u>	<u>9,744,969</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 8</u>	<u>\$ 16,175</u>	<u>\$ 10,325,650</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, 2006

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
<b>REVENUES</b>			
Federal sources	\$ 16,354	\$ 1,939,963	\$ -
Other State sources	1,595,946	128,421	253,583
Other local sources	73,869	429,342	56,438
<b>Total Revenues</b>	<b>1,686,169</b>	<b>2,497,726</b>	<b>310,021</b>
<b>EXPENDITURES</b>			
Current			
Instruction	1,098,817	-	-
Instruction-related activities:			
Supervision of instruction	179,151	-	-
School site administration	28,922	-	-
Pupil Services:			
Food services	18,620	1,951,776	-
General administration:			
All other general administration	52,377	37,314	-
Plant services	63,963	194,802	149,632
Facility acquisition and construction	-	-	-
Enterprise services	-	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
<b>Total Expenditures</b>	<b>1,441,850</b>	<b>2,183,892</b>	<b>149,632</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>244,319</b>	<b>313,834</b>	<b>160,389</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	98,536	240,100
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>98,536</b>	<b>240,100</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>244,319</b>	<b>412,370</b>	<b>400,489</b>
<b>Fund Balance - Beginning</b>	<b>442,115</b>	<b>1,486,299</b>	<b>1,398,814</b>
<b>Fund Balance - Ending</b>	<b>\$ 686,434</b>	<b>\$ 1,898,669</b>	<b>\$ 1,799,303</b>

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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	337,685	-	16,818
175,146	242,535	6,110	129,347	125,253	1,359,372
175,146	242,535	6,110	467,032	125,253	1,376,190
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	28,903	1,279,304	5,283,028	2,500	-
195,789	-	-	-	-	-
-	-	-	-	-	435,000
-	-	-	-	-	1,062,868
195,789	28,903	1,279,304	5,283,028	2,500	1,497,868
(20,643)	213,632	(1,273,194)	(4,815,996)	122,753	(121,678)
275,792	-	-	-	-	-
275,792	-	-	-	-	-
255,149	213,632	(1,273,194)	(4,815,996)	122,753	(121,678)
1,987,883	315,826	1,299,984	5,287,089	890,372	1,182,560
\$ 2,243,032	\$ 529,458	\$ 26,790	\$ 471,093	\$ 1,013,125	\$ 1,060,882

# 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, 2006

	Tax Override Fund	Debt Service Fund	Total Non-Major Governmental Funds
<b>REVENUES</b>			
Federal sources	\$ -	\$ -	\$ 1,956,317
Other State sources	-	-	2,332,453
Other local sources	1	626	2,598,039
<b>Total Revenues</b>	<u>1</u>	<u>626</u>	<u>6,886,809</u>
<b>EXPENDITURES</b>			
Current			
Instruction	-	-	1,098,817
Instruction-related activities:			
Supervision of instruction	-	-	179,151
School site administration	-	-	28,922
Pupil Services:			
Food services	-	-	1,970,396
General administration:			
All other general administration	-	-	89,691
Plant services	-	-	408,397
Facility acquisition and construction	-	-	6,593,735
Enterprise services	-	-	195,789
Debt service			
Principal	-	-	435,000
Interest and other	-	-	1,062,868
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>12,062,766</u>
<b>Excess (Deficiency) of</b>			
<b>Revenues Over Expenditures</b>	<u>1</u>	<u>626</u>	<u>(5,175,957)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	614,428
<b>Net Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>614,428</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>1</u>	<u>626</u>	<u>(4,561,529)</u>
<b>Fund Balance - Beginning</b>	<u>7</u>	<u>15,549</u>	<u>14,306,498</u>
<b>Fund Balance - Ending</b>	<u>\$ 8</u>	<u>\$ 16,175</u>	<u>\$ 9,744,969</u>

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, 2006

(Amounts in thousands)

	Actual Results for the Years					
	2005-2006		2004-2005		2003-2004	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
<b>REVENUES</b>						
Federal revenue	\$ 6,195	12.3	\$ 5,670	12.1	\$ 5,307	12.3
State and local revenue included in revenue limit	30,729	60.9	29,061	62.3	27,874	64.6
Other State revenue	11,532	22.9	10,335	22.2	9,225	21.4
Other local revenue	1,985	3.9	1,572	3.4	774	1.7
Total Revenues	<u>50,441</u>	<u>100.0</u>	<u>46,638</u>	<u>100.0</u>	<u>43,180</u>	<u>100.0</u>
<b>EXPENDITURES</b>						
Salaries and benefits						
Certificated salaries	23,352	46.3	22,459	48.2	21,085	48.8
Classified salaries	7,183	14.2	6,640	14.2	5,410	12.5
Employee benefits	7,944	15.8	7,018	15.0	5,991	13.9
Total Salaries and Benefits	38,479	76.3	36,117	77.4	32,486	75.2
Books and supplies	2,758	5.5	2,169	4.7	2,513	5.8
Contracts and operating expenses	5,274	10.4	5,125	11.0	5,760	13.3
Capital outlay	94	0.2	14	0.0	13	0.0
Other outgo	1,093	2.2	1,050	2.3	-	0.0
Total Expenditures	<u>47,698</u>	<u>94.6</u>	<u>44,475</u>	<u>95.4</u>	<u>40,772</u>	<u>94.3</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>2,743</u>	<u>5.4</u>	<u>2,163</u>	<u>4.6</u>	<u>2,408</u>	<u>5.7</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
(Outgoing) Incoming transfers	<u>(614)</u>	<u>(1.2)</u>	<u>(442)</u>	<u>(0.9)</u>	<u>(1,920)</u>	<u>(4.4)</u>
<b>INCREASE IN FUND BALANCE</b>	<u>2,129</u>	<u>4.2</u>	<u>1,721</u>	<u>3.7</u>	<u>488</u>	<u>1.3</u>
<b>FUND BALANCE, BEGINNING</b>	<u>9,605</u>		<u>7,884</u>		<u>7,396</u>	
<b>FUND BALANCE, ENDING</b>	<u>\$11,734</u>		<u>\$9,605</u>		<u>\$7,884</u>	
<b>BASE REVENUE LIMIT PER ADA</b>						
Regular	<u>\$ 5,772</u>		<u>\$5,844</u>		<u>\$5,844</u>	

See accompanying note to supplementary information - unaudited.

# **LAWNDALE ELEMENTARY SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION - UNAUDITED JUNE 30, 2006**

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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, 2006, which collectively comprise the Lawndale Elementary School District's basic financial statements and have issued our report thereon dated October 27, 2006. 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**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.

Vavrusch, Trine, Day & Co., LLP

Rancho Cucamonga, California  
October 27, 2006



**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, 2006. Lawndale Elementary School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Lawndale Elementary School District's management. Our responsibility is to express an opinion on Lawndale Elementary School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Lawndale Elementary School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Lawndale Elementary School District's compliance with those requirements.

In our opinion, Lawndale Elementary School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2006.

## 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 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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.

*Varunish, Trine, Day & Co., LLP*

Rancho Cucamonga, California  
October 27, 2006



## 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, 2006, and have issued our report thereon dated October 27, 2006. 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 2005-06*, 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 Controllers Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance reporting	8	Yes
Kindergarten continuance	3	Yes
Independent study	22	Not Applicable
Continuation education	10	Not Applicable
Adult education	9	Not Applicable
Regional occupational centers and programs	6	Not Applicable
Instructional Time:		
School districts	4	Yes
County offices of education	3	Not Applicable
Community day schools	9	Not Applicable
Morgan-Hart Class Size Reduction	7	Not Applicable

	Procedures in Controllers 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
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
Non classroom-based instruction/independent study	15	Not Applicable
Additional Non classroom-based instruction	1	Not Applicable
Determination of funding for non classroom-based instruction	3	Not Applicable
Annual instruction minutes classroom based	3	Not Applicable

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

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

*Vaughn, Tume, Day & Co., LLP*

Rancho Cucamonga, California  
October 27, 2006

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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, 2006

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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>
Reporting conditions 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>
Reporting conditions identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)

No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I</u>
<u>84.215</u>	<u>Funds for the Improvement of Education-</u>
	<u>Teaching American History</u>
<u>84.027, 84.173, 84.027A and 84.173A</u>	<u>Special Education Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

Yes

### STATE AWARDS

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

**LAWNDALE ELEMENTARY SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2006**

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None reported.

**LAWNDALE ELEMENTARY SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2006**

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None reported.

**LAWNDALE ELEMENTARY SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2006**

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None reported.

**LAWNDALE ELEMENTARY SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2006**

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

