

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Refunding Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Refunding Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Refunding Bonds. See "TAX MATTERS" herein.



\$206,735,000

LOS ANGELES UNIFIED SCHOOL DISTRICT
(County of Los Angeles, California)

2011 General Obligation
Refunding Bonds, Series A-1

\$201,070,000

LOS ANGELES UNIFIED SCHOOL DISTRICT
(County of Los Angeles, California)

2011 General Obligation
Refunding Bonds, Series A-2

Dated: Date of Delivery**Due: July 1, as shown on inside cover**

The Los Angeles Unified School District (the "District") is issuing its \$206,735,000 2011 General Obligation Refunding Bonds, Series A-1 (the "Series A-1 Refunding Bonds") and its \$201,070,000 2011 General Obligation Refunding Bonds, Series A-2 (the "Series A-2 Refunding Bonds" and together with the Series A-1 Refunding Bonds the "Refunding Bonds"). The Refunding Bonds are general obligation bonds approved by voters within the District and are payable from *ad valorem* property taxes levied by the County of Los Angeles on property within the District which the Board of Supervisors of the County of Los Angeles is empowered and obligated to levy upon all property within the District subject to taxation by the District without limitation of rate or amount (except as to certain personal property which is taxable at limited rates), all as more fully described herein. The Refunding Bonds are being issued pursuant to the laws of the State of California (the "State"), a resolution approved by the Board of Education of the District, and a Paying Agent Agreement, dated as of November 1, 2011, by and between the District and U.S. Bank National Association, as paying agent (the "Paying Agent").

The Refunding Bonds are being issued to refund and defease a portion of the Prior Bonds (defined herein). A portion of the proceeds of the Refunding Bonds will be used to pay the costs of issuance incurred in connection with the issuance of the Refunding Bonds. See "PLAN OF REFUNDING" herein.

Interest on the Refunding Bonds is payable on January 1 and July 1 of each year, commencing on January 1, 2012.

The Refunding Bonds will be initially issued in book-entry form only, in denominations of \$5,000 principal amount, or integral multiples thereof, and will be initially issued and registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Refunding Bonds. Owners will not receive certificates representing their interests in the Refunding Bonds. Payments of principal, premium, if any, and interest on the Refunding Bonds will be made by the Paying Agent to DTC, which is obligated to remit such payments to its DTC Participants for subsequent disbursement to the beneficial owners of the Refunding Bonds. See APPENDIX E – "BOOK-ENTRY ONLY SYSTEM" attached hereto.

The Refunding Bonds are subject to redemption prior to maturity as described herein. See "THE REFUNDING BONDS – Redemption" herein.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY. IT IS NOT INTENDED TO BE A SUMMARY OF THE SECURITY OR TERMS OF THIS ISSUE. INVESTORS ARE ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Refunding Bonds will be offered when, as and if issued by the District and received by the Underwriters, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel to the District. Certain legal matters will also be passed upon for the District by its Disclosure Counsel, Hawkins Delafield & Wood LLP, Los Angeles, California, and by the District's General Counsel. Certain legal matters will also be passed upon for the Underwriters by their counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California. Tamalpais Advisors, Inc. – KNN Public Finance, A Joint Venture, is serving as Financial Advisor to the District in connection with the issuance of the Refunding Bonds. The Refunding Bonds, in book-entry form, will be available for delivery through the facilities of DTC in New York, New York on or about November 1, 2011.

Citigroup

BofA Merrill Lynch
De La Rosa & Co.

RBC Capital Markets
Backstrom McCarley Berry & Co., LLC

**MATURITY DATES, PRINCIPAL AMOUNTS, INTEREST RATES,
INITIAL PUBLIC OFFERING YIELDS AND CUSIP NUMBERS**

\$206,735,000

**LOS ANGELES UNIFIED SCHOOL DISTRICT
(COUNTY OF LOS ANGELES, CALIFORNIA)**

2011 GENERAL OBLIGATION REFUNDING BONDS, SERIES A-1

Base CUSIP[†] Number: 544646

Maturity Date (July 1)	Principal Amount	Interest Rate	Initial Public Offering Yield	CUSIP[†] Suffix
2012	\$ 3,585,000	2.00%	0.25%	E40
2013	470,000	2.00	0.57	E57
2014	150,000	2.00	1.00	E65
2014	450,000	3.00	1.00	F80
2014	16,545,000	4.00	1.00	G55
2015	700,000	3.00	1.16	E73
2015	18,125,000	5.00	1.16	F98
2016	1,375,000	3.00	1.47	E99
2016	18,400,000	4.00	1.47	F31
2017	100,000	3.00	1.80	F23
2017	20,475,000	4.00	1.80	F49
2018	2,200,000	4.00	2.18	G63
2018	19,225,000	5.00	2.18	F56
2019	140,000	4.00	2.45	F72
2020	23,655,000	5.00	2.72	F64
2021	2,360,000	4.00	2.87	E81
2021	22,510,000	5.00	2.87	G22
2023	27,435,000	5.00	3.19	G48
2024	28,835,000	5.00	3.40*	G30

* Priced to optional call date of July 1, 2021.

\$201,070,000

**LOS ANGELES UNIFIED SCHOOL DISTRICT
(COUNTY OF LOS ANGELES, CALIFORNIA)**

2011 GENERAL OBLIGATION REFUNDING BONDS, SERIES A-2

Base CUSIP[†] Number: 544646

Maturity Date (July 1)	Principal Amount	Interest Rate	Initial Public Offering Yield	CUSIP[†] Suffix
2012	\$ 3,435,000	2.00%	0.25%	C75
2013	360,000	2.00	0.57	C83
2014	26,745,000	4.00	1.00	C91
2014	10,000,000	5.00	1.00	E32
2015	7,760,000	4.00	1.16	D25
2016	5,840,000	5.00	1.47	D33
2017	2,950,000	4.00	1.80	D90
2018	1,065,000	4.00	2.18	D41
2019	1,035,000	4.00	2.45	D58
2020	3,200,000	4.00	2.72	D66
2021	131,825,000	5.00	2.87	E24
2022	2,035,000	4.00	3.03*	D74
2023	4,820,000	4.00	3.21*	D82

* Priced to optional call date of July 1, 2021.

[†] CUSIP Copyright 2011, American Bankers Association. CUSIP numbers herein are provided by Standard & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc., and are set forth herein for convenience of reference only. The District, the Paying Agent, the Financial Advisor and the Underwriters assume no responsibility for the accuracy of such numbers.

Los Angeles Unified School District

This map displays the Los Angeles Unified School District (LAUSD) and its surrounding areas. The district's boundary is outlined in red. The map includes the following information:

- Schools & Offices:**
 - Elementary School (Red dot)
 - Middle School (Blue square)
 - High School (Green triangle)
 - Span School (Black diamond)
 - Magnet School (Black circle)
 - Closed Sites (Black square with 'X')
 - Planned Sites (Red square with 'X')
 - Administration (Black star)
 - Affiliated Independent Charter School (Black star with dot)
 - Adult Education, Skills Center, Opportunity School, Occupational Center, Community Day School (Black star with dot)
- City Boundary:**
 - City of Los Angeles (Light blue area)
 - Area Outside of LAUSD (Light gray area)
 - Los Angeles Unified School District (Red outline)

The map also shows major highways, the Pacific Ocean, and various city names including Burbank, Glendale, Pasadena, San Marino, San Gabriel, Alhambra, Monterey Park, Monrovia, Rosemead, El Monte, San Dimas, San Juan Capistrano, Orange, Fullerton, Anaheim, Tustin, Santa Ana, and others. A legend in the bottom left corner provides details on the symbols used. A scale bar and north arrow are also present.

-
- Los Angeles Unified School District**
- This map displays the Los Angeles Unified School District (LAUSD) and its surrounding areas. The district's boundary is highlighted in red. The map includes the following information:
- Schools & Offices:**
 - Elementary School (Red dot)
 - Middle School (Blue square)
 - High School (Green triangle)
 - Span School (Black diamond)
 - Magnet School (Black circle)
 - Closed Sites (Black square with 'X')
 - Planned Sites (Red square with 'X')
 - Administration (Black star)
 - Affiliated Independent Charter School (Black star with dot)
 - Adult Education, Skills Center, Opportunity School, Occupational Center, Community Day School (Black star with dot)
 - City Boundary:**
 - City of Los Angeles (Light blue area)
 - Area Outside of LAUSD (Light gray area)
 - Los Angeles Unified School District (Red outline)
- The map also shows major highways, the Pacific Ocean, and various city names including Burbank, Glendale, Pasadena, San Marino, San Gabriel, Alhambra, Monterey Park, Monrovia, Rosemead, El Monte, San Dimas, San Juan Capistrano, Orange, Fullerton, Anaheim, Tustin, Santa Ana, and others. A legend, scale bar, and north arrow are provided in the bottom left corner.

Los Angeles Unified School District

This map displays the Los Angeles Unified School District (LAUSD) and its surrounding areas. The district's boundary is outlined in red. The map includes the following information:

- Schools & Offices:**
 - Elementary School (Red dot)
 - Middle School (Blue square)
 - High School (Green triangle)
 - Span School (Black diamond)
 - Magnet School (Black circle)
 - Closed Sites (Black square with 'X')
 - Planned Sites (Red square with 'X')
 - Administration (Black star)
 - Affiliated Independent Charter School (Black circle with 'X')
 - Adult Education, Skills Center, Opportunity School, Occupational Center, Community Day School (Black star)
- City Boundary:**
 - City of Los Angeles (Light blue area)
 - Area Outside of LAUSD (Light gray area)
 - Los Angeles Unified School District (Red outline)

The map also shows the Pacific Ocean to the west and south. Major cities and areas labeled include Burbank, Glendale, Pasadena, San Marino, San Gabriel, Alhambra, Monterey Park, Montebello, Pico Rivera, Downey, Bellflower, Lakewood, Long Beach, Torrance, Carson, Gardena, Watts, Compton, Inglewood, Lynwood, Paramount, Bell, South Gate, West Athens, Culver City, Santa Monica, Malibu, Encinitas, Escondido, San Marcos, San Juan Capistrano, Orange, Fullerton, Anaheim, and Tustin.

Copyright 2006. All rights reserved.
 The information contained herein is the proprietary property of the following owners published under license and may not be reproduced except as authorized by CAISO and Digital Map Products, Limited Stock Maps.
 Prepared by Master Planning and Demographics Branch
 Facilities Services Division
 August 2005

MPD 05083
 05/08/05

0 1 2 3 4 5 Miles

MPD 05083

Los Angeles Unified School District

This map displays the Los Angeles Unified School District (LAUSD) and its surrounding areas. The district's boundary is outlined in red. The map includes the following information:

- Schools & Offices:**
 - Elementary School (Red dot)
 - Middle School (Blue square)
 - High School (Green triangle)
 - Span School (Black diamond)
 - Magnet School (Black circle)
 - Closed Sites (Black square with 'X')
 - Planned Sites (Red square with 'X')
 - Administration (Black star)
 - Affiliated Independent Charter School (Black circle with 'X')
 - Adult Education, Skills Center, Opportunity School, Occupational Center, Community Day School (Black star)
- City Boundary:**
 - City of Los Angeles (Light blue area)
 - Area Outside of LAUSD (Light gray area)
 - Los Angeles Unified School District (Red outline)

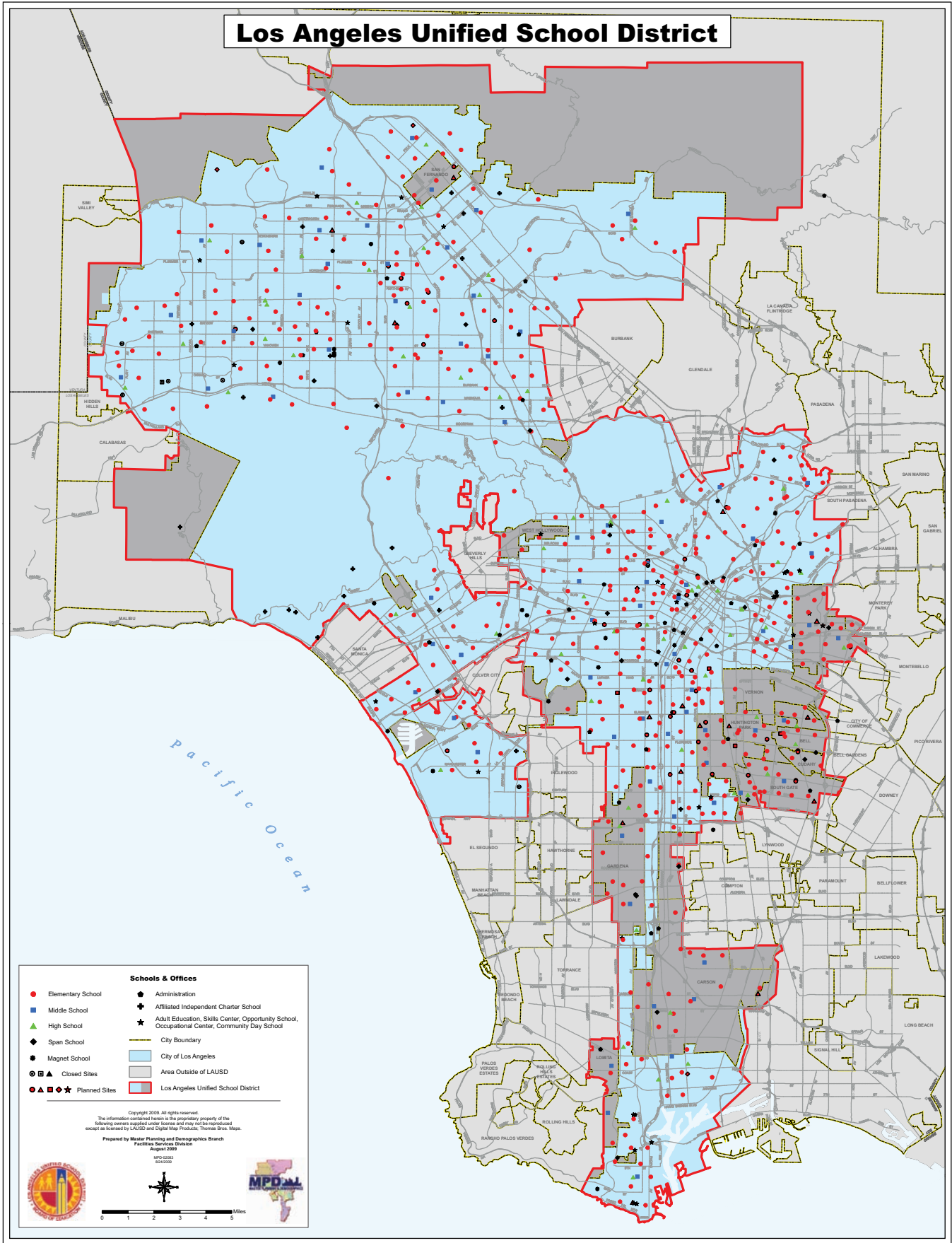
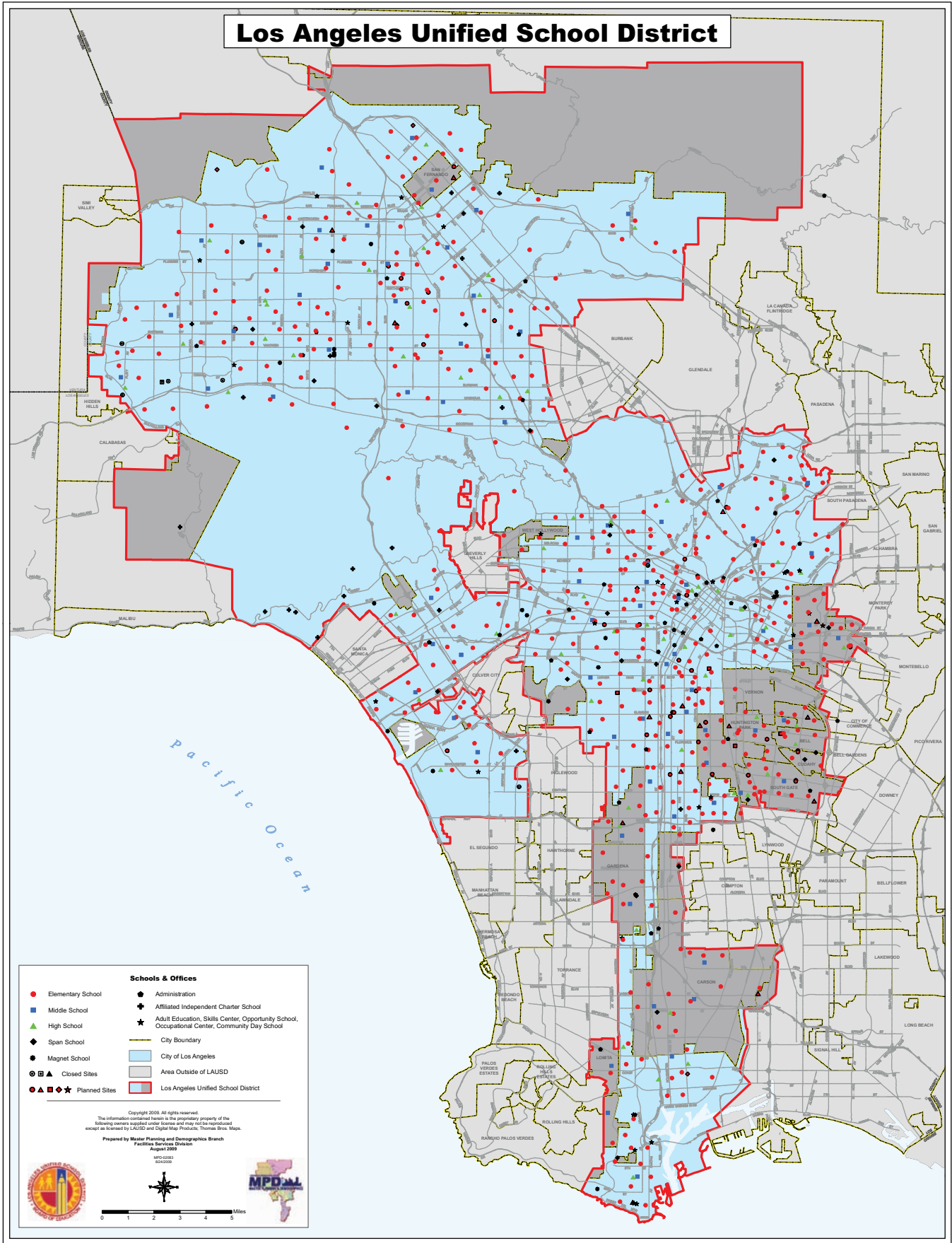
The map also shows the Pacific Ocean to the west and south. Major cities and areas labeled include Burbank, Glendale, Pasadena, San Marino, San Gabriel, Alhambra, Monterey Park, Montebello, Pico Rivera, Downey, Bellflower, Lakewood, Long Beach, Torrance, Carson, Gardena, Watts, Compton, Inglewood, Lynwood, Paramount, Bell, South Gate, West Athens, Culver City, Santa Monica, Malibu, Encinitas, Escondido, San Marcos, San Juan Capistrano, Orange, Fullerton, Anaheim, and Tustin.

Copyright 2006. All rights reserved.
 The information contained herein is the proprietary property of the following owners published under license and may not be reproduced except as authorized by CAISO and Digital Map Products, Limited Stock Maps.
 Prepared by Master Planning and Demographics Branch
 Facilities Services Division
 August 2005

MPD 05083
 05/08/05

0 1 2 3 4 5 Miles

MPD 05083

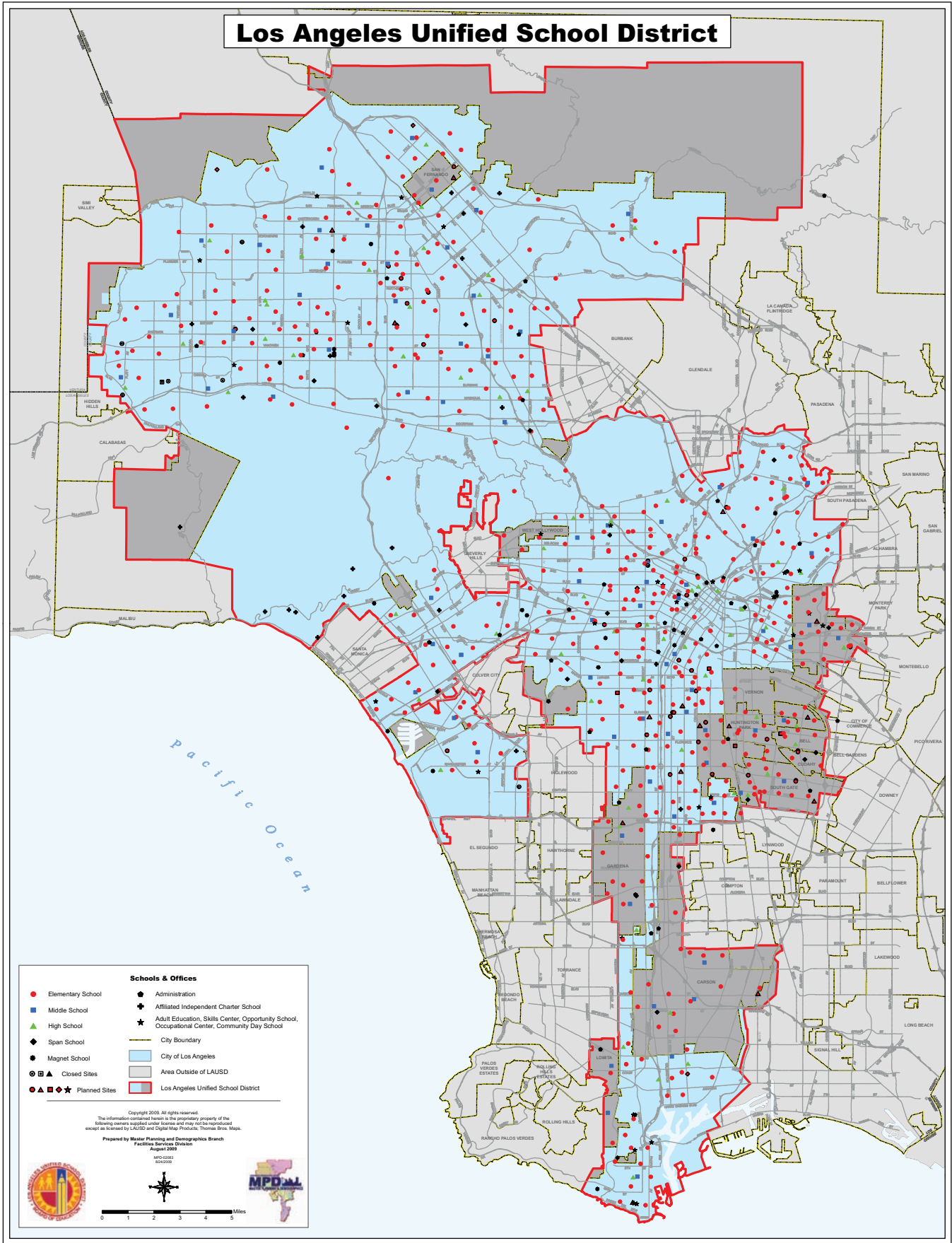


Los Angeles Unified School District

This map displays the Los Angeles Unified School District (LAUSD) and its surrounding areas. The district's boundary is highlighted in red. The map includes the following information:

- Schools & Offices:**
 - Elementary School (Red dot)
 - Middle School (Blue square)
 - High School (Green triangle)
 - Span School (Black diamond)
 - Magnet School (Black circle)
 - Closed Sites (Black square with 'X')
 - Planned Sites (Red square with 'X')
 - Administration (Black star)
 - Affiliated Independent Charter School (Black star with dot)
 - Adult Education, Skills Center, Opportunity School, Occupational Center, Community Day School (Black star with dot)
- City Boundary:**
 - City of Los Angeles (Light blue area)
 - Area Outside of LAUSD (Light gray area)
 - Los Angeles Unified School District (Red outline)

The map also shows major highways, the Pacific Ocean, and various city names including Burbank, Glendale, Pasadena, San Marino, San Gabriel, Alhambra, Monterey Park, Monrovia, Rosemead, El Monte, San Dimas, San Juan Capistrano, Orange, Fullerton, Anaheim, Tustin, Santa Ana, and others. A legend, scale bar, and north arrow are provided in the bottom left corner.



[THIS PAGE INTENTIONALLY LEFT BLANK]

No dealer, broker, salesperson or other person has been authorized by the District or the Underwriters to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such information or representation must not be relied upon as having been authorized by any of the foregoing.

The information contained herein has been obtained from sources that are believed to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the District since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THE OFFERING OF THE REFUNDING BONDS THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE REFUNDING BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE REFUNDING BONDS TO CERTAIN DEALERS AND BANKS AT YIELDS HIGHER THAN THE INITIAL PUBLIC OFFERING YIELDS STATED ON THE INSIDE FRONT COVER PAGE HEREOF AND SAID INITIAL PUBLIC OFFERING YIELDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

THE REFUNDING BONDS HAVE NOT BEEN REGISTERED WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE PAYING AGENT AGREEMENT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS.

When used in this Official Statement or in any continuing disclosure by the District, in any press release by the District or in any oral statement made with the approval of an authorized officer of the District, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward-looking statements.” Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

The District maintains a website at www.lausd.net. However, the information presented there is not part of this Official Statement, is not incorporated by reference herein and should not be relied upon in making an investment decision with respect to the Refunding Bonds.

LOS ANGELES UNIFIED SCHOOL DISTRICT

BOARD OF EDUCATION

District	Member	Term Ending
2	Mónica García, President	June 30, 2013
1	Marguerite Poindexter LaMotte	June 30, 2015
3	Tamar Galatzan	June 30, 2015
4	Steve Zimmer	June 30, 2013
5	Bennet Kayser	June 30, 2015
6	Nury Martinez	June 30, 2013
7	Richard Vladovic	June 30, 2015

DISTRICT OFFICIALS

John Deasy, Superintendent
David Holmquist, General Counsel
Megan K. Reilly, Chief Financial Officer
Enrique Boull't, Interim Chief Operating Officer
Yumi Takahashi, Controller
Timothy S. Rosnick, Deputy Controller

BOND COUNSEL

Orrick, Herrington & Sutcliffe LLP
Los Angeles, California

DISCLOSURE COUNSEL

Hawkins Delafield & Wood LLP
Los Angeles, California

FINANCIAL ADVISOR

Tamalpais Advisors, Inc. – KNN Public Finance, A Joint Venture
Sausalito, California and Oakland, California

PAYING AGENT AND ESCROW AGENT

U.S. Bank National Association
Los Angeles, California

VERIFICATION AGENT

Grant Thornton LLP
Minneapolis, Minnesota

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
General	1
The District	1
The District’s General Obligation Bond Program	2
Security and Sources of Payment for the Refunding Bonds	3
Continuing Disclosure	3
Tax Matters	3
Other Information	4
PLAN OF REFUNDING	4
ESTIMATED SOURCES AND USES OF FUNDS	5
THE REFUNDING BONDS	5
General Provisions	5
Redemption	6
Modification and Amendments of the Paying Agent Agreement	7
Defeasance	8
SECURITY AND SOURCES OF PAYMENT FOR THE REFUNDING BONDS	10
General Description	10
California Constitutional and Statutory Provisions Relating to <i>Ad Valorem</i> Property Taxes	10
Assessed Valuation of Property within the District	12
Tax Rates, Levies and Collections	14
Largest Taxpayers in the District	18
The District’s General Obligation Bond Program and Bonding Capacity	18
Measure K, Measure R, Measure Y and Measure Q Projects	19
Future Issuances of General Obligation Bonds	20
TAX MATTERS	20
LEGAL MATTERS	22
Continuing Disclosure	22
Limitation on Remedies; Amounts Held in the County Treasury Pool	22
Legality for Investment in the State	23
Certain Legal Matters	23
FINANCIAL STATEMENTS	23
LITIGATION	23
MISCELLANEOUS	23
Ratings	23
Financial Advisor	24
Verification of Mathematical Computations	24
Underwriting	24
Additional Information	25
Execution and Delivery	26
APPENDIX A – FISCAL YEAR DEBT SERVICE	A-1
APPENDIX B – REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION	B-1
APPENDIX C – DISTRICT FINANCIAL INFORMATION	C-1
APPENDIX D – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2010	D-1
APPENDIX E – BOOK-ENTRY ONLY SYSTEM	E-1
APPENDIX F – PROPOSED FORM OF OPINION OF BOND COUNSEL	F-1
APPENDIX G – FORM OF CONTINUING DISCLOSURE CERTIFICATE	G-1
APPENDIX H – THE LOS ANGELES COUNTY TREASURY POOL	H-1

[THIS PAGE INTENTIONALLY LEFT BLANK]

\$206,735,000
LOS ANGELES UNIFIED SCHOOL DISTRICT
(County of Los Angeles, California)
2011 General Obligation Refunding Bonds,
Series A-1

\$201,070,000
LOS ANGELES UNIFIED SCHOOL DISTRICT
(County of Los Angeles, California)
2011 General Obligation Refunding Bonds,
Series A-2

INTRODUCTION

This Introduction is only a brief description of, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page through the appendices hereto, and the documents summarized or described herein. The offering of the Refunding Bonds to potential investors is made only by means of the entire Official Statement. A full review should be made of the entire Official Statement.

General

This Official Statement, which includes the cover page through the appendices hereto, is provided to furnish information in connection with the sale of the \$206,735,000 Los Angeles Unified School District (County of Los Angeles, California) 2011 General Obligation Refunding Bonds, Series A-1 (the “Series A-1 Refunding Bonds”) and the \$201,070,000 Los Angeles Unified School District (County of Los Angeles, California) 2011 General Obligation Refunding Bonds, Series A-2 (the “Series A-2 Refunding Bonds”) and, together with the Series A-1 Refunding Bonds, the “Refunding Bonds”) by the Los Angeles Unified School District (the “District”). The Refunding Bonds are issued pursuant to certain provisions of the California Government Code and other applicable law, a resolution adopted by the Board of Education of the District (the “District Board”) on September 13, 2011 authorizing the issuance of not to exceed \$1.6 billion of general obligation refunding bonds, and a Paying Agent Agreement, dated as of November 1, 2011, by and between the District and U.S. Bank National Association, as paying agent (the “Paying Agent”). A portion of the proceeds of the Refunding Bonds will be applied to refund and defease a portion of the District’s outstanding general obligation bonds (collectively, the “Prior Bonds”). See “ESTIMATED SOURCES AND USES OF FUNDS” and “PLAN OF REFUNDING” herein.

The District

The District’s boundaries encompass approximately 710 square miles in the western section of the County of Los Angeles (the “County”) in the State of California (the “State”) and include virtually all of the City of Los Angeles and all or significant portions of the cities of Bell, Carson, Commerce, Cudahy, Gardena, Hawthorne, Huntington Park, Lomita, Maywood, Rancho Palos Verdes, San Fernando, South Gate, Vernon and West Hollywood, in addition to considerable unincorporated territory which includes residential and industrial areas. As of June 30, 2010, the total population within the District’s boundaries was estimated to be approximately 4.8 million. See APPENDIX B – “REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION” attached hereto for information regarding the County and the region encompassing the District. A map of the District appears after the maturity schedule set forth on the inside front cover page hereof.

The District was formed in 1854 as the Common Schools for the City of Los Angeles and became a unified school district in 1960. The District is the second largest public school district in the United States and is the largest public school district in the State. The District estimates it will serve 580,031 K-12 students in Fiscal Year 2011-12. As of June 30, 2010, the District operated 437 elementary schools, 78 middle/junior high schools, 70 senior high schools, 56 options schools, 12 multi-level schools, 16 special education schools, 25 magnet schools and 145 magnet centers, 24 community adult schools, five regional occupational centers, five skills centers, one regional occupational program center, 100 early education centers, four infant centers and 23 primary school centers. In addition, as of June 30, 2010, there were 11 affiliated charter schools operated by the District and 150 fiscally independent charter schools within the

District's boundaries. Currently, there are 179 fiscally independent charter schools within the District's boundaries, which is more than any other school district in the United States. See Appendix C - "DISTRICT FINANCIAL INFORMATION - State Funding of Education - Charter School Funding" attached hereto.

For additional information on the District, see APPENDIX C – "DISTRICT FINANCIAL INFORMATION" and APPENDIX D – "AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2010" attached hereto.

The District's General Obligation Bond Program

Voters within the District have approved a total of \$20.605 billion of general obligation bonds in five separate bond elections since 1997, as delineated in Table 1 below. A total of \$12.927 billion of the approved general obligation bonds have been issued (including the Prior Bonds (defined herein) to be refunded), with \$7.678 billion remaining to be issued under the bond authorizations listed below (collectively, the "Authorizations"). See "SECURITY AND SOURCES OF PAYMENT FOR THE REFUNDING BONDS - The District's General Obligation Bond Program and Bonding Capacity" herein.

TABLE 1
Los Angeles Unified School District
General Obligation Bond Authorizations
Amounts and Dates Authorized, Amount Issued, Amount Unissued and Purposes

Bond Authorization	Date Authorized by Voters	Amount Authorized (\$ Billions)	Amount Issued⁽¹⁾ (\$ Billions)	Amount Unissued (\$ Billions)	Purposes
Proposition BB	April 8, 1997	\$ 2.400	\$ 2.400	\$ 0.000	Health and safety improvements, computer technology and science labs, air conditioning and new construction
Measure K	November 5, 2002	3.350	3.350	0.000	New construction, acquisition, rehabilitation and upgrading of specifically identified school facilities
Measure R	March 2, 2004	3.870	3.635	0.235	New construction, acquisition, rehabilitation and upgrading of specifically identified school facilities
Measure Y	November 8, 2005	3.985	3.542	0.443	New construction, acquisition, rehabilitation and upgrading of specifically identified school facilities
Measure Q	November 4, 2008	<u>7.000</u>	<u>0.000</u>	<u>7.000</u>	New construction, acquisition, rehabilitation and upgrading of specifically identified school facilities
Total		<u>\$20.605</u>	<u>\$12.927</u>	<u>\$ 7.678</u>	

⁽¹⁾ See APPENDIX C – "DISTRICT FINANCIAL INFORMATION – District Financial Information – District Debt – General Obligation Bonds" attached hereto for the amounts of outstanding general obligation bonds under the referenced Authorizations. Excludes general obligation refunding bonds.

Source: Los Angeles Unified School District.

At least \$7.4 billion of State matching funds and other revenue sources supplement the \$20.6 billion of bond proceeds from the five authorizations referenced above to fund the District's general obligation bond program's various projects. A portion of these combined revenue sources has been or is expected to be allocated to the Measure K Projects, the Measure R Projects and the Measure Y Projects (each as hereinafter defined). Accordingly, the total program sources of funds are expected to be approximately \$28 billion. The District's general obligation bond program includes the construction of 131 new schools. Eighty-five of these schools have been completed and 36 of the 46 remaining schools to be completed are under construction. The new schools will provide approximately 6,600 new classrooms that are expected to house approximately

167,000 new seats, which will enable all District students to attend schools with a traditional two-semester school year and eliminate year-round school schedules. In addition, the general obligation bond program includes approximately 20,000 modernization projects that have been or are in the process of being completed at over 800 school sites in the District. The program also includes computer technology and green projects.

Security and Sources of Payment for the Refunding Bonds

The Refunding Bonds are general obligation bonds approved by voters within the District and are payable from *ad valorem* property taxes levied by the County on taxpayers within the District. The Board of Supervisors of the County has the power and is obligated under State law pursuant to the authority granted by voters of the District relating to the Authorizations to annually levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates (see “SECURITY AND SOURCES OF PAYMENT FOR THE REFUNDING BONDS - The District’s General Obligation Bond Program and Bonding Capacity” herein)), for the payment of the principal of and redemption premium, if any, and interest on the Refunding Bonds. Such *ad valorem* property taxes are deposited with the County and may only be applied to pay the principal of, and redemption premium, if any, and interest on the Refunding Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE REFUNDING BONDS” herein.

Continuing Disclosure

The District has covenanted for the benefit of the holders and beneficial owners of the Refunding Bonds to provide certain financial information and operating data relating to the District (the “Annual Report”) for each fiscal year by not later than 240 days following the end of the District’s fiscal year (currently ending June 30) commencing with the Annual Report for Fiscal Year 2010-11, and to provide notices of the occurrence of certain specified events (collectively, the “Listed Events”). The information to be contained in the Annual Report and in a notice of a Listed Event is set forth in APPENDIX G – “FORM OF CONTINUING DISCLOSURE CERTIFICATE” attached hereto. The District will provide or cause to be provided the Annual Report and such notices to the Municipal Securities Rulemaking Board in the manner prescribed by the Securities and Exchange Commission (“SEC”). Copies of the District’s annual reports and notices of Listed Event filings are available at the website of Digital Assurance Certification, L.L.C. (“DAC”), www.dacbond.com, and at the website of the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system, emma.msrb.org. The information presented on these websites is not incorporated by reference in this Official Statement and should not be relied upon in making an investment decision with respect to the Refunding Bonds. These covenants have been made in order to assist the Underwriters in complying with SEC Rule 15c2-12(b)(5) (the “Rule”). See “LEGAL MATTERS - Continuing Disclosure” herein.

Tax Matters

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Refunding Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Refunding Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Refunding Bonds. See “TAX MATTERS” herein.

Other Information

This Official Statement contains brief descriptions of, among other things, the District, the District's general obligation bond program, the Paying Agent Agreement and certain matters relating to the security for the Refunding Bonds. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to documents are qualified in their entirety by reference to such documents. Copies of such documents are available for inspection at the District by request to the Chief Financial Officer at (213) 241-7888 and, following delivery of the Refunding Bonds will be on file, as applicable, at the corporate trust office of the Paying Agent in Los Angeles, California.

PLAN OF REFUNDING

A portion of the proceeds of the Series A-1 Refunding Bonds will be applied to advance refund and defease a portion of the District's outstanding General Obligation Bonds, Election of 1997, Series F (2003) (the "Series F (Proposition BB) Prior Bonds"), and a portion of the proceeds of the Series A-2 Refunding Bonds will be applied to advance refund and defease a portion of the General Obligation Bonds, Election of 2002, Series A (2003) (the "Series A (Measure K) Prior Bonds" and together with the Series F (Proposition BB) Prior Bonds, the "Prior Bonds"). A portion of the proceeds from each Series of the Refunding Bonds will be deposited into an escrow fund (the "Escrow Fund") established under an escrow agreement to be dated as of November 1, 2011 by and between the District and U.S. Bank National Association, as escrow bank for the Prior Bonds. The amount of funds deposited into such Escrow Fund are to be invested in United States Obligations (as defined in resolutions respecting the Prior Bonds), which, together with interest earnings thereon, if any, will be sufficient to fully pay the principal of, premium, if any, and interest on the Prior Bonds to be refunded as the same shall become due or pursuant to a call for redemption. The mathematical computations used to determine the sufficiency of the escrow deposits will be verified by the Verification Agent (defined herein). See "MISCELLANEOUS – Verification of Mathematical Computations" herein.

Set forth below is a description of the Prior Bonds to be refunded.

Series F (Proposition BB) Prior Bonds

Maturity Dates (July 1)	Principal Amount	Redemption Price	Redemption/ Payment Date	CUSIP (544644)
2014	\$17,745,000	100%	July 1, 2013	UN5
2015	19,700,000	100	July 1, 2013	QX8
2016	25,000	100	July 1, 2013	QY6
2016	20,685,000	100	July 1, 2013	UQ8
2017	100,000	100	July 1, 2013	QZ3
2017	21,670,000	100	July 1, 2013	UR6
2018	22,885,000	100	July 1, 2013	RA7
2019	250,000	100	July 1, 2013	RB5
2020	25,295,000	100	July 1, 2013	RC3
2021	170,000	100	July 1, 2013	RF6
2021	17,540,000	100	July 1, 2013	UV7
2021	8,880,000	100	July 1, 2013	RD1
2023	29,350,000	100	July 1, 2013	RG4
2024	30,775,000	100	July 1, 2013	RH2

Series A (Measure K) Prior Bonds

Maturity Dates (July 1)	Principal Amount	Redemption Price	Redemption/ Payment Date	CUSIP (544644)
2014	\$ 38,965,000	100%	July 1, 2013	PN1
2015	8,280,000	100	July 1, 2013	PP6
2016	6,235,000	100	July 1, 2013	PR2
2017	3,090,000	100	July 1, 2013	PT8
2018	1,075,000	100	July 1, 2013	PV3
2019	1,050,000	100	July 1, 2013	PX9
2020	3,370,000	100	July 1, 2013	QA8
2021	1,010,000	100	July 1, 2013	QC4
2021	140,155,000	100	July 1, 2013	QD2
2022	2,130,000	100	July 1, 2013	QE0
2023	5,125,000	100	July 1, 2013	QG5

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Refunding Bonds are as follows:

	Series A-1 Refunding Bonds	Series A-2 Refunding Bonds
Estimated Sources of Funds		
Principal Amount	\$ 206,735,00.00	\$ 201,070,000.00
Net Original Issue Premium	<u>29,097,642.40</u>	<u>29,841,351.90</u>
Total Sources	<u><u>\$235,832,642.40</u></u>	<u><u>\$230,911,351.90</u></u>
Estimated Uses of Funds		
Deposit to Escrow Fund	\$235,304,609.66	\$230,400,753.77
Underwriters' Discount	338,151.87	328,953.06
Costs of Issuance ⁽¹⁾	<u>189,880.87</u>	<u>181,645.07</u>
Total Uses	<u><u>\$235,832,642.40</u></u>	<u><u>\$230,911,351.90</u></u>

⁽¹⁾ Includes fees of Bond Counsel, Disclosure Counsel, Paying Agent, Financial Advisor, rating agencies, printer, verification agent and other miscellaneous expenses.

THE REFUNDING BONDS

General Provisions

The Refunding Bonds will be dated their date of delivery, will be issued in book-entry form only, without coupons, in denominations of \$5,000 principal amount or any integral multiple thereof, and, when issued, will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Refunding Bonds. Owners will not receive physical certificates representing their interest in the Refunding Bonds purchased, except in the event that use of the book-entry system for the Refunding Bonds is discontinued. Payments of principal of, premium, if any, and interest on the Refunding Bonds are payable by the Paying Agent to DTC, which is obligated in turn to remit such payments to its DTC Participants for subsequent disbursement to the beneficial owners of the Refunding Bonds. For information about the securities depository and DTC's book-entry system, see APPENDIX E – "BOOK-ENTRY ONLY SYSTEM" attached hereto.

The Refunding Bonds mature in the years and on the dates set forth on the inside front cover page hereof. Interest with respect to the Refunding Bonds is payable on January 1 and July 1 of each year (each, an “Interest Payment Date”), commencing on January 1, 2012. Interest on the Refunding Bonds will be computed on the basis of a 360-day year of twelve 30-day months. Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless it is authenticated on or before an Interest Payment Date and after the close of business on the 15th calendar day of the month preceding such Interest Payment Date (each, a “Record Date”), in which event it shall bear interest from such Interest Payment Date, or unless it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the date of delivery of the Refunding Bonds.

Redemption

Optional Redemption. The Series A-1 Refunding Bonds maturing on or before July 1, 2023 are not subject to optional redemption. The Series A-1 Refunding Bonds maturing on July 1, 2024 are subject to optional redemption on or after July 1, 2021, in whole or in part on any date, from any source of available funds, at a redemption price equal to the principal amount of the Series A-1 Refunding Bonds to be redeemed, without premium, plus accrued interest thereon to the date of redemption.

The Series A-2 Refunding Bonds maturing on or before July 1, 2021 are not subject to optional redemption. The Series A-2 Refunding Bonds maturing on or after July 1, 2022 are subject to optional redemption on or after July 1, 2021, in whole or in part on any date, from any source of available funds, at a redemption price equal to the principal amount of the Series A-2 Refunding Bonds to be redeemed, without premium, plus accrued interest thereon to the date of redemption.

Selection of Bonds for Redemption. Whenever provision is made in the Paying Agent Agreement for the optional redemption of less than all of the Refunding Bonds of a Series, the Paying Agent will select the Refunding Bonds to be redeemed from all Refunding Bonds of such Series not previously called for redemption among maturities of Refunding Bonds of such Series as directed in a written request of the District and, within a maturity of Refunding Bonds of the same Series, by lot.

Partial Redemption. Upon surrender of any Refunding Bond of a Series redeemed in part only, the District will execute and the Paying Agent will authenticate and deliver to the registered owner thereof (the “Owner”), at the expense of the District, a new Refunding Bond of the same Series in a principal amount equal to the unredeemed portion of the Refunding Bond surrendered.

Notice of Redemption. The Paying Agent on behalf and at the expense of the District shall mail (by first class mail) notice of any redemption to the respective Owners of any Refunding Bonds designated for redemption at their respective addresses appearing on the records maintained by the Paying Agent for the registration of ownership and registration of transfers of the Refunding Bonds pursuant to the Paying Agent Agreement at least 30 but not more than 60 days prior to the date fixed for redemption. Such notice shall state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the Series of Refunding Bonds to be redeemed, CUSIP numbers, if any, the Refunding Bond numbers and the maturity or maturities of the Refunding Bonds to be redeemed (except in the event of redemption of all of the Refunding Bonds of such maturity or maturities in whole), and shall require that such Refunding Bonds be then surrendered at the Office of the Paying Agent for redemption at the redemption price, giving notice also that further interest on such Refunding Bonds will not accrue from and after the date fixed for redemption. Neither the failure to receive any notice so mailed, nor any defect in such notice, shall affect the validity of the proceedings for the redemption of the Refunding Bonds or the cessation of accrual of interest thereon from and after the date fixed for redemption.

With respect to any notice of any optional redemption of Refunding Bonds of a Series, unless at the time such notice is given the Refunding Bonds to be redeemed shall be deemed to have been paid within the meaning of the Paying Agent Agreement, such notice shall state that such redemption is conditional upon

receipt by the Paying Agent, on or prior to the date fixed for such redemption, of moneys that, together with other available amounts held by the Paying Agent, are sufficient to pay the redemption price of, and accrued interest on, the Refunding Bonds to be redeemed, and that if such moneys shall not have been so received said notice shall be of no force and effect and the District shall not be required to redeem such Refunding Bonds. In the event a notice of redemption of Refunding Bonds contains such a condition and such moneys are not so received, the redemption of Refunding Bonds as described in the conditional notice of redemption shall not be made and the Paying Agent shall, within a reasonable time after the date on which such redemption was to occur, give notice to the individual, corporation, limited liability, company, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof (each, a "Person") and in the manner in which the notice of redemption was given, that such moneys were not so received and that there shall be no redemption of Refunding Bonds pursuant to such notice of redemption.

While the Refunding Bonds are subject to the book-entry system, the Paying Agent will not be required to give notice of redemption to the Persons for which the Participants have caused the Depository to hold Book-Entry Bonds (collectively, the "Beneficial Owners") of the Refunding Bonds. DTC and the DTC Participants will have sole responsibility for providing any such notice of redemption to the Beneficial Owners of the Refunding Bonds to be redeemed. Any failure of DTC to notify the Beneficial Owner of any Refunding Bonds to be redeemed, or any failure of a DTC Participant to notify the Beneficial Owner of any Refunding Bond to be redeemed, of a notice of redemption or its content or effect will not affect the validity of the notice of redemption.

Effect of Notice of Redemption. Notice having been mailed as described above, and moneys for the redemption price, and the interest to the applicable date fixed for redemption, having been set aside with the Paying Agent, the Refunding Bonds to be redeemed shall become due and payable on the redemption date and, upon presentation and surrender thereof at the Office of the Paying Agent, said Refunding Bonds shall be paid at the redemption price thereof, together with interest accrued and unpaid to said date. If, on said date fixed for redemption, moneys for the redemption price of all the Refunding Bonds to be redeemed, together with interest to said date, shall be held by the Paying Agent so as to be available therefor on such date, and, if notice of redemption thereof shall have been mailed as aforesaid and not canceled, then, from and after said date, interest on said Refunding Bonds shall cease to accrue. All moneys held by or on behalf of the Paying Agent for the redemption of Refunding Bonds shall be held in trust for the account of the Owners of the Refunding Bonds so to be redeemed without liability to such Owners for interest thereon.

Modification and Amendments of the Paying Agent Agreement

The Paying Agent Agreement and the rights and obligations of the District, the Paying Agent and the Owners thereunder may be modified or amended from time to time and at any time by a Supplemental Paying Agent Agreement, which the District and the Paying Agent may enter into when there are filed with the Paying Agent the written consents of the Owners of a majority of the aggregate principal amount of the Refunding Bonds then Outstanding, exclusive of Refunding Bonds disqualified as provided in the Paying Agent Agreement. No such modification or amendment shall (i) extend the fixed maturity of any Refunding Bond, reduce the principal amount thereof or the rate of interest thereon, or alter the redemption provisions thereof, without the consent of the Owner of each Refunding Bond so affected, or (ii) amend the provisions of the Paying Agent Agreement regarding modifications and amendments without the prior written consent of the Owners of all Refunding Bonds then Outstanding.

The Paying Agent Agreement and the rights and obligations of the District, the Paying Agent and the Owners thereunder may also be modified or amended from time to time and at any time by a Supplemental Paying Agent Agreement, which the District and the Paying Agent may enter into without the consent of any Owners for any one or more of the following purposes: (i) to add to the covenants and agreements of the District contained in the Paying Agent Agreement, other covenants and agreements thereafter to be observed,

or to surrender any right or power therein reserved to or conferred upon the District; (ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in the Paying Agent Agreement; (iii) to permit the qualification of the Paying Agent Agreement under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect; and (iv) in any other respect whatsoever as the District may deem necessary or desirable, provided that such modification or amendment does not materially adversely affect the rights or interests of the Owners.

Promptly after the execution by the District and the Paying Agent of any Supplemental Paying Agent Agreement, the Paying Agent will mail a notice by first class mail postage prepaid, setting forth in general terms the substance of such Supplemental Paying Agent Agreement, to the Owners of the Refunding Bonds at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such Supplemental Paying Agent Agreement.

Defeasance

Discharge of Paying Agent Agreement. The Paying Agent Agreement provides that, if (i) the District shall pay or cause to be paid or there shall otherwise be paid to the Owners of all outstanding Refunding Bonds the principal thereof and the interest and premium, if any, thereon at the times and in the manner stipulated in the Paying Agent Agreement and the Refunding Bonds, and (ii) all other amounts due and payable under the Paying Agent Agreement shall have been paid, then all agreements, covenants and other obligations of the District under the Paying Agent Agreement will thereupon cease, terminate and become void and the Paying Agent shall be discharged and satisfied. The Paying Agent Agreement provides also that when any Refunding Bond shall have been paid and if, at the time of such payment, the District shall have kept, performed and observed all of the covenants and promises in such Refunding Bond and in the Paying Agent Agreement required or contemplated to be kept, performed and observed by it or on its part on or prior to that time, then the Paying Agent Agreement shall be considered to have been discharged in respect of such Refunding Bond, and all agreements, covenants and other obligations of the District under the Paying Agent Agreement shall cease, terminate, become void and be completely discharged and satisfied as to such Refunding Bond. The Paying Agent Agreement provides that, notwithstanding the discharge and satisfaction of the Paying Agent Agreement or the discharge and satisfaction of the Paying Agent Agreement in respect of any Refunding Bond, those provisions of the Paying Agent Agreement relating to payment of the Refunding Bonds, transfer of Refunding Bonds, replacement of mutilated, destroyed, lost or stolen Refunding Bonds, the safekeeping and cancellation of Refunding Bonds, non-presentment of Refunding Bonds, and the duties of the Paying Agent in connection with all of the foregoing, shall remain in effect and shall be binding upon the Paying Agent and the Owner of such Refunding Bond, and the Paying Agent shall continue to be obligated to hold in trust any moneys or investments then held by the Paying Agent for the payment of the principal of and interest and premium, if any, on such Refunding Bonds, and to pay to the Owner of such Refunding Bond the funds so held by the Paying Agent as and when such payment becomes due.

Bonds Deemed To Have Been Paid. The Paying Agent Agreement provides that, if moneys shall have been set aside and held by the Paying Agent for the payment or redemption of any Refunding Bond, such Refunding Bond will be deemed to have been paid within the meaning and with the effect described above under heading entitled “—Discharge of Paying Agent Agreement.” The Paying Agent Agreement also provides that any outstanding Refunding Bond shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect described above under heading entitled “—Discharge of Paying Agent Agreement” if (i) in case any of such Refunding Bonds are to be redeemed on any date prior to their maturity date, the District shall have given to the Paying Agent in form satisfactory to it irrevocable instructions to mail, on a date in accordance with the provisions of the Paying Agent Agreement, notice of redemption of such Refunding Bond on said redemption date, (ii) there shall have been

deposited with the Paying Agent either (a) money in an amount which shall be sufficient, or (b) Defeasance Securities, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which shall be sufficient to pay when due the principal of and interest and premium, if any, on such Refunding Bond, and (iii) in the event such Refunding Bond is not by its terms subject to redemption within the next succeeding 60 days, the District shall have given the Paying Agent, in form satisfactory to the Paying Agent, irrevocable instructions to mail as soon as practicable, a notice to the Owners of such Refunding Bond that the deposit required by clause (ii) above has been made with the Paying Agent and that such Refunding Bond is deemed to have been paid in accordance with the Paying Agent Agreement and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and interest and premium, if any, on such Refunding Bond.

No Refunding Bond will be deemed to have been paid pursuant the Paying Agent Agreement as described in clause (ii) of subsection (a) of the paragraph above unless the District has caused to be delivered (i) an executed copy of a Verification Report (hereinafter defined) with respect to such deemed payment, addressed to the District and the Paying Agent, in form and in substance acceptable to the District and the Paying Agent, (ii) a copy of the escrow agreement entered into in connection with the deposit pursuant to the Paying Agent Agreement as described in clause (ii) of subsection (a) of the paragraph above resulting in such deemed payment, which escrow agreement shall provide that no substitution of Defeasance Securities (hereinafter defined) will be permitted except with other Defeasance Securities and upon delivery of a new Verification Report, and no reinvestment of Defeasance Securities will be permitted except as contemplated by the original Verification Report or upon delivery of a new Verification Report, and (iii) a copy of a written opinion of a firm of nationally recognized bond counsel selected by the District, dated the date of such deemed payment and addressed to the District and the Paying Agent, in form and in substance acceptable to the District and the Paying Agent, to the effect that such Refunding Bond has been paid within the meaning and with the effect expressed in the Paying Agent Agreement, this Paying Agent Agreement has been discharged in respect of such Refunding Bond and all agreements, covenants and other obligations of the District under the Paying Agent Agreement as to such Refunding Bond have ceased, terminated, become void and been completely discharged and satisfied.

The term “Defeasance Securities” is defined in the Paying Agent Agreement to mean “(a) non-callable direct and general obligations of the United States of America (including state and local government series), or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including (in the case of direct and general obligations of the United States of America) evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations; provided that investments in such proportionate interests must be limited to circumstances wherein (i) a bank or trust company acts as custodian and holds the underlying United States obligations; (ii) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (iii) the underlying United States obligations are held in a special account, segregated from the custodian’s general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated in one of the two highest rating categories assigned by S&P or Moody’s; (b) non-callable obligations of government sponsored agencies that are rated in one of the two highest rating categories assigned by S&P or Moody’s but are not guaranteed by a pledge of the full faith and credit of the United States of America; and (c) Advance Refunded Municipal Securities (hereinafter defined).

The term “Advance Refunded Municipal Securities” is defined in the Paying Agent Agreement to mean any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local government unit of any such state (a) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee, fiscal agent or other fiduciary for such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds or other obligations for redemption on the date or dates specified in such instructions, (b) which are secured as to principal and

interest and redemption premium, if any, by a fund consisting only of cash, direct U.S. or U.S. guaranteed obligations, or any combination thereof, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the redemption date or dates specified in the irrevocable instructions referred to in clause (a) above, as appropriate, and (c) as to which the principal of and interest on the bonds and obligations of the character described in clause (a) above which have been deposited in such fund, along with any cash on deposit in such fund, have been verified by an independent certified public accountant as being sufficient to pay principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (a) above, as applicable.

The term “Verification Report” is defined in the Paying Agent Agreement to mean a report of a nationally recognized certified public accountant, or firm of such accountants, verifying that the Defeasance Securities and cash, if any, deposited in connection with the deemed payment of Refunding Bonds satisfy the requirements of the Paying Agent Agreement.

Unclaimed Moneys. The Paying Agent Agreement provides that any moneys held by the Paying Agent in trust for the payment and discharge of the principal of, or interest or premium on, any Refunding Bonds and remaining unclaimed for two years after the principal of all of the Refunding Bonds has become due and payable (whether by maturity or upon prior redemption) shall be transferred to the Interest and Sinking Fund of the District for payment of any outstanding bonds of the District payable from such fund or, if no such bonds of the District are at such time outstanding, such moneys shall be transferred to the general fund of the District as provided and permitted by law.

SECURITY AND SOURCES OF PAYMENT FOR THE REFUNDING BONDS

General Description

The Refunding Bonds are payable from *ad valorem* property taxes levied by the County on taxpayers within the District. The Board of Supervisors of the County has the power and is obligated under State law pursuant to the authority granted by voters of the District relating to the Authorizations to annually levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of the principal of and interest on the Refunding Bonds. Such *ad valorem* property taxes are deposited in the Interest and Sinking Fund for the Refunding Bonds held by the County and applied only to pay the principal of and interest on the Refunding Bonds. Such taxes are in addition to other taxes levied upon property within the District that are deposited by the County in the General Fund of the District.

California Constitutional and Statutory Provisions Relating to *Ad Valorem* Property Taxes

Article XIII A of the California Constitution. On June 6, 1978, California voters approved Proposition 13, adding Article XIII A to the California Constitution. Article XIII A, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean “the county assessor’s valuation of real property as shown on the 1975/76 tax bill under ‘full cash value,’ or thereafter, the appraised value of real property newly constructed, or when a change in ownership has occurred after the 1975 assessment.” The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data for the area under taxing jurisdiction, or reduced in the event of declining property value caused by substantial damage, destruction or other factors including a general economic downturn. Any reduction in assessed value is temporary and may be adjusted for any given year by the Assessor. The assessed value increases to its pre-reduction level (escalated to the annual inflation rate of no more than two percent) following the year(s) for which the reduction is applied. Article XIII A further limits the amount of any *ad valorem* tax on

real property to 1% of the full cash value except that additional taxes may be levied to pay (i) debt service on indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two thirds of the votes cast by the voters voting on the proposition; and (iii) bonded indebtedness incurred by a school district, community college district or county office of education (which is separate from the County) for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the school district, community college district or the County, as appropriate, but only if certain accountability measures are included in the proposition.

On June 3, 1986, California voters approved Proposition 46, which added an additional exemption to the 1% tax limitation imposed by Article XIII A. Under this amendment to Article XIII A, local governments and school districts may increase the *ad valorem* property tax rate above 1% for the period necessary to retire new general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

Future assessed valuation growth allowed under Article XIII A due to new construction, change of ownership, or growth up to the permitted 2% inflation factor will be allocated on the basis of “situs” among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts will share the growth of “base” revenue from the tax rate area. Each year’s growth allocation becomes part of each agency’s allocation the following year. The District is unable to predict the nature or magnitude of future revenue sources which may be provided by the State to replace lost property tax revenues. Article XIII A effectively prohibits the levying of any other *ad valorem* property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

Legislation Implementing Article XIII A. Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax. The 1% *ad valorem* property tax is automatically levied by the County and distributed according to a formula among taxing agencies. Any such allocation made to a local agency continues as part of its allocation in future years. Separate *ad valorem* property taxes to pay voter approved indebtedness such as the Refunding Bonds are levied by the County on behalf of the local agencies. Article XIII A effectively prohibits the levying of any other *ad valorem* property tax above the Proposition 13 limit except for taxes to support such indebtedness.

The full cash value of taxable property under Article XIII A represents the maximum taxable value for property. Accordingly, the fair market value for a given property may not be the equivalent of the full cash value under Article XIII A. During periods in which the real estate market within the District evidences an upward trend, the fair market value for a given property, which has not been reappraised due to a change in ownership, may exceed the full cash value of such property. During periods in which the real estate market demonstrates a downward trend, the fair market value of a given property may be less than the full cash value of such property and the property owner may apply for a “decline in value” reassessment pursuant to Proposition 8 (“Proposition 8 Reassessments”). Proposition 8 Reassessments, if approved by the Office of the County Assessor, lower valuations of properties (where no change in ownership has occurred) if the current value of such property is lower than the full cash value of record of the property. The value of a property reassessed as a result of a decline in value may change, but in no case may its full cash value exceed its fair market value. When and if the fair market value of a property which has received a Proposition 8 Reassessment increases above its Proposition 13 factored base year value, the Office of the County Assessor will enroll such property at its Proposition 13 factored base year value.

Legislation enacted by the California Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100% of assessed

value and all general tax rates reflect \$1 per \$100 of taxable value. Tax rates for voter approved bonded indebtedness are also applied to 100% of assessed value.

Assessed Valuation of Property within the District

As required by State law, the District uses the services of the County for the assessment and collection of taxes for District purposes. District taxes are collected at the same time and on the same tax rolls as are the County, the City of Los Angeles and other local agency and special district taxes.

State law exempts \$7,000 of the full cash value of an owner-occupied dwelling from property tax, but this exemption does not result in any loss of revenue to local entities, including the District, because an amount equivalent to the taxes which would have been payable on such exempt values is paid by the State to the County for distribution to local agencies.

The County levies property taxes on behalf of taxing agencies in the County for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases or decreases in real property assessed valuation (the “Supplemental Assessment”). In such instances, the property is reassessed and a supplemental tax bill is sent to the new owner based on the new value prorated for the balance of the tax year. Accordingly, each school district is to receive allocations of revenue from such Supplemental Assessments and, in accordance with various apportionment factors, to the County, the County superintendent of schools, each community college district, each city and each special district within the County. Such allocations are to be from amounts remaining after allocations to each redevelopment agency in the County in connection with the 1% *ad valorem* property tax levy. See APPENDIX C - “DISTRICT FINANCIAL INFORMATION - State Funding of Education - Litigation Regarding Redevelopment Agency Revenues and Education Expenditures” attached hereto.

Under State law, property is subject to annual reviews that are initiated by the related county’s assessor relating to decline-in-value in addition to Proposition 8 Reassessment reviews initiated by property owners. See “ - Legislation Implementing Article XIII A” herein. In 2011, the Office of the Assessor conducted proactive decline-in-value reviews of 446,000 single-family residences and condominiums in the County that resulted in lower assessments on 393,000 properties, for which the full cash value of the property shown on the Fiscal Year 2010-11 tax bill was more than the fair market value as of January 1, 2011. In calendar year 2010, the Officer of the Assessor received 36,400 assessment appeals, which was a decrease from the 41,800 assessment appeals received in calendar year 2009. Decline-in-value changes and other adjustments reduced the County’s total assessed valuation by approximately \$4.9 billion for Fiscal Year 2011-12. The decline-in-value changes and other adjustments for 2011-12 for the County were offset by increases of \$12.8 billion attributable to properties sold and transferred, \$6.1 billion attributable to Proposition 13 inflation adjustments and \$3.9 billion attributable to new construction. Foreclosures in the County declined by approximately 13.1% in 2010 relative to 2009, from 36,500 to 31,700.

The following Table 2 sets forth the gross assessed valuation of taxable property within the boundaries of the District in Fiscal Years 2002-03 through 2011-12.

TABLE 2
LOS ANGELES UNIFIED SCHOOL DISTRICT
Historical Gross Assessed Valuation of Taxable Property⁽¹⁾
Fiscal Years 2002-03 through 2011-12
(\$ in thousands)

Fiscal Year	Secured⁽²⁾	Unsecured	Total⁽²⁾	Change From Prior Year	Percent Change
2002-03	\$266,383,265	\$21,142,670	\$287,525,935	\$16,011,009	5.90%
2003-04	287,673,344	20,855,436	308,528,780	21,002,845	7.30
2004-05	311,419,822	20,505,315	331,925,137	23,396,357	7.58
2005-06	343,302,944	20,566,535	363,869,479	31,944,342	9.62
2006-07	382,212,502	20,396,335	402,608,837	38,739,358	10.65
2007-08	419,052,509	21,861,881	440,914,390	38,305,553	9.51
2008-09	451,191,875	23,597,923	474,789,798	33,875,408	7.68
2009-10	451,127,882	23,849,408	474,977,290	187,493	0.04
2010-11	442,092,473	21,753,078	463,845,551	(11,131,739)	(2.34)
2011-12	447,830,204	21,265,021	469,095,225	5,249,674	1.13

⁽¹⁾ Full cash value.

⁽²⁾ Includes utility valuations.

Sources: Los Angeles Unified School District Comprehensive Annual Financial Report for Fiscal Years 2002-03 through 2009-10;
Los Angeles County Auditor-Controller for Fiscal Years 2010-11 and 2011-12.

The following Table 3 sets forth the assessed valuation by land use of property within the District in Fiscal Year 2011-12.

TABLE 3
LOS ANGELES UNIFIED SCHOOL DISTRICT
Assessed Valuation and Parcels by Land Use
Fiscal Year 2011-12

	2011-12 Assessed Valuation ⁽¹⁾	% of Total	No. of Parcels	% of Total
Non-Residential:				
Commercial/Office Building	\$ 79,997,040,682	17.87%	49,620	5.35%
Industrial	46,990,353,899	10.50	24,012	2.59
Recreational	1,926,327,813	0.43	916	0.10
Government/Social/Institutional	3,387,312,148	0.76	5,454	0.59
Miscellaneous	<u>356,376,420</u>	<u>0.08</u>	<u>769</u>	<u>0.08</u>
Subtotal Non-Residential	<u>\$132,657,410,962</u>	<u>29.63%</u>	<u>80,771</u>	<u>8.70%</u>
Residential:				
Single Family Residence	\$188,920,940,474	42.20%	554,327	59.74%
Condominium/Townhouse	39,673,448,451	8.86	129,600	13.97
Mobile Home Related	369,725,353	0.08	312	0.03
2-4 Residential Units	28,867,786,878	6.45	96,240	10.37
5+ Residential Units/Apartments	49,786,868,887	11.12	40,012	4.31
Miscellaneous Residential	<u>36,450,584</u>	<u>0.01</u>	<u>162</u>	<u>0.02</u>
Subtotal Residential	<u>\$307,655,220,627</u>	<u>68.73%</u>	<u>820,653</u>	<u>88.44%</u>
Vacant Parcels	<u>\$ 7,346,734,672</u>	<u>1.64%</u>	<u>26,539</u>	<u>2.86%</u>
Total	<u>\$447,659,366,261</u>	<u>100.00%</u>	<u>927,963</u>	<u>100.00%</u>

⁽¹⁾ Local Secured Assessed Valuation for Fiscal Year 2011-12, excluding tax-exempt property, local utility and non-unitary valuations.

Source: California Municipal Statistics, Inc.

The following Table 4 sets forth the distribution of single-family homes within the District within various assessed valuation ranges in Fiscal Year 2011-12.

TABLE 4
LOS ANGELES UNIFIED SCHOOL DISTRICT
Assessed Valuations of Single Family Homes Per Parcel
Fiscal Year 2011-12

	No. of Parcels	2011-12 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	554,327	\$188,920,940,474	\$340,811	\$247,000

2011-12 Assessed Valuation	No. of Parcels⁽¹⁾	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$24,999	5,308	0.958%	0.958%	\$ 79,388,207	0.042%	0.042%
\$25,000 - \$49,999	24,185	4.363	5.321	942,659,812	0.499	0.541
\$50,000 - \$74,999	34,547	6.232	11.553	2,143,540,411	1.135	1.676
\$75,000 - \$99,999	27,301	4.925	16.478	2,378,641,363	1.259	2.935
\$100,000 - \$124,999	25,818	4.658	21.135	2,905,521,208	1.538	4.473
\$125,000 - \$149,999	28,739	5.184	26.320	3,960,892,888	2.097	6.569
\$150,000 - \$174,999	33,517	6.046	32.366	5,449,542,651	2.885	9.454
\$175,000 - \$199,999	35,198	6.350	38.716	6,595,167,156	3.491	12.945
\$200,000 - \$224,999	34,386	6.203	44.919	7,293,837,150	3.861	16.806
\$225,000 - \$249,999	31,578	5.697	50.616	7,487,780,676	3.963	20.769
\$250,000 - \$274,999	28,484	5.138	55.754	7,462,441,959	3.950	24.719
\$275,000 - \$299,999	25,971	4.685	60.439	7,457,428,004	3.947	28.666
\$300,000 - \$324,999	22,767	4.107	64.547	7,106,467,572	3.762	32.428
\$325,000 - \$349,999	19,937	3.597	68.143	6,718,683,912	3.556	35.984
\$350,000 - \$374,999	17,464	3.150	71.294	6,318,934,439	3.345	39.329
\$375,000 - \$399,999	14,690	2.650	73.944	5,681,994,122	3.008	42.337
\$400,000 - \$424,999	12,733	2.297	76.241	5,245,692,272	2.777	45.113
\$425,000 - \$449,999	11,209	2.022	78.263	4,896,451,090	2.592	47.705
\$450,000 - \$474,999	9,552	1.723	79.986	4,410,806,064	2.335	50.040
\$475,000 - \$499,999	7,968	1.437	81.423	3,880,671,464	2.054	52.094
\$500,000 and greater	<u>102,975</u>	<u>18.577</u>	<u>100.000</u>	<u>90,504,398,054</u>	<u>47.906</u>	<u>100.000</u>
Total	<u>554,327</u>	<u>100.000%</u>		<u>\$188,920,940,474</u>	<u>100.000%</u>	

⁽¹⁾ Improved single family residential parcels. Excludes condominiums and parcels with multiple family units such as apartment buildings.

Source: California Municipal Statistics, Inc.

Tax Rates, Levies and Collections

Taxes are levied for each Fiscal Year on taxable real and personal property as of the preceding January 1. Real property that changes ownership or is newly constructed is revalued at the time the change occurs or the construction is completed. The current year property tax rate is applied to the reassessed value, and the taxes are then adjusted by a proration factor that reflects the portion of the remaining tax year for which taxes are due. The annual tax rate is based on the amount necessary to pay all obligations payable from *ad valorem* property taxes and the assessed value of taxable property in a given year. Economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade

disaster such as earthquake, flood, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the District's outstanding general obligation bonds.

For assessment and collection purposes, property is classified as either "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing property (real or personal) the taxes on which are a lien sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is listed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year, and become delinquent on December 10 and April 10, respectively. A penalty of 10% attaches immediately to all delinquent payments. Properties on the secured roll with respect to which taxes are delinquent become tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then may be sold at public auction by the County Treasurer and Tax Collector.

Property taxes on the unsecured roll are due in one payment on the January 1 lien date and become delinquent after August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The County has four ways of collecting delinquent unsecured personal property taxes: (i) a civil action against the taxpayer; (ii) filing a judgment in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (iii) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (iv) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Proposition 13 and its implementing legislation impose the function of property tax allocation on counties in the State and prescribe how levies on countywide property values are to be shared with local taxing entities within each county. The limitations in Proposition 13, however, do not apply to *ad valorem* property taxes or special assessments to pay the interest and redemption charges on indebtedness, like the District's general obligation bonds, approved by the voters.

The County levies a 1% *ad valorem* property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of "situs" growth in assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions that serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas, which were developed to permit the levying of taxes for less than county-wide or less than city-wide special and school districts. In addition, the County levies and collects additional approved property taxes and assessments on behalf of any taxing agency within the County.

State Government Code Sections 29100 through 29107 provide the procedures that all counties must follow for calculating tax rates. The secured tax levy within the District consists of the District's share of the 1% general *ad valorem* property and unitary taxes assessed on a County-wide basis and amounts levied that are in excess of the 1% general *ad valorem* property taxes. These tax receipts are part of the District's operations. In addition, the secured tax levy also includes the amount for the District's share of special voter-approved *ad valorem* property taxes assessed on a District-wide basis, such as the *ad valorem* property taxes assessed for the District's general obligation bonds issued pursuant to the Authorizations and any related general obligation refunding bonds. *Ad valorem* property taxes levied for general obligation bonds are deposited with the County and may only be applied to pay the principal of, redemption premium, if any, and interest on the District's general obligation bonds and general obligation refunding bonds. The District does not receive such funds nor are they available to pay any of the District's operating expenses. In

addition, the total secured tax levy includes special assessments, improvement bonds, supplemental taxes or other charges which have been assessed on property within the District. Since State law allows homeowners' exemptions (described above) and certain business exemptions from *ad valorem* property taxation, such exemptions are not included in the total secured tax levy. See "CALIFORNIA CONSTITUTIONAL AND STATUTORY PROVISIONS RELATING TO *AD VALOREM* PROPERTY TAXES, DISTRICT REVENUES AND APPROPRIATIONS" herein.

Further, State Education Code Section 15251 provides that all taxes levied with respect to general obligation bonds when collected will be paid into the county treasury of the county whose superintendent of schools has jurisdiction over the school district on behalf of which the tax was levied, to the credit of the debt service fund (or interest and sinking fund) of the school district, and will be used for the payment of the principal of and interest on the general obligation bonds and general obligation refunding bonds of the school district and for no other purpose. Accordingly, the County may not borrow or spend such amounts nor can the District receive such funds and use them for operating purposes.

The following Table 5 sets forth the tax rates for the general percentage of the levy applied to all property owners for all of the District's outstanding general obligation bonds and general obligation refunding bonds and State school loan repayment and the total overlapping tax rate levied on real property owners within the District from the Fiscal Year 2001-02 through 2011-12.

TABLE 5
LOS ANGELES UNIFIED SCHOOL DISTRICT
Property Tax Rates⁽¹⁾
Fiscal Years 2001-02 through 2011-12

Fiscal Year	District Tax Rate for District's State School Loan Repayment	Tax Rate for District's General Obligation Bonds⁽²⁾	General <i>Ad Valorem</i> Tax Rate Levied on District Property Owners⁽³⁾	Total Overlapping Tax Rate Levied on District Property Owners⁽⁴⁾	Total Tax Rate Levied on District Property Owners
2001-02	--%	0.048129%	1.000000%	0.049952%	1.098081%
2002-03	0.000107	0.036866	1.000000	0.050926	1.087899
2003-04	0.000160	0.076985	1.000000	0.058128	1.135273
2004-05	0.000143	0.088696	1.000000	0.062701	1.151540
2005-06	0.000107	0.084239	1.000000	0.057333	1.141679
2006-07	0.000079	0.106735	1.000000	0.050769	1.157583
2007-08	0.000040	0.123302	1.000000	0.042551	1.165893
2008-09	0.000058	0.124724	1.000000	0.042841	1.167623
2009-10	--	0.151809	1.000000	0.045520	1.197329
2010-11	--	0.186954	1.000000	N/A	N/A
2011-12	--	0.168187	1.000000	N/A	N/A

⁽¹⁾ Per \$100 of Assessed Value.

⁽²⁾ Reflects tax rate for general obligation bonds.

⁽³⁾ The District receives a portion of this District-wide tax with other overlapping agencies receiving their respective portion.

⁽⁴⁾ Total Overlapping Tax Rate Levied on District Property Owners includes taxes levied upon property owners within the District's boundaries relating to, among others things, general fund obligations of the County, the Metropolitan Water District, the Los Angeles County Flood Control District, and City of Los Angeles Landscaping and Special Tax Assessment District.

Sources: Los Angeles Unified School District Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2010; Los Angeles Auditor-Controller for the Fiscal Year ended June 30, 2011.

The following Table 6 sets forth real property taxes in the District from Fiscal Year 2000-01 through 2009-10.

TABLE 6
LOS ANGELES UNIFIED SCHOOL DISTRICT
Property Tax Levies and Collections
Fiscal Years 2000-01 through 2009-10
(\$ in thousands)

Fiscal Year	Total Tax Levy	ERAF Funds⁽¹⁾	Current Tax Collections
2000-01	\$ 583,508	\$465,002	\$1,037,958
2001-02	652,455	493,649	1,125,788
2002-03	656,436	536,530	1,190,192
2003-04	821,820	576,038	1,386,560
2004-05	929,248	171,052	1,091,325
2005-06	991,275	76,068	1,026,351
2006-07	1,173,752	--	1,134,757
2007-08	1,345,503	(42,753)	1,241,733
2008-09	1,481,739	(2,660)	1,372,078
2009-10	1,597,579	41,685	1,505,933

⁽¹⁾ Educational Revenue Augmentation Funds ("ERAF") have been added or deducted, as applicable as provided under then applicable State law, to tax levies received by the District. See "CALIFORNIA CONSTITUTIONAL AND STATUTORY PROVISIONS RELATING TO *AD VALOREM* PROPERTY TAXES, DISTRICT REVENUES AND APPROPRIATIONS—Proposition 22" herein.

Source: Los Angeles Unified School District Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2010.

Largest Taxpayers in the District

The following Table 7 sets forth the 20 largest secured taxpayers in the District for Fiscal Year 2011-12.

TABLE 7
LOS ANGELES UNIFIED SCHOOL DISTRICT
Largest Local Secured Taxpayers
Fiscal Year 2011-12

	Property Owner	Primary Land Use	2011-12 Assessed Valuation	% of Total⁽²⁾
1.	Douglas Emmett Realty Funds	Office Building	\$ 2,298,099,106	0.51%
2.	Universal Studios LLC	Motion Picture Studio	1,212,699,279	0.27
3.	Anheuser Busch Inc.	Industrial	779,369,442	0.17
4.	One Hundred Towers LLC	Office Building	583,508,500	0.13
5.	Donald T. Sterling	Apartments	552,749,713	0.12
6.	Tishman Speyer Archstone Smith Oakwood	Apartments	499,685,502	0.11
7.	Duesenberg Investment Company	Office Building	489,048,444	0.11
8.	Paramount Pictures Corp.	Motion Picture Studio	473,288,626	0.11
9.	Century City Mall LLC	Shopping Center/Mall	459,585,261	0.10
10.	Taubman Beverly Center	Shopping Center/Mall	458,763,245	0.10
11.	Casden Park La Brea LLC	Apartments	455,876,723	0.10
12.	BRE Properties Inc.	Apartments	454,392,324	0.10
13.	Westfield Topanga Owner LP	Shopping Center/Mall	447,374,793	0.10
14.	Trizec 333 LA LLC	Office Building	383,700,000	0.09
15.	Twentieth Century Fox Film Corp.	Motion Picture Studio	378,866,266	0.08
16.	LA Live Properties LLC	Commercial/Recreational	375,554,570	0.08
17.	Next Century Associates LLC	Hotel	367,049,334	0.08
18.	1999 Stars LLC	Office Building	350,305,194	0.08
19.	BP West Coast Products LLC	Industrial	347,702,462	0.08
20.	AP Properties Ltd.	Office Building	<u>338,255,141</u>	<u>0.08</u>
			<u>\$11,705,873,925</u>	<u>2.61%</u>

⁽¹⁾ Excludes taxpayers with values derived from mineral rights or a possessory interest. Historically, among the top 10 taxpayers within the District are landowners with primary land use of oil and gas production, including Atlantic Richfield Company, Tosco Corporation and Ultramar Inc., which are not reflected in the table above.

⁽²⁾ Percentages are based upon total Fiscal Year 2011-12 Local Secured Assessed Valuation of \$447,659,366,261, based upon a calculation of the total secured assessed valuation less local utility and non-unitary valuations, as reported by California Municipal Statistics, Inc.

Source: California Municipal Statistics, Inc.

The District's General Obligation Bond Program and Bonding Capacity

Voters within the District have approved a total of \$20.605 billion of general obligation bonds in five separate bond elections since 1997. See APPENDIX C – “DISTRICT FINANCIAL INFORMATION – District Debt” attached hereto for additional information regarding the District's outstanding general obligation bonds. Pursuant to Sections 15106 of the Education Code, the District's bonding capacity for general obligation bonds may not exceed 2.5% of taxable property value in the District as shown by the last equalized assessment of the County. The District's maximum bonding capacity for general obligation bonds for Fiscal Year 2011-12 is approximately \$11.7 billion pursuant to this limit. The District currently has approximately \$416.33 million of unused bonding capacity for new issuances of general obligation bonds. The District does not presently expect to issue additional general obligation bonds other than general obligation refunding bonds. See “ - Future Issuances of General Obligation Bonds” herein.

Measure K, Measure R, Measure Y and Measure Q Projects

The table below summarizes the major categories of \$18.2 billion of projects identified pursuant to Measure K, Measure R, Measure Y and Measure Q authorized to be funded pursuant to their respective authorizations and the District's expected allocation of bond proceeds to each major category of projects, some of which are expected to be funded from future bond issuances. At least \$7.4 billion of State matching funds and other revenue sources have been or are expected to be allocated to the Measure K Projects, the school projects (collectively, the "Measure R Projects") approved by voters in the March 2, 2004 election approving Measure R (the "Measure R Authorization"), and the Measure Y Projects. In addition, the District previously issued all of the \$2.4 billion of general obligation bonds, which were authorized pursuant to the authorization received from voters of the District in the April 8, 1997 election approving Proposition BB (the "Proposition BB Authorization"), to fund land acquisition, school construction and modernization and technology projects. Accordingly, the aggregate total of sources of funds is expected to be approximately \$28 billion.

TABLE 8
Los Angeles Unified School District
Summary of Measure K Projects, Measure R Projects, Measure Y Projects and Measure Q Projects
and Target Funding Amounts
(\$ in millions)

Category of Project	Measure K⁽¹⁾ (2002)	Measure R⁽²⁾ (2005)	Measure Y⁽³⁾ (2006)	Measure Q (2008)
School Construction	\$2,580	\$1,837	\$2,630	\$1,130
Repair	526	1,563	690	2,680
Refinancing of Certificates of Participation Payments	--	150	190	--
Technology	66	140	125	1,925
School Facility Upgrades and Library Acquisitions	38	53	5	--
Early Childhood Education	80	50	60	150
Adult Education	--	25	50	125
Charter Schools	50	20	50	450
Joint Use	10	20	30	--
Audit Process	--	10	10	40
Safety – Police Dispatch	--	2	--	--
Oversight of Bond Projects	--	--	50	--
Innovation Fund	--	--	60	--
Replacement of Special Education Buses	--	--	25	--
Added Resources to Low Performing Schools	--	--	10	--
Green Technology	--	--	--	500
Total	<u>\$3,350</u>	<u>\$3,870</u>	<u>\$3,985</u>	<u>\$7,000</u>

(1) As of September 1, 2011, bond proceeds have financed \$3.35 billion of Measure K Projects, some of which are not yet complete. State matching funds have also been allocated to the Measure K Projects.

(2) As of September 1, 2011, bond proceeds have financed \$3.635 billion of Measure R Projects, some of which are not yet complete. State matching funds have also been allocated to the Measure R Projects.

(3) As of September 1, 2011, bond proceeds have financed \$3.542 billion of Measure Y Projects, some of which are not yet complete. State matching funds have also been allocated to the Measure Y Projects.

Source: Los Angeles Unified School District.

Future Issuances of General Obligation Bonds

In August 2011, the District received updated estimates of projected assessed valuation from a private econometrics firm. The econometrics model projected annual increases in the District's assessed valuation base over the foreseeable future. See "—Assessed Valuation of Property within the District" herein. The issuance of additional series of general obligation bonds, other than general obligation refunding bonds, in future years will depend upon, among other things, the projected assessed valuation of property within the District's boundaries, as determined by the District's analysis of information from, among other sources, the Office of the County Assessor. The District currently has approximately \$416.33 million of unused bonding capacity for the issuance of additional general obligation bonds. The District does not presently expect to issue additional general obligation bonds other than general obligation refunding bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE REFUNDING BONDS – California Constitutional and Statutory Provisions Relating to *Ad Valorem* Property Taxes" herein.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to the District ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Refunding Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Refunding Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix D hereto.

To the extent the issue price of any maturity of the Refunding Bonds is less than the amount to be paid at maturity of such Refunding Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Refunding Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Refunding Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Refunding Bonds is the first price at which a substantial amount of such maturity of the Refunding Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Refunding Bonds accrues daily over the term to maturity of such Refunding Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Refunding Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Refunding Bonds. Beneficial Owners of the Refunding Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Refunding Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Refunding Bonds in the original offering to the public at the first price at which a substantial amount of such Refunding Bonds is sold to the public.

Refunding Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own

tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Refunding Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Refunding Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Refunding Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Refunding Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Refunding Bonds may adversely affect the value of, or the tax status of interest on, the Refunding Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Refunding Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Refunding Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Refunding Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. As one example, on September 12, 2011, the Obama Administration announced a legislative proposal entitled the American Jobs Act of 2011. For tax years beginning on or after January 1, 2013, the American Jobs Act of 2011 generally would limit the exclusion from gross income of interest on obligations like the Refunding Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Refunding Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Refunding Bonds. Prospective purchasers of the Refunding Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Refunding Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Refunding Bonds ends with the issuance of the Refunding Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Refunding Bonds in the event of an audit

examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Refunding Bonds for audit, or the course or result of such audit, or an audit of Refunding Bonds presenting similar tax issues may affect the market price for, or the marketability of, the Refunding Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

LEGAL MATTERS

Continuing Disclosure

The District has covenanted for the benefit of the holders and beneficial owners of the Refunding Bonds to provide certain financial information and operating data relating to the District (the “Annual Report”) for each fiscal year by not later than 240 days following the end of the District’s fiscal year (currently ending June 30) commencing with the Annual Report for Fiscal Year 2010-11, and to provide notices of the occurrence of certain Listed Events. The District will provide or cause to be provided the Annual Report and these notices to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system, emma.msrb.org, in the manner prescribed by the SEC. Copies of the District’s previous annual reports and notices of event filings are also available at the website of Digital Assurance Certification, L.L.C., www.dacbond.com, although the information presented there is not incorporated by reference in this Official Statement and should not be relied upon in making an investment decision with respect to the Refunding Bonds. The specific nature of the information to be contained in the Annual Report and a notice of a Listed Event is set forth in APPENDIX G – “FORM OF CONTINUING DISCLOSURE CERTIFICATE” attached hereto. These covenants have been made in order to assist the Underwriters in complying with SEC Rule 15c2-12(b)(5) (the “Rule”). The District has complied in all material respects in the last five years with each of its previous undertakings with regard to the Rule to provide annual reports and notices of events as required in its continuing disclosure undertakings.

Limitation on Remedies; Amounts Held in the County Treasury Pool

The proposed form of opinion of Bond Counsel, attached hereto as Appendix F, is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor’s rights. Bankruptcy proceedings, if initiated, could subject the owners of the Refunding Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

The County on behalf of the District is expected to be in possession of the annual *ad valorem* property taxes and certain funds to repay the Refunding Bonds and may invest these funds in the County’s Treasury Pool, as described in APPENDIX H – “LOS ANGELES COUNTY TREASURY POOL” attached hereto. In the event the District or the County were to go into bankruptcy, a federal bankruptcy court might hold that the owners of the Refunding Bonds are unsecured creditors with respect to any funds received by the District or the County prior to the bankruptcy, which may include *ad valorem* property taxes that have been collected and deposited into the applicable Interest and Sinking Fund, where such amounts are deposited into the County Treasury Pool, and such amounts may not be available for payment of the principal of and interest on the Refunding Bonds unless the owners of the Refunding Bonds can “trace” those funds. There can be no assurance that the Owners could successfully so “trace” such taxes on deposit in the applicable Interest and Sinking Fund where such amounts are invested in the County Treasury Pool. The County is required by law to annually levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of the principal of and interest on the Refunding Bonds.

Legality for Investment in the State

Under provisions of the State Financial Code, the Refunding Bonds are legal investments for commercial banks in the State to the extent that the Refunding Bonds, in the informed opinion of said bank, are prudent for the investment of funds of depositors, and, under provisions of the California Government Code, are eligible for security for deposits of public moneys in the State.

Certain Legal Matters

The validity of the Refunding Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel to the District, and certain other conditions. A complete copy of the proposed form of opinion of Bond Counsel with respect to the Refunding Bonds is contained in Appendix F, attached hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will also be passed upon for the District by its Disclosure Counsel, Hawkins Delafield & Wood LLP, Los Angeles, California and by the District's General Counsel, and for the Underwriters by their counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California.

FINANCIAL STATEMENTS

The District's Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2010 (the "Fiscal Year 2009-10 CAFR"), including its general purpose financial statements for the Fiscal Year ended June 30, 2010 is attached hereto as Appendix D. The basic financial statements of the District for the Fiscal Year 2009-10 have been audited by Simpson & Simpson, independent certified public accountants, as stated in their report appearing in Appendix D. The District has not requested nor has the District obtained the consent of Simpson & Simpson to the inclusion of its report in Appendix D. Simpson & Simpson has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Simpson & Simpson has not been requested to perform and has not performed any procedures relating to the Official Statement.

LITIGATION

There is no litigation pending against the District or, to the knowledge of its respective executive officers, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Refunding Bonds or in any way contesting or affecting the validity of the Refunding Bonds or the Authorizations or any proceedings of the District taken with respect to the issuance or sale thereof, or the levy or application of *ad valorem* property taxes for the payment of principal of and interest on the Refunding Bonds or the use of the proceeds of the Refunding Bonds. A certificate to this effect will be furnished to the Underwriters at the time of the original delivery of the Refunding Bonds. There are no pending lawsuits that, in the opinion of the District's General Counsel, challenge the validity of the Refunding Bonds, the existence of the District, or the title of the executive officers to their respective offices. There are a number of lawsuits and claims pending against the District. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the finances of the District. See Appendix C - "DISTRICT FINANCIAL INFORMATION" attached hereto.

MISCELLANEOUS

Ratings

Moody's and S&P have assigned their municipal bond ratings of "Aa2" and "AA-", respectively, to the Refunding Bonds. The District has furnished to each rating agency certain materials and information

with respect to itself and the Refunding Bonds. Generally, rating agencies base their ratings on such information and materials and on their own investigations, studies and assumptions. Each rating reflects only the view of the respective rating agency, and any explanation of the significance of such rating may be obtained only from the issuing rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, telephone: (212) 533-0300 and Standard & Poor's, 55 Water Street, New York, New York 10041, telephone: (212) 438-2124. There is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of any such rating may have an adverse effect on the market price of the Refunding Bonds.

Financial Advisor

The District has retained Tamalpais Advisors, Inc. – KNN Public Finance, A Joint Venture, as Financial Advisor (the "Financial Advisor") in connection with the issuance of the Refunding Bonds and certain other financial matters. The Financial Advisor is not obligated to undertake and has not undertaken to make an independent verification of the accuracy, completeness or fairness of the information contained in this Official Statement. The Financial Advisor represents two independent financial advisory firms and is not engaged in the business of underwriting, trading or distributing municipal securities or other negotiable instruments.

Verification of Mathematical Computations

Upon the delivery of the Refunding Bonds, Grant Thornton LLP (the "Verification Agent"), will deliver a report stating that the firm has verified the mathematical accuracy of the schedules with respect to the sufficiency of the Escrow Fund established to pay, when due, the principal of, redemption premium and interest on the Prior Bonds to be refunded in full on the dates of payment or redemption thereof. The scope of the verification will be based solely on information and assumptions provided to the Verification Agent by the Underwriters. The Verification Agent will express no opinion on the assumptions provided to them, nor as to the exemption from taxation of the interest on the Refunding Bonds.

Underwriting

The Refunding Bonds are being purchased by Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner, & Smith Incorporated, Backstrom McCarley Berry & Co., LLC, E. J. De La Rosa & Co. Inc. and RBC Capital Markets, LLC (collectively, the "Underwriters"), for whom Citigroup Global Markets Inc. is acting as representative. The Underwriters have agreed to purchase the Series A-1 Refunding Bonds at the purchase price of \$235,494,490.53 (which is equal to the aggregate principal amount of the Series A-1 Refunding Bonds, plus a net original issue premium of \$29,097,642.40 and less an underwriters' discount of \$338,151.87) and to purchase the Series A-2 Refunding Bonds at the purchase price of \$230,582,398.84 (which is equal to the aggregate principal amount of the Series A-2 Refunding Bonds, plus a net original issue premium of \$29,841,351.90 and less an underwriters' discount of \$328,953.06) pursuant to a Bond Purchase Agreement (the "Bond Purchase Agreement") relating to the Refunding Bonds.

Pursuant to the Bond Purchase Agreement, the Underwriters will purchase all of the Refunding Bonds if any of such Bonds are purchased. The respective Underwriters may offer and sell the Refunding Bonds to certain dealers and others at prices or yields different from the initial public offering prices or yields stated on the inside cover pages of this Official Statement. The initial public offering prices or yields may be changed from time to time by the respective Underwriters, as applicable.

Citigroup Inc., the parent company of Citigroup Global Markets Inc., one of the underwriters of the Refunding Bonds, has entered into a retail brokerage joint venture with Morgan Stanley. As part of the joint venture, Citigroup will distribute municipal securities to retail investors through the financial advisor

network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Refunding Bonds.

Additionally, Citigroup has entered into a master distribution agreement (the Master Distribution Agreement) with TheMuniCenter L.L.C. (TMC), for the distribution to retail investors of certain municipal securities offerings at their original issue prices. TMC has established an electronic primary offering application platform through which certain TMC approved users that are also broker-dealers or municipal securities dealers can submit orders for and receive allocations of new issue municipal securities at the original issue price for their retail customers. Pursuant to the Master Distribution Agreement (if applicable for this transaction), Citigroup may share with TMC a portion of its underwriting compensation with respect to any Refunding Bonds that are allocated to a TMC user. The TMC users permitted to participate in the offering of the Refunding Bonds may also share a portion of the underwriting compensation received by Citigroup with respect to any Refunding Bonds allocated to such TMC user pursuant to the terms of a Member Addendum to the TMC user's Trading Authorization User Agreement with TMC. Citigroup Financial Products Inc., an affiliate of Citigroup, owns a 31.35% equity interest in TheDebtCenter L.L.C., the parent company of TMC.

De La Rosa & Co., one of the Underwriters of the Refunding Bonds, has entered into separate agreements with Credit Suisse Securities USA LLC, UnionBanc Investment Services LLC and City National Securities, Inc. for retail distribution of certain municipal securities offerings, at the original issue prices. Pursuant to said agreement, if applicable to the Refunding Bonds, De La Rosa & Co. will share a portion of its underwriting compensation with respect to the Refunding Bonds, with Credit Suisse Securities USA LLC, UnionBanc Investment Services LLC or City National Securities, Inc.

Additional Information

The purpose of this Official Statement is to supply information to prospective buyers of the Refunding Bonds. Quotations from and summaries of the Refunding Bonds and the Paying Agent Agreement, and the constitutional provisions, statutes and other documents described herein do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions. Copies of such documents are available for inspection at the District by request to the Chief Financial Officer at (213) 241-7888, and following delivery of the Refunding Bonds will be on file at the corporate trust office of the Paying Agent.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not a contract or agreement between the District and the purchasers or owners of any of the Refunding Bonds.

Execution and Delivery

The District has duly authorized the execution and delivery of this Official Statement.

LOS ANGELES UNIFIED SCHOOL DISTRICT

By: 

Chief Financial Officer

APPENDIX A

FISCAL YEAR DEBT SERVICE

The following table sets forth the semi-annual debt service obligations in each Fiscal Year for all of the District's outstanding general obligation bonds.

[THIS PAGE INTENTIONALLY LEFT BLANK]

General Obligation Bonds, Semi-Annual Debt Service Schedule by Series
(\$ in millions)

Payment Date	Outstanding General Obligation Bonds ⁽¹⁾⁽²⁾⁽³⁾	2011 GO Refunding Series A-1			2011 GO Refunding Series A-2			Aggregate	
		Principal	Interest	Semi-Annual Debt Service	Principal	Interest	Semi-Annual Debt Service	Semi-Annual Debt Service	Fiscal Year Total
1/1/2012	\$ 278.20	\$ -	\$ 1.59	\$ 1.59	\$ -	\$ 1.57	\$ 1.57	\$ 281.37	\$ 281.37
7/1/2012	605.11	3.59	4.78	8.36	3.44	4.72	8.16	621.63	
1/1/2013	270.60	-	4.74	4.74	-	4.69	4.69	280.03	901.66
7/1/2013	597.04	0.47	4.74	5.21	0.36	4.69	5.05	607.30	
1/1/2014	263.15	-	4.74	4.74	-	4.68	4.68	272.57	879.87
7/1/2014	541.68	17.15	4.74	21.88	36.75	4.68	41.43	604.99	
1/1/2015	256.37	-	4.40	4.40	-	3.90	3.90	264.67	869.66
7/1/2015	567.76	18.83	4.40	23.22	7.76	3.90	11.66	602.64	
1/1/2016	248.82	-	3.94	3.94	-	3.74	3.74	256.50	859.13
7/1/2016	563.48	19.78	3.94	23.71	5.84	3.74	9.58	596.78	
1/1/2017	241.01	-	3.55	3.55	-	3.60	3.60	248.15	844.93
7/1/2017	587.79	20.58	3.55	24.12	2.95	3.60	6.55	618.45	
1/1/2018	232.46	-	3.14	3.14	-	3.54	3.54	239.13	857.59
7/1/2018	610.80	21.43	3.14	24.56	1.07	3.54	4.60	639.97	
1/1/2019	222.96	-	2.61	2.61	-	3.52	3.52	229.09	869.06
7/1/2019	616.44	0.14	2.61	2.75	1.04	3.52	4.55	623.75	
1/1/2020	213.28	-	2.61	2.61	-	3.50	3.50	219.39	843.14
7/1/2020	607.01	23.66	2.61	26.26	3.20	3.50	6.70	639.97	
1/1/2021	203.58	-	2.02	2.02	-	3.43	3.43	209.03	849.00
7/1/2021	480.08	24.87	2.02	26.89	131.83	3.43	135.26	642.22	
1/1/2022	196.75	-	1.41	1.41	-	0.14	0.14	198.29	840.51
7/1/2022	673.27	-	1.41	1.41	2.04	0.14	2.17	676.84	
1/1/2023	185.29	-	1.41	1.41	-	0.10	0.10	186.80	863.64
7/1/2023	643.49	27.44	1.41	28.84	4.82	0.10	4.92	677.25	
1/1/2024	174.24	-	0.72	0.72	-	-	-	174.96	852.21
7/1/2024	657.33	28.84	0.72	29.56	-	-	-	686.89	
1/1/2025	162.78	-	-	-	-	-	-	162.78	849.67
7/1/2025	655.37	-	-	-	-	-	-	655.37	
1/1/2026	468.68	-	-	-	-	-	-	468.68	1,124.06
7/1/2026	691.65	-	-	-	-	-	-	691.65	
1/1/2027	155.70	-	-	-	-	-	-	155.70	847.34
7/1/2027	921.72	-	-	-	-	-	-	921.72	
1/1/2028	241.38	-	-	-	-	-	-	241.38	1,163.11
7/1/2028	537.07	-	-	-	-	-	-	537.07	
1/1/2029	100.20	-	-	-	-	-	-	100.20	637.27
7/1/2029	566.18	-	-	-	-	-	-	566.18	
1/1/2030	87.24	-	-	-	-	-	-	87.24	653.42
7/1/2030	591.99	-	-	-	-	-	-	591.99	
1/1/2031	73.10	-	-	-	-	-	-	73.10	665.09
7/1/2031	617.67	-	-	-	-	-	-	617.67	
1/1/2032	57.27	-	-	-	-	-	-	57.27	674.94
7/1/2032	643.58	-	-	-	-	-	-	643.58	
1/1/2033	39.84	-	-	-	-	-	-	39.84	683.42
7/1/2033	635.43	-	-	-	-	-	-	635.43	
1/1/2034	54.40	-	-	-	-	-	-	54.40	689.83
7/1/2034	694.76	-	-	-	-	-	-	694.76	
1/1/2035	-	-	-	-	-	-	-	-	694.76
Total	\$ 18,734.02	\$ 206.74	\$ 76.90	\$ 283.64	\$ 201.07	\$ 75.96	\$ 277.03	\$ 19,294.69	\$ 19,294.69

⁽¹⁾ Excludes the Refunding Bonds described in the forepart of this Official Statement; also excludes the Prior Bonds to be refunded with the proceeds of the Refunding Bonds.

⁽²⁾ Includes debt service related to outstanding general obligation refunding bonds related to such Authorization.

⁽³⁾ Excludes federal subsidies related to Build America Bonds and Qualified School Construction Bonds.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION

TABLE OF CONTENTS

	<u>Page</u>
Population.....	B-1
Income	B-1
Employment	B-3
Commercial Activity	B-4
Leading County Employers	B-6
Construction	B-7

REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION

The Los Angeles Unified School District (the “District”) is located in the City of Los Angeles (the “City”) and portions of the County of Los Angeles (the “County”). This Appendix B provides economic and demographic information pertaining to the City and the County. The District’s 2011 General Obligation Refunding Bonds are general obligations of the District, but they are not general obligations of the City or the County.

Population

The following table B-1 sets forth the estimates of the population of the City, the County and the State in calendar years 2006 and 2011.

TABLE B-1
POPULATION ESTIMATES
2006 through 2011

Year (as of January 1)	City of Los Angeles	County of Los Angeles	State of California
2006	3,768,645	9,798,609	36,116,202
2007	3,764,062	9,780,808	36,399,676
2008	3,774,497	9,785,474	36,704,375
2009	3,781,951	9,801,096	36,966,713
2010	3,794,586	9,822,121	37,223,900
2011	3,810,129	9,858,989	37,510,766

Source: State of California Department of Finance Demographic Research Unit.

Income

The following Table B-2 summarizes the median household income for the City, the County, the State and the United States for the years 2005 through 2009.

TABLE B-2
Median Household Income⁽¹⁾
2005 through 2009

Year	City of Los Angeles	County of Los Angeles	State of California	United States
2005	\$42,667	\$48,248	\$53,629	\$46,242
2006	44,445	51,315	56,645	48,451
2007	46,292	52,628	58,361	50,007
2008	48,882	55,499	61,021	52,029
2009	48,570	54,828	60,392	51,425

⁽¹⁾ Estimated. In inflation-adjusted dollars.

Source: U.S. Census Bureau – Economic Characteristics – American Community Survey.

Set forth in Table B-3 below is the distribution of income by certain income groupings per household for the City, the County, the State and the United States.

TABLE B-3

**Income Groupings 2009⁽¹⁾
(Percent of Households)**

Income Per Household	City of Los Angeles	County of Los Angeles	State of California	United States
\$24,999 & Under	26.94%	22.83%	19.94%	23.81%
\$25,000-49,999	24.24	23.20	22.01	24.91
\$50,000 & Over	48.83	53.98	58.04	51.29

⁽¹⁾ Estimated. In inflation-adjusted dollars.

Source: U.S. Census Bureau – Economic Characteristics – American Community Survey.

Employment

The District is within the Los Angeles-Long Beach Primary Metropolitan Statistical Area Labor Market (Los Angeles County) reported on periodically by the State Employment Development Department.

Table B-4 below summarizes the status of wage and salary employment in the County from calendar years 2006 through 2010.

TABLE B-4
Labor Force and Employment in Los Angeles County⁽¹⁾

	2006	2007	2008	2009	2010
Civilian Labor Force ⁽²⁾	4,806,600	4,874,600	4,930,900	4,900,100	4,879,500
Employment	4,578,700	4,626,900	4,563,200	4,336,600	4,262,300
Unemployment	229,900	247,600	367,600	563,500	617,200
Unemployment Rate	4.8%	5.1%	7.5%	11.5%	12.6%
Wage and Salary Employment ⁽³⁾					
Farm	7,600	7,500	6,900	6,200	6,400
Mining and Logging	4,000	4,400	4,400	4,100	4,200
Construction	157,500	157,600	145,200	117,300	104,300
Manufacturing	461,700	449,200	434,500	389,200	374,200
Trade, Transportation and Utilities	814,100	818,500	803,300	742,700	738,400
Information	205,600	209,800	210,300	191,200	192,400
Financial Activities	246,700	243,800	233,300	216,000	209,200
Professional and Business Services	598,900	605,400	582,600	529,800	526,100
Educational and Health Services	480,800	492,700	505,800	514,600	522,700
Leisure and Hospitality	388,600	397,900	401,600	385,600	384,600
Other Services	145,200	147,100	146,100	137,900	136,300
Government	589,400	595,700	603,700	595,800	576,600
Total ⁽¹⁾	<u>4,100,100</u>	<u>4,129,600</u>	<u>4,077,700</u>	<u>3,830,400</u>	<u>3,775,400</u>

⁽¹⁾ Columns may not add to totals due to independent rounding. All information updated per March 2010 Benchmark.

⁽²⁾ Based on place of residence.

⁽³⁾ The State Employment Development Department has reported a seasonally adjusted unemployment rate within the County of 11.9% for August 2011.

⁽⁴⁾ Based on place of work.

Source: State Employment Development Department, Labor Market Information Division.

Commercial Activity

The following Table B-5 sets forth the history of taxable transactions in the County for the years 2004 through 2008.

TABLE B-5

**County of Los Angeles
Taxable Transactions⁽¹⁾⁽²⁾
(\$ in thousands)**

Type of Business	2004 <u>Annual</u>	2005 <u>Annual</u>	2006 <u>Annual</u>	2007 <u>Annual</u>	2008 <u>Annual</u>
Apparel Stores	\$ 4,806,681	\$ 5,248,349	\$ 5,526,656	\$ 5,829,390	\$ 6,290,994
General Merchandise	12,592,214	13,176,715	13,729,150	13,825,538	12,861,677
Specialty Stores ⁽³⁾	13,026,931	13,840,030	14,332,982	--	--
Food Stores	4,222,270	4,532,723	4,680,320	4,911,939	4,921,329
Eating and Drinking Establishments	12,035,694	12,904,310	13,751,189	14,473,199	14,607,067
Home Furnishings/Appliances	4,030,834	4,263,142	4,307,020	4,287,090	4,482,776
Building Materials	7,310,663	7,701,383	7,871,880	7,494,731	6,388,930
Automotive ⁽⁴⁾	26,518,947	28,525,468	29,161,994	17,156,218	13,282,539
Service Stations ⁽⁴⁾	--	--	--	12,230,800	13,437,380
Other Retail Stores ⁽³⁾	1,952,451	2,079,035	2,193,002	15,886,806	13,537,617
Business and Personal Services	5,275,051	5,414,432	5,390,537	5,408,543	5,196,651
All Other Outlets	<u>30,761,368</u>	<u>33,036,786</u>	<u>35,217,822</u>	<u>36,316,164</u>	<u>36,874,784</u>
TOTAL ALL OUTLETS	<u>\$122,533,104</u>	<u>\$130,722,373</u>	<u>\$136,162,552</u>	<u>\$137,820,418</u>	<u>\$131,881,744</u>

⁽¹⁾ Columns may not add to totals due to independent rounding.

⁽²⁾ In early 2007, the California State Board of Equalization began a process of converting business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change process, industry data for 2007 and 2008 are not comparable with data from prior years.

⁽³⁾ In 2007 and 2008, industry data for Specialty Stores were included in Other Retail Stores.

⁽⁴⁾ Prior to 2007, industry data for Service Stations were included in Automotive.

Source: California State Board of Equalization, Taxable Sales in California.

Table B-6 below sets forth taxable transactions in the County for 2009 and the first and second quarters of calendar year 2010. The California State Board of Equalization has completed the process of converting business codes of sales and use tax permit holders to North American Industry Classification System (“NAICS”) codes. The following table reflects implementation of the NAICS codes and new industry categories.

TABLE B-6
County of Los Angeles
Taxable Transactions⁽¹⁾
Calendar Year 2009 and 2010 First and Second Quarters
(\$ in thousands)

<u>Type of Business</u>	<u>2009</u>	<u>2010</u> <u>First and Second Quarters</u>
Motor Vehicle and Parts Dealers	\$ 10,801,444	\$ 5,513,804
Furniture and Home Furnishings Stores	2,058,460	1,017,760
Electronics and Appliance Stores	3,406,513	1,647,781
Building Materials and Garden Equipment and Supplies	5,754,600	2,965,034
Food and Beverage Stores	5,410,953	2,659,695
Health and Personal Care Stores	2,735,112	1,366,120
Gasoline Stations	9,629,797	5,288,238
Clothing and Clothing Accessories Stores	7,145,713	3,462,888
Sporting Goods, Hobby, Book & Music Stores	2,434,950	1,145,361
General Merchandise Stores	10,059,028	4,687,832
Miscellaneous Store Retailers	4,319,761	2,148,815
Nonstore Retailers	810,972	378,549
Food Services and Drinking Places	<u>13,876,812</u>	<u>7,087,082</u>
Total Retail and Food Services	78,444,115	39,368,960
All Other Outlets	<u>34,300,613</u>	<u>16,695,940</u>
TOTAL ALL OUTLETS	<u>\$112,744,727</u>	<u>\$56,064,900</u>

⁽¹⁾ Amounts may not total due to independent rounding.

Source: California State Board of Equalization, Taxable Sales in California.

Leading County Employers

The economic base of the County is diverse with no one sector being dominant. Some of the leading activities include government (including education), business/professional management services (including engineering), health services (including training and research), tourism, distribution, and entertainment. The top twenty-five non-governmental employers in the County are set forth below in Table B-7.

TABLE B-7
County of Los Angeles
Major Non-Governmental Employers⁽¹⁾⁽²⁾

Employer	Product/Service	Employees
Kaiser Permanente	Non-profit health plan	32,700
Northrop Grumman Corp.	Defense contractor	19,000
University of Southern California	Private university	15,121
Boeing Co.	Aerospace and defense systems	13,623
Ralphs/Food 4 Less (division of Kroger Co.)	Grocery retailer	13,500 ⁽¹⁾
Target Corp.	Retailer	13,000
Bank of America Corp.	Banking and financial services	12,000 ⁽¹⁾
Cedars-Sinai Medical Center	Medical centers	10,467
Home Depot	Home improvement specialty retailer	10,000
Providence Health & Services California	Medical center	9,960
Wells Fargo	Diversified financial services	9,900
Vons	Grocery retailer	9,176
ABM Industries Inc.	Facility services, janitorial, parking, security, engineering and lighting	8,800
AT&T Inc.	Telecommunications	8,505
California Institute of Technology	Private university; operator of Jet Propulsion Laboratory	8,400
Fedex Corp.	Shipping and logistics	7,700
Catholic Healthcare West	Hospitals	7,200
Amgen Inc.	Biotechnology	6,700
JP Morgan Chase	Banking and financial services	6,000
Long Beach Memorial Medical Center	Regional hospital	5,200
UPS	Transportation and freight	5,000
Childrens Hospital Los Angeles	Hospital	4,200
Toyota Motor Sales U.S.A. Inc.	Automobile sales, distribution and customer service	4,100
Adventist Health	Hospitals	3,700
Huntington Memorial Hospital	Non-profit hospital	3,251

⁽¹⁾ Estimated as of September 2010.

⁽²⁾ Several additional companies may have qualified for this list. However, such companies failed to submit information or do not break out local employment data.

Source: Los Angeles Business Journal.

Construction

The following Table B-8 sets forth the valuation of permits for new residential buildings and the number of new single-family and multi-family dwelling units in the City for the years 2007 through August 2011.

TABLE B-8
City of Los Angeles
Permit Valuations and Units of Construction
2007 to 2011⁽¹⁾
(\$ in thousands)

Year	New Residential Valuation	New Single Family Dwelling Units	New Multi-Family Dwelling Units	Total Units
2007	\$2,673,705	1,774	8,994	10,768
2008	1,782,493	820	6,694	7,514
2009	1,013,073	522	2,628	3,150
2010	1,282,731	681	3,576	4,257
2011	1,038,022	360	3,594	3,954

⁽¹⁾ Amounts may not total due to independent rounding.

Source: Construction Industry Research Board.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C

DISTRICT FINANCIAL INFORMATION

TABLE OF CONTENTS

	Page
DISTRICT GENERAL INFORMATION.....	1
District Boundaries.....	1
District Governance; Senior Management	1
Facilities and Staff.....	3
Public School Choice Program.....	3
Academic Performance and Instructional Initiatives.....	3
Petitions with LACOE and CCSDO.....	5
<i>Williams</i> Settlement Agreement and Legislation; Funding for the New School Construction Program.....	5
Recent Event Concerning the New School Construction and Modernization Programs.....	6
Recent Events Regarding the Cafeteria Fund.....	7
DISTRICT FINANCIAL INFORMATION.....	8
District Budget.....	8
State Financial Accountability and Oversight Provisions	15
Significant Accounting Policies, System of Accounts and Audited Financial Statements	17
Collective Bargaining.....	19
Retirement Systems.....	21
Other Postemployment Benefits.....	26
Insurance.....	29
District Fiscal Policies.....	31
District Debt	34
Future Financings	41
Overlapping Debt Obligations.....	42
STATE FUNDING OF EDUCATION	44
General	44
Charter School Funding.....	48
Proposition 98.....	49
Litigation Regarding State Budgetary and Fiscal Actions	49
Litigation Regarding Redevelopment Agency Revenues and Education Expenditures.....	51
State Budget.....	51
State Funding of Schools Without a State Budget.....	55
CALIFORNIA CONSTITUTIONAL AND STATUTORY PROVISIONS RELATING TO <i>AD</i> <i>VALOREM</i> PROPERTY TAXES, DISTRICT REVENUES AND APPROPRIATIONS.....	55
Constitutionally Required Funding of Education.....	55
Article XIII A of the State Constitution	56
Legislation Implementing Article XIII A.....	56
Article XIII B of the State Constitution.....	57
Article XIII C and Article XIII D of the State Constitution	57
Proposition 98.....	57
Proposition 39.....	58
Proposition 1A.....	59
State School Facilities Bonds	60
Future Initiatives.....	61
GLOSSARY OF CERTAIN TERMS AND ABBREVIATIONS.....	62

DISTRICT FINANCIAL INFORMATION

This Appendix C provides information concerning the operations and finances of the Los Angeles Unified School District (the “District”). The Refunding Bonds are general obligation bonds of the District, secured and payable from ad valorem property taxes assessed on taxable properties within the District. The Bonds are not an obligation of the County or of the general fund of the District. See “SECURITY AND SOURCES OF PAYMENT FOR THE REFUNDING BONDS” in the forepart of this Official Statement. See also “GLOSSARY OF CERTAIN TERMS AND ABBREVIATIONS” herein for a description of certain terms and abbreviations used in this Appendix C.

DISTRICT GENERAL INFORMATION

District Boundaries

The District, encompassing approximately 710 square miles, is located in the western section of the County and includes virtually all of the City of Los Angeles (the “City”) and all or significant portions of the Cities of Bell, Carson, Commerce, Cudahy, Gardena, Hawthorne, Huntington Park, Lomita, Maywood, Rancho Palos Verdes, San Fernando, South Gate, Vernon and West Hollywood, in addition to considerable unincorporated territory which includes residential and industrial areas. The boundaries for the District are about 80% coterminous with the City, with the remaining 20% included in unincorporated County areas and smaller neighboring cities. The District was formed in 1854 as the Common Schools for the City and became a unified school district in 1960.

District Governance; Senior Management

The District is governed by a seven-member Board of Education (the “District Board”) elected by voters within the District to serve alternating four-year terms. The chief executive officer of the District, appointed by the District Board to manage the day-to-day operations of the District, is the Superintendent of Schools (the “Superintendent”). John E. Deasy currently serves as the Superintendent. Brief biographical information for Superintendent Deasy and other senior management of the District is set forth below.

John E. Deasy, Superintendent. Dr. Deasy was appointed to serve as the Superintendent on April 1, 2011. Prior to his appointment as Superintendent, Dr. Deasy served as a Deputy Superintendent for the District since August 2010, during which time he led the overall programmatic and systems work of the District. Prior to joining the District, Dr. Deasy served as the Deputy Director of Education at the Bill & Melinda Gates Foundation where he oversaw the work of Effective Teaching at the foundation. Dr. Deasy served as Superintendent of the Prince George’s County Public Schools in Maryland, where he earned a national reputation for his leadership in significantly narrowing the achievement gap between low-income and minority students and their peers. During his time at the Prince George’s County Public Schools, Dr. Deasy also launched a pay-for-performance plan that was approved by the governing board of the Prince George’s County Public Schools and developed jointly with such district’s labor units, which helped the Prince George’s County Public Schools to become a leader nationally in efforts to reward teachers for gains in student achievement. Previously, Dr. Deasy served as Superintendent of the Santa Monica-Malibu Unified School District in California and of the Coventry Public Schools in Rhode Island. In all three districts, he promoted rigorous and ambitious learning opportunities for youth, fair teacher and administrator evaluations, pay-for-performance, staff development and training and data-based decision-making. Dr. Deasy brings nearly three decades of experience in education to the District. He has been a Broad Fellow, an Annenberg Fellow, a State Superintendent of the Year, a presenter at numerous state and national conferences, and a consultant to school districts undertaking high school reform and district-wide improvement strategies. Dr. Deasy has spoken and written extensively on education and serves on numerous boards. Dr. Deasy holds a Bachelor of Arts in Biology and Chemistry Education and a Master of Arts in

Education Administration from Providence College and a Doctor of Philosophy in Education from the University of Louisville.

David Holmquist, General Counsel. Mr. Holmquist has served as the District's General Counsel since October 1, 2009. As General Counsel for the District, Mr. Holmquist is responsible for administering the legal activities of the District's legal staff and outside legal firms. In addition, he coordinates the District's legal affairs, conducts litigation for the District and participates in trials related to matters of major importance to the District. Prior to his appointment as General Counsel, Mr. Holmquist served as Chief Operating Officer, Chief Risk Officer and as the Director of Risk Management and Insurance Services. Mr. Holmquist previously held positions with various public sector entities including Risk Manager of the City of Beverly Hills from 1996 to 2003, Risk Manager of the City of Buena Park from 1987 to 1996, and Safety Coordinator for the City of Fullerton from 1986 to 1987. Mr. Holmquist earned a Bachelor of Science degree in Business Administration from Oregon State University in 1983 and his Juris Doctorate degree from Western State University in 1995. A frequent lecturer and speaker, Mr. Holmquist was admitted to practice law before both the California and federal courts in 1995 and serves as an adjunct professor at the University of Southern California.

Megan K. Reilly, Chief Financial Officer. Ms. Reilly began serving as the District's Chief Financial Officer in December 2007. Ms. Reilly served at the Naval Postgraduate School for 12 years, first as the Deputy Comptroller from 1995 to 1997 and then as Executive Director of Business Services and Comptroller from 1997 to 2007, during which time she directed a \$700 million financial management program for, among other things, education, facilities and capital improvement projects. Ms. Reilly has also served as the Comptroller of the Fleet Numerical Meteorology & Oceanography Center, Budget Analyst for the Naval Postgraduate School and Budget Analyst for the Department of the Navy Centralized Financial Management Trainee Program. Ms. Reilly graduated from Loyola College with a Bachelor of Science degree, Marion Knott Scholar, *cum laude*, from the Naval Postgraduate School with a Master of Science, Financial Management, and from Monterey College of Law with a Juris Doctorate.

Enrique Boull't, Interim Chief Operating Officer. Mr. Boull't has been employed by the District for the past 34 years in a number of capacities. Currently, he is serving as the District's Interim Chief Operating Officer responsible for the administrative oversight of multiple business operations including Food Services, Procurement, Risk Management and Insurance Services, Transportation and Environmental Health and Safety. Mr. Boull't has over 20 years as a District administrator having served in various executive level positions with oversight of Transportation, Accounts Payable and Payroll Customer Support. He is a graduate of Cal State Dominguez Hills with a Bachelor of Arts degree in Interdisciplinary Studies with an emphasis on Labor Relations. Mr. Boull't is an active member of a number of professional organizations including the Association of California School Administrators, California Association of School Transportation Officials, School Transportation Coalition and the Schools Federal Credit Union Supervisory Committee.

Yumi Takahashi, Controller. Ms. Takahashi has served as Controller since July 1, 2011. She joined the District in July 2001 as Special Assistant to then-Superintendent Roy Romer. She served as Deputy Budget Director from May 2005 through September 2008 and Budget Director from September 2008 through June 2011. Ms. Takahashi graduated from Pomona College with a Bachelor of Arts Degree in Psychology, magna cum laude with membership in Phi Beta Kappa, and received a Masters in Public Policy from the University of California, Berkeley.

Timothy S. Rosnick, Deputy Controller. Mr. Rosnick joined the District in October 2006 and has served as the District's Controller since June 2008. Mr. Rosnick became Deputy Controller on June 13, 2011. He served as the District's Director of Accounting Controls from October 2006 through June 2007 and the Director of Treasury and Accounting Controls from July 2007 through June 2008. Prior to joining the District, Mr. Rosnick served as an Administrator at the Orange County Department of Education and as a

Financial Officer with the Los Angeles County Office of Education. Mr. Rosnick graduated from the University of Washington with a Bachelor of Arts degree with Distinction in Economics and received a Master of Business Administration degree from the University of Texas at Austin. Mr. Rosnick is a member of the Government Finance Officers Association.

Facilities and Staff

As of June 30, 2011 the District operated 437 elementary schools, 78 middle/junior high schools, 70 senior high schools, 56 options schools, 12 multi-level schools, 16 special education schools, 25 magnet schools and 145 magnet centers, 24 community adult schools, five regional occupational centers, five skills centers, one regional occupational program center, 100 early education centers, four infant centers and 23 primary school centers. In addition, as of June 30, 2011, there were 11 affiliated charter schools operated by the District and 150 fiscally independent charter schools within the District's boundaries. Currently, there are 179 fiscally independent charter schools within the District's boundaries, which is more than any other school district in the nation. The District has certain fiscal oversight and other responsibilities with respect to both affiliated and fiscally independent charter schools. However, independent charter schools receive their funding directly from the State of California (the "State") and function as separate local educational agencies, including having control over their staffing and budget. For these reasons, information regarding enrollment, average daily attendance "ADA", budgets and other financial information relating to independent charter schools is not included in the District's audit reports or in this Official Statement unless otherwise noted. See "STATE FUNDING OF EDUCATION—Charter School Funding" herein.

As of June 30, 2010, the District employed approximately 44,684 certificated (full-time equivalent ("FTE")) employees, approximately 30,545 classified (FTE) employees and approximately 18,915 non-regular employees. The District also employs part-time and temporary employees.

Public School Choice Program

In August 2009, the District Board authorized the "Public School Choice Program" under which the District invited operational and instructional plans from school planning teams, local communities, pilot school operators, labor partners, charter schools and others to operate the District's new schools and Program Improvement-3+ schools identified by the Superintendent and authorized under the federal No Child Left Behind Act of 2001 (the "NCLB Act"). The application process requires approval of a plan by, among others, local review teams, and an advisory panel selected by the Superintendent. The District Board makes the final decision regarding each application. Schools that participate in Public School Choice Program may be operated as traditional schools, pilot schools, iDesign schools, magnet schools, affiliated charter schools or independent charter schools. On February 23, 2010, the District Board approved the Superintendent's recommendations relating to applications to operate 36 schools. Twenty-eight of such schools were approved to be operated by their existing teachers and administrators. The Partnership of Los Angeles Schools was awarded operational control of three new schools, charter schools were awarded three schools and part of a fourth school, and a nonprofit organization was awarded one school.

In May 2010, the District announced the approval of the "Public School Choice Program 2.0." The Public School Choice Program 2.0 grants selected entities operational control of certain schools on the District's new campuses scheduled to open in September 2011 and certain schools within the District designated as low-performing "focus schools." On March 15, 2011, the District Board approved additional teams and organizations to operate schools on ten new campuses and three focus schools.

Academic Performance and Instructional Initiatives

Public Schools Accountability Act of 1999. The California's Public Schools Accountability Act of 1999 (the "PSAA") established the States' Academic Performance Index ("API"), which is the State's basic

measurement of academic progress. In order to calculate the API, which score ranges from 200 to 1000, the California Department of Education analyzes the results from the Standardized Testing and Reporting Program and the California High School Exit Examination. The Statewide API performance target for all schools is 800. The CDE measures API growth by the extent to which a school or local education agency moves toward or past the statewide performance target of 800. The API is used in meeting state requirements under the PSAA and federal Adequate Yearly Progress (“AYP”) requirements under the No Child Left Behind Act of 2001 (“NCLB”). Under State requirements, if a school meets certain API participation and growth criteria, it may be eligible to become a California Distinguished School, National Blue Ribbon School, or Title I Academic Achievement Award School. If a school does not meet or exceed its growth targets and is ranked in the lower part of the statewide distribution of the Base API, it may be identified for participation in State intervention programs, which are designed to help the school improve its academic performance. Under federal NCLB requirements, the API is one of the factors for determining AYP. See “-Federal Initiatives” herein.

During the last decade, the District has made progress regarding its students’ performance on the API. The District obtained an API score of 728 for Fiscal Year 2010-11, which is an increase of 16% from the District’s API score for Fiscal Year 2009-10, although the District’s mean API scores for elementary schools, middle schools and high schools are lower than the Statewide API target of 800. However, approximately one-third of the District’s schools have obtained or surpassed the Statewide target. The District attributes its improved API performance to the implementation of a focused academic curriculum with rigorous standards in the core subjects, including reading and mathematics.

Elementary and Secondary Education Act. In connection with the reauthorization of the Elementary and Secondary Education Act of 1965, the United States Congress passed the NCLB. Under the NCLB Act, a state is required to identify a local educational agency (“LEA”) for improvement (“Program Improvement”) if the LEA fails to make adequate yearly progress (“AYP”), evaluated by state standards, for two consecutive years. Despite academic gains on the State’s API, the District was deemed a “Program Improvement District” based on measures established under the NCLB Act in March 2005. The State evaluates AYP based on, among other things, a LEA’s (1) percentage participation rates in English-language arts and mathematics assessments measured LEA-wide, by grade span (grades two through five, grades six through eight and grade ten) and by numerically significant subgroups within grade spans, (2) graduation rate criteria LEA-wide, if a LEA has high school students, and (3) percentage of students performing at or above the proficient level in English-language arts and mathematics (also measured LEA-wide, by grade span and by subgroups) as compared to performance targets established under the NCLB Act. The District believes that the reason for this designation related mainly to the academic performance of the District’s special education students and students for whom English is not their native language.

In addition, the NCLB Act requires that each LEA identified for Program Improvement take a variety of actions, including but not limited to developing or revising an improvement plan, promptly implementing that plan and informing parents of the LEA’s Program Improvement status. Failure to achieve AYP in three consecutive years will result in corrective action by the state education agency. As of March 2011, the State had identified 234 school districts, including the District, and county offices of education in California for Program Improvement Year 3 Corrective Action, Year 4 Corrective Action and Year 5 Corrective Action due to their respective failures to meet or exceed AYP goals for at least four consecutive years. Based upon the year or program improvement status, a local education agency may be required to incur additional expenditures relating to, among other things, pupil transportation to schools that have met AYP or the provision of supplemental educational services. Schools that are in Year 5 Corrective Action and beyond may close and reopen as charter schools, transfer management to private entities or the State, replace staff, contracting with private management company, or undergo major governance restructuring. See “DISTRICT GENERAL INFORMATION - Public School Choice Program” herein.

As of March 2011, 280 schools and 14 independent charter schools within the District have been identified for Program Improvement Year 3 Corrective Action, Year 4 Corrective Action and Year 5 Corrective Action due to their respective failures to meet or exceed AYP goals for at least four consecutive years. The District has adopted a LEA Program Improvement Plan designed to address these academic performance concerns and has received additional categorical funding from the State for this purpose. The State Board of Education may invoke additional sanctions for Program Improvement LEAs in corrective action at any time. The District continues to work with the State during the State's evaluation process. The District does not expect its Program Improvement status or the Program Improvement status of individual schools to jeopardize the availability of federal or State categorical funding.

In March 2010, the President and the United States Department of Education published a policy framework (the "ESEA Blueprint") in connection with the proposed reauthorization of the Elementary and Secondary Education Act of 1965. The proposals contained in the ESEA Blueprint, if adopted, would overhaul the current NCLB Act and establish new accountability standards, grant programs, and school reform initiatives. In August 2011, the State Superintendent of Public Instruction requested that the United States Department of Education freeze certain sanctions and designations that are expected to be applied to school districts within California in order for the provide additional time for California to implement current interventions.

In September 2011, the United States Secretary of Education announced a policy pursuant to which the federal government will provide to States and local education agencies, subject to an application and approval process, waivers to certain existing requirements set forth in NCLB. The waivers relate to, among other things, timelines for determining AYP, implementation of school improvement requirements, interventions with respect to the educational programs in the schools, implementation of improvement plans relating to highly qualified teachers, the ability to transfer certain funds and the ability to use school improvement grant funds to support priority schools. The District cannot predict what actions it will take or what actions will be taken in the future by Congress or the President in connection with the proposed reauthorization of the Elementary and Secondary Education Act of 1965 or the waiver of certain requirements set forth therein. Further, the United States Secretary of Education may terminate any waivers that the Department of Education has granted if such waivers are superseded by the reauthorization of the Elementary and Secondary Education Act of 1965. To the extent that the reauthorization of the Elementary and Secondary Education Act of 1965 or the waivers result in reduced revenues or increased expenses for the District or requires programmatic changes, the District will be required to make adjustments to its budget.

Petitions with LACOE and CCSDO

Petitions have been occasionally filed with the Los Angeles County Office of Education (the "LACOE") to divide portions of the District into smaller school districts. In addition, the County Committee on School District Organization (the "CCSDO") has been periodically requested to approve petitions to form school districts within the District. Pursuant to Education Code Section 35730.1, the evaluation of such petitions requires extensive review of 10 critical factors, including equitable division of assets and liabilities and compliance with socio-economic diversity requirements and existing legal mandates. Under State Education Code Section 35736, an equitable allocation of existing District debt obligations, including the Refunding Bonds described in the forepart of this Official Statement, would be required in any division of the District. There are presently no petitions pending with LACOE or CCSDO to divide the District. The District is unable to predict whether any petitions to create school districts within the District will be filed or the impact that any such petitions would have on the District.

***Williams* Settlement Agreement and Legislation; Funding for the New School Construction Program**

In 2000, approximately 100 students in the City and County of San Francisco filed a class action lawsuit, *Eliezer Williams, et al., vs. State of California, et al.* ("*Williams*"), against the State and State

education agencies, including the California Department of Education (the “CDE”). The plaintiffs alleged that the agencies failed to provide public school students with equal access to instructional materials, safe and decent school facilities, and qualified teachers. The District intervened in the *Williams* suit as a party and was a party to the settlement agreement described below.

The *Williams* case was settled in 2004. The settlement provided for several legislative proposals to ensure that all students will have books in specified subjects and that their schools be clean and in a safe condition. On September 29, 2004, then-Governor Schwarzenegger signed laws to establish minimum standards for school facilities, teacher quality and instructional materials and an accountability system, require the elimination of the use of the multi-track, year-round school calendar (known as the “Concept 6 calendar”), by July 1, 2012, encourage the placement of qualified teachers in low performing schools, ensure the proper training of teachers of students for whom English is not their native language, streamline the process for highly qualified teachers from out-of-State to teach in California schools, address emergency facility repair projects and assess the condition of schools in the bottom three API deciles.

Pursuant to the terms of the settlement agreement and in accordance with the *Williams* legislation, in December 2004, the District Board adopted a new school construction plan that prioritizes school construction and revised the allocation of its Measure R general obligation funding to ensure all schools are removed from the Concept 6 calendar by July 1, 2012 (the “New School Construction Program”). The monthly program status report for June 2011 for the New School Construction Program states that beginning in Fiscal Year 2011-12 there were eight schools in the District operating on the Concept 6 calendar. The District currently projects that two schools in the District will be on a Concept 6 calendar at the beginning of Fiscal Year 2012-13.

The District received \$138.0 million in Fiscal Year 2009-10 under the Quality Education Investment Act of 2006 (“QEIA”), which was signed into law by then-Governor Schwarzenegger on September 29, 2006 to implement the terms of the *CTA, et al. v. Schwarzenegger, et al.* settlement and discharge the outstanding balance of the maintenance factor regarding Proposition 98 funding that was due but not provided in Fiscal Years 2004-05 and 2005-06. The purpose of QEIA funding is to provide additional support to raise academic performance at low performing schools. QEIA funding for a particular school can be eliminated if such school fails to timely meet certain academic achievement targets.

In Fiscal Year 2010-11, QEIA funding for eligible students in grades K-3 is \$500 per pupil, grades 4-8 is \$900 per pupil and grades 9-12 is \$1,000 per pupil and the District expects the same level of funding per pupil in Fiscal Year 2011-12. The District expects total funding from QEIA of \$128.9 million and \$119.6 million in Fiscal Years 2010-11 and 2011-12, respectively. See “STATE FUNDING OF EDUCATION—State Budget” herein.

Recent Event Concerning the New School Construction and Modernization Programs

On April 1, 2010, the Los Angeles County District Attorney’s Office indicted an independent contractor retained by the District to serve as a Regional Director in the New Construction Branch of the District’s Facilities Services Division. The indictment set forth nine felony counts, which are all alleged conflict of interest violations of Section 1090 of the State Government Code. The indictment asserted that between 2003 and 2007, the independent contractor was personally involved in decisions by the District to hire nine specifically-identified individuals from a company owned by the independent contractor. The indictment stated the independent contractor recommended the hiring of his own employees without notifying District supervisors of the alleged conflict of interest. In December 2010, the independent contractor pled guilty to one count of conflict of interest based on the charge that he used his authority with the District to hire employees of the company that he owned.

Based upon a request from the District, the City of Los Angeles Office of the Controller (the “City Controller”) initiated an independent audit to evaluate historical hiring decisions and to ensure the District’s policies and procedures were consistently followed. In October 2010, the City Controller released its audit. The audit stated that the District’s employment policies between 2002 and 2006 were lax and there was limited information to confirm that the District’s policies were followed. Further, the City Controller stated that there were weaknesses in the hiring processes used prior to 2006, including some potential conflicts of interest. However, the City Controller reports that hiring decision documentation and conflict of interest compliance improved significantly from 2006 to the date of the audit. The City Controller’s audit results do not indicate a need to significantly revamp the District’s current processes to appoint contract professionals or related conflict of interest policies and procedures because District practices since 2008 reflect general compliance and appropriate controls. Nevertheless, the City Controller recommended that the District investigate four potential conflicts of interest that it identified, review filings by contract professionals to identify any other potential conflict of interest issues, and review the assessor’s confidential list of individual contract professional appointments in which the City Controller identified that a panelist/decision-maker was from the same prime or subcontractor.

In November 2010, then-Superintendent Ramon Cortines announced an internal review of contracts that were executed in connection with the District’s Facilities Department and construction programs. The District believes policies and procedures that it adopted in 2008 have significantly minimized the potential for conflicts of interest. The District does not believe that the investigations, reviews and audits have had or will have a material adverse impact on the expenditure of general obligation bond proceeds or the ability of the District to pay principal of and interest on the Refunding Bonds when due.

Recent Events Regarding the Cafeteria Fund

In June 2010, the District received a letter from the CDE (the “June 2010 CDE Cafeteria Letter”) which stated that, among other things, certain expenditures relating to administrative support were inappropriately charged to the District’s Cafeteria Fund (the “Cafeteria Fund”) in Fiscal Years 2004-05 and 2007-08 and directed the District to immediately transfer \$54.9 million to the Cafeteria Fund to correct these alleged unallowable expenditures for those fiscal years. Further, the CDE directed the District’s Office of the Inspector General (the “OIG”) to quantify the amount of similar expenditures in Fiscal Years 2005-06, 2006-07 and 2009-10.

The CDE sent an addendum to the District in July 2010 (the “July 2010 Addendum”) requesting that the District, among other things, provide written verification of the District’s transfer of \$54.9 million from the General Fund to the Cafeteria Fund; direct the OIG to quantify the amount of money that the District is alleged to owe the Cafeteria Fund from Fiscal Years 2005-06 through 2009-10; implement appropriate cost allocation methods for Fiscal Year 2010-11, as outlined in reports of the OIG, and provide verification that the District’s corrective actions to the Cafeteria Fund have been implemented permanently. The July 2010 Addendum set forth an August 1, 2010 deadline for such corrective actions.

In November 2010, the OIG sent a letter to CDE stating that, due to the OIG’s statutory duty to report to the District Board, the CDE could not direct the OIG to undertake additional audits of the Cafeteria Fund. In addition, the OIG indicated it believes that the methodology used by the CDE to calculate the amount of \$54.9 million mischaracterized the findings of the OIG’s audit and inappropriately reached conclusions concerning the amount of money owed to the Cafeteria Fund in the subject fiscal years.

The District informed the CDE that any required reimbursement to the Cafeteria Fund should take into account the District’s prior years’ General Fund subsidy to the Cafeteria Fund and prior years’ indirect cost allocations to the program. Nevertheless, on December 7, 2010, the District received a letter from CDE (the “December 2010 CDE Cafeteria Letter”) indicating that the District had not submitted acceptable corrective action documents to the CDE regarding the CDE’s requests. The CDE contended that the amount

and timing of the District's prior transfers and the District's proposed cost allocation methodology did not satisfy the CDE's requests. In addition, the December 2010 CDE Cafeteria Letter stated that the CDE disagreed with the OIG's contention that additional involvement by the OIG, with respect to verification of the District's corrective actions for Fiscal Years 2004-05 and 2007-08 OIG audit financings is beyond its authority. The December 2010 CDE Cafeteria Letter requested that the District submit acceptable corrective action documents to it by January 6, 2011 and stated that the CDE will withhold the District's meal reimbursement payments if the District fails to satisfy such request.

In March 2011, the District signed a Memorandum of Understanding ("MOU") with CDE that sets forth a repayment plan for the District to repay \$109 million into the Cafeteria Fund over a period not to exceed 10 years for the transfers made in Fiscal Years 2004-05 through 2007-08. In addition, pursuant to the MOU the State Controller's Office will audit the Cafeteria Fund's expenditures for Fiscal Years 2008-09 and 2009-10 to determine whether additional amounts need to be repaid. The repayment plan requirement for Fiscal Year 2011-12 is provided for in the projected Fiscal Year 2011-12 District Budget (as defined herein). The District currently expects to repay any amounts owed to the Cafeteria Fund by the end of Fiscal Year 2012-13. However, there can be no assurances that the MOU will not be modified in the future or that any agreement by and between the District and the CDE will not modify the terms for repayment. The District continues to work with CDE and the United States Department of Agriculture to finalize the details of the MOU.

DISTRICT FINANCIAL INFORMATION

District Budget

General. State law requires that each school district maintain a balanced budget in each fiscal year, and that each district project beginning balances, revenues, expenditures, and ending balances for two subsequent years in order to provide, based upon the available information, that the district can project a positive, qualified or negative certification. See " — State Financial Accountability and Oversight Provisions—Interim Reporting Requirements" below.

The CDE imposes a uniform budgeting and accounting format for school districts. Under current law, a school district governing board for school districts using a single adoption process must file with the county superintendent of schools a budget by June 30 immediately prior to each Fiscal Year (referred to herein as the "Final Adopted Budget"). A school district using a dual adoption process must file a provisional budget with the county superintendent of schools by June 30 immediately prior to each Fiscal Year and revise and readopt its budget by September 8 of each fiscal year. After approval of the Final Adopted Budget, the school district's administration may submit budget revisions for governing board approval during the fiscal year. The District has used a single adoption process for its budget since its Fiscal Year 2009-10 Final Adopted Budget.

School districts in the State must also conduct a review of their budgets according to certain standards and criteria established by the CDE. A written explanation must be provided for any element in the budget that does not meet the established standards and criteria. The school district superintendent or designee must certify that such a review has been conducted and the certification, together with the budget review checklist and a written narrative, must accompany the budget when it is submitted to the school district's county office of education. The balanced budget requirement makes appropriations reductions necessary to offset any revenue shortfalls, unless sufficient balances exist to cover the shortfall.

Furthermore, county offices of education are required to review school district budgets, complete the budget review checklist, and conduct an analysis of any budget item that does not meet the established standards and criteria. In addition, county offices of education are required to determine whether the adopted budget will allow the school district to meet its financial obligations during the fiscal year and is consistent

with a financial plan that will enable the school district to satisfy its multiyear financial commitments. Pursuant to the Education Code, on or before August 15 of each year, the county superintendent of schools must approve, conditionally approve, or disapprove the adopted budget for each school district. A copy of the completed checklist, together with any comments or recommendations, must be provided to the school district and its governing board by November 1 of such year. LACOE approved the District's Fiscal Year 2011-12 District Budget (defined below) on August 9, 2011.

If the county office of education disapproves the school district's budget, the county superintendent will submit to the governing board of the school district on or before August 15 of such year, recommendations regarding revisions of the budget and the reasons for the recommendations, including, but not limited to, the amounts of any budget adjustments needed before the county superintendent can conditionally approve that budget. On or before September 8 of each year, the governing board of the school district will revise the adopted budget to reflect changes in its projected income or expenditures subsequent to July 1, and to include any response to the recommendations of the county superintendent of schools, will adopt the revised budget, and will file a revised budget with the county superintendent of schools. If the county superintendent of schools disapproves the revised budget, he or she will call for the formation of a budget review committee. By November 30 of each year, every school district must have an adopted and approved budget, or the county superintendent of schools will impose one and report such school district to the State Legislature and the State Department of Public Finance.

Budget and Finance Policy. The District has adopted a Budget and Finance Policy that provides for the District to fund reserves for various purposes, including anticipated balances (the "Reserve for Anticipated Balances"), economic uncertainties (the "Reserve for Economic Uncertainties") general financial flexibility and accumulation of funding for replacement of depreciated capital items. The budgeting of the Reserve for Anticipated Balances reflects the District's best estimate of the year-end District General Fund balance. By establishing in the budget an anticipated ending balance level, the Reserve for Anticipated Balances allows the District to manage its budget with the intent of ending the fiscal year in a specific financial position, while also enabling the budget to more accurately reflect the actual level of anticipated District General Fund expenditures. The District's Chief Financial Officer has recommended that, with the exceptions of the mandated full funding of the Reserve for Economic Uncertainties and the Reserve for Anticipated Balances, the District postpone contributions to other reserves until they can be funded without significant impact on the instructional program and other essential District activities.

Fiscal Year 2010-11 District Budget. The District Board adopted its budget for Fiscal Year 2010-11 on June 17, 2010 (the "Fiscal Year 2010-11 District Budget") and submitted the Fiscal Year 2010-11 District Budget to LACOE in a timely manner for review. The Fiscal Year 2010-11 District Budget reflected the information provided by the State to the District through the May Revision for Fiscal Year 2010-11 (the "2010-11 May Revision") and the updates thereto.

LACOE reviewed the District's Fiscal Year 2010-11 Final Adopted Budget and, in August 2010, LACOE informed the District that it had disapproved the Fiscal Year 2010-11 District Budget based upon the information known to LACOE as of the date of its review. LACOE stated that the Fiscal Year 2010-11 District Budget was not consistent with a financial plan that could enable the District to satisfy the District's multi-year commitments for Fiscal Years 2011-12 and 2012-13. LACOE requested that the District submit a revised budget for Fiscal Year 2010-11, which incorporated the District's unaudited financial results for Fiscal Year 2009-10 and all revisions and modifications to its financial results. In addition, LACOE requested the District's revised budget for Fiscal Year 2010-11 reduce or eliminate deficit spending projected for Fiscal Years 2011-12 and 2012-13 and establish General Fund reserves in Fiscal Year 2011-12 and 2012-13.

On October 5, 2010, the District Board adopted a revised budget for Fiscal Year 2010-11 (the "Fiscal Year 2010-11 Revised District Budget") with a Fiscal Stabilization Plan (the "2010 Fiscal Stabilization

Plan”) to address budgetary imbalances for Fiscal Years 2011-12 and 2012-13. The Fiscal Year 2010-11 Revised District Budget and the 2010 Fiscal Stabilization Plan required that the District Board take action with greater specificity to address budgetary issues in Fiscal Year 2012-13. The Fiscal Year 2010-11 Revised District Budget assumed the provisions relating to K-12 finance set forth in the Governor’s Budget (as defined herein) for Fiscal Year 2010-11, the 2010-11 May Revision, and the 2010 Fiscal Stabilization Plan that was adopted by the District Board concurrently therewith. See “—Fiscal Stabilization Plan” and “STATE FUNDING OF EDUCATION—State Budget—State Budget for Fiscal Year 2010-11” herein.

The Original Fiscal Year 2010-11 District Budget projected a District General Fund beginning balance of \$463.5 million, revenues of \$6.23 billion, total estimated expenditures of \$6.3 billion and an ending balance of \$357.1 million. The Fiscal Year 2010-11 Revised District Budget projected a District General Fund beginning balance of \$646.9 million, revenues of \$6.42 billion, total estimated expenditures of \$6.59 billion and an ending balance of \$475.8 million. The District General Fund beginning balance of \$646.9 million included \$65.4 million for the mandatory 1% of District General Fund balance for the Reserve for Economic Uncertainties, \$340.8 million of legally restricted funds, \$10.8 million reserved for inventories and revolving cash funds, \$119.5 million from the undesignated balance from Fiscal Year 2009-10 and \$110.4 million from the designated balance from Fiscal Year 2009-10. See “—District Fiscal Policies” below.

The District’s projected funded revenue limit ADA was 572,885 for Fiscal Year 2010-11, 555,885 for Fiscal Year 2011-12 and 540,521 for Fiscal Year 2012-13. Declining enrollment statutes enable the District to claim Fiscal Year 2010-11 revenue limit funding based on the ADA for Fiscal Year 2009-10. The full extent of revenue losses attributable to enrollment declines are expected to occur in special education, lottery, and other funding sources, as those funding sources are not afforded the same benefit that is provided for revenue limit funding by the Education Code’s declining enrollment statutes.

In the Fiscal Year 2010-11 Revised District Budget, the Base Revenue Limit, the largest unrestricted District General Fund revenue source, was projected to be \$3.65 billion in Fiscal Year 2010-11. The Fiscal Year 2010-11 Revised District Budget included a statutory cost of living allowance of negative 0.39% with a deficit factor of 18.355%. After the deficit factor for Fiscal Year 2010-11 and other adjustments by the State were applied, the District’s funded revenue limit was expected to generate approximately \$2.87 billion in Fiscal Year 2010-11.

The Original Fiscal Year 2010-11 District Budget projected reserve levels for the District General Fund Regular Program of 2.81% in Fiscal Year 2010-11, 1.08% for Fiscal Year 2011-12 and negative 7.02% for Fiscal Year 2012-13. The District’s Fiscal Year 2010-11 Revised District Budget projected reserve levels for the District General Fund Regular Program of 8.35% in Fiscal Year 2010-11, 6.41% for Fiscal Year 2011-12 and negative 3.39% for Fiscal Year 2012-13. LACOE noted that the projected Reserve for Economic Uncertainties for Fiscal Years 2010-11 and 2011-12 met the minimum State requirements, but the projection for Fiscal Year 2012-13 did not. LACOE noted that the District Board has committed to addressing this projected shortfall. See “ - District Budget, Interim Financial Estimates and Unaudited Actuals”, including Table C-2, herein.

District Revenues from the American Recovery and Reinvestment Act. In April 2009, the United States Department of Education announced the allocation to the State of \$3.1 billion from the State Fiscal Stabilization Fund of the American Recovery and Reinvestment Act of 2009 (the “ARRA”). In May 2009, the State Superintendent of Schools announced the preliminary entitlements for education entities through the State Fiscal Stabilization Fund’s allocation of funds from ARRA. The District’s entitlement from the State Fiscal Stabilization Fund for Fiscal Year 2009-10 was originally estimated to be approximately \$408.3 million. However, approximately \$359 million of such amount was received in Fiscal Year 2008-09. In addition, the Revised 2009-10 State Budget Act included \$61 million for special education pursuant to the Individuals with Disabilities Act (“IDEA”) for the District, and \$156 million of Title I funds for the District

for socio-economically disadvantaged students. The District designated approximately \$49.6 million of such amounts to help balance the budget for Fiscal Year 2010-11.

District Revenues from the Education Jobs and Medicare Act of 2010. In October 2010, the CDE announced the allocation to the District through the State of \$114.8 million from the Education Jobs and Medicare Act of 2010. The District may use the funds for compensation and benefits and other expenses, such as support services, necessary to retain existing employees, to recall or rehire former employees and to hire new employees in order to provide early childhood, elementary, or secondary educational and related services. In addition, the District may use such funds to restore reductions in salaries and benefits or to implement increases, and it may use the funds to eliminate furlough days. However, the District Board decided not to spend these funds in Fiscal Year 2010-11 and to instead use them for budget balancing purposes in Fiscal Year 2011-12.

Fiscal Stabilization Plan. The District Board routinely adopts and updates a fiscal stabilization plan in order to address its fiscal status. In February 2011, the District approved a 2011 Fiscal Stabilization Plan (the “2011 Fiscal Stabilization Plan”). The 2011 Fiscal Stabilization Plan is a multi-phased plan that addresses the projected 2011-12 budget deficit under four different scenarios: (i) passage of the Governor’s budget proposals as of such date and shared commitments resulting in \$0 of budget balancing solutions and \$408 million for restoration of services and programs to students; (ii) passage of the Governor’s budget proposals as of such date and no shared commitments resulting in \$225 million of budget balancing solutions and restoration of \$183 million of District programs and services; (iii) failure of the Governor’s budget proposals as of such date and shared commitments resulting in \$183 million of budget balancing solutions and restoration of \$0 to \$225 million of District programs and services; and (iv) failure of the Governor’s budget proposals as of such date and no shared commitments resulting in \$408 million in budget balancing solutions. The Fiscal Year 2011-12 District Budget reflected the fact that certain of the Governor’s budget proposals were not approved and actions by the District Board to address the District’s projected revenues and expenditures for Fiscal Year 2011-12. See “ - Fiscal Year 2011-12 District Budget” herein.

Fiscal Year 2011-12 District Budget. The District Board adopted its budget for Fiscal Year 2011-12 on June 30, 2011 (the “Fiscal Year 2011-12 District Budget”) and submitted the Fiscal Year 2011-12 District Budget to LACOE in a timely manner for review. LACOE approved the District’s Fiscal Year 2011-12 District Budget on August 9, 2011. The Fiscal Year 2011-12 District Budget reflects Fiscal Year 2011-12 beginning balances in the general fund and other funds, reflecting estimated ending balance as of June 30, 2011 based on the District’s Fiscal Year 2010-11 Third Interim Report (defined herein). The estimated ending balances the General Fund and the other District funds for Fiscal Year 2011-12 reflect the difference between the anticipated Fiscal Year 2010-11 revenue and expenditure levels

The Fiscal Year 2011-12 District Budget projects a District General Fund beginning balance of \$828.6 million, revenues of \$6.12 billion, total estimated expenditures of \$6.31 billion and an ending balance of \$641.9 million. The District General Fund beginning balance of \$828.6 million includes \$65.4 million for the mandatory 1% of District General Fund balance for the Reserve for Economic Uncertainties, \$282.0 million of legally restricted funds, \$10.8 million reserved for inventories and revolving cash funds, \$355.3 million from the undesignated balance from Fiscal Year 2010-11 and \$115.2 million from the assigned balance from Fiscal Year 2010-11. See “—District Fiscal Policies” below.

The District’s projected funded revenue limit ADA is 561,061 for Fiscal Year 2011-12, Declining enrollment statutes enable the District to claim Fiscal Year 2011-12 revenue limit funding based on the ADA for Fiscal Year 2010-11. The full extent of revenue losses attributable to enrollment declines are expected to occur in special education, lottery, and other funding sources, as those funding sources are not afforded the same benefit that is provided for revenue limit funding by the Education Code’s declining enrollment statutes.

In the Fiscal Year 2011-12 District Budget, the Base Revenue Limit, the largest unrestricted District General Fund revenue source, is projected to be \$3.0 billion in Fiscal Year 2011-12. The Fiscal Year 2011-12 District Budget assumes a 2.24% cost of living adjustment and a 19.754% deficit factor on the Base Revenue Limit. After the cost of living adjustment, deficit factor for Fiscal Year 2011-12 and other adjustments by the State are applied, the District's funded revenue limit is expected to generate approximately \$3.0 billion in Fiscal Year 2011-12.

The District's Fiscal Year 2011-12 District Budget projects reserve levels for the District General Fund Regular Program of 1.04% in Fiscal Year 2011-12, negative 9.29% for Fiscal Year 2012-13 and negative 21.5% for Fiscal Year 2013-14.

The Fiscal Year 2011-12 District Budget includes certain assumptions and policies, including among other things: (i) no cost of living adjustment for the State-funded portion of Special Education's AB 602 funding; (ii) funding for AB 3632 mental health services in the amount of \$15 million in Fiscal Year 2011-12; (iii) no cost of living adjustment for Tier I, II, and III categorical programs; (iv) an enrollment decline of 26,861 from Fiscal Year 2010-11 for non-charter school enrollment and an enrollment increase of 19,298 from Fiscal Year 2010-11 for charter school enrollment; (v) a projected increase of 7% for utility expenditures and a California Consumer Price Index increase of 3.1% on other operating expenditures; (vi) the restoration of positions as specified in the bargaining unit agreements with UTLA (defined herein), AALA (defined herein), Unit B (defined herein), Unit C (defined herein), Unit E (defined herein), Unit F (defined herein), has been implemented; (vii) implementation of budget balancing solutions adopted by the District Board in February 2011; (viii) four furlough days for UTLA, AALA, Service Employees International Union Local 99, Unit A, Unit B, Unit C, Unit F, Unit E, Unit H and District- represented employees; (ix) funding for employee health and medical benefits is being budgeted at the 2011 per participant rate level pursuant to the 2009-2011 Health and Welfare Agreement; (x) funding for Other Postemployment Benefit ("OPEB") Plans with a contribution of \$22.5 million for 2011-12 and \$25 million of prior year funds designated for OPEB; (xi) a contribution of \$74 million to the Worker's Compensation fund and a total Workers' Compensation actuarially determined funded liability of \$423.7 million.

In addition, the Fiscal Year 2011-12 District Budget gives the District authority to transfer amounts, as necessary, to implement technical adjustments related to development of the budget. In addition, it provides authority to implement new Fiscal Year 2011-12 revenues and to increase budgeted appropriations from them. The Fiscal Year 2011-12 District Budget includes a commitment to continue the use of the deferred maintenance fund for Fiscal Years 2010-11 to 2014-14 to spend down prior year balances. Pursuant to the Fiscal Year 2011-12 District Budget such funds will be spent on non-routine related maintenance expenditures. The Fiscal Year 2011-12 District Budget also includes a commitment to continue the use of the adult education fund and transfer a portion of the related State apportionment into said fund for Fiscal Years 2011-12 to 2014-15.

The following Table C-1 sets forth the District's Final Adopted Budgets for the District General Fund, inclusive of regular and specially-funded programs for Fiscal Years 2007-08 through 2011-12. See " - Significant Accounting Policies, System of Accounts and Audited Financial Statements" herein for audited financial results for such fiscal years.

TABLE C-1

LOS ANGELES UNIFIED SCHOOL DISTRICT
District Budgets for Fiscal Years 2007-08 through 2011-12
for the District General Fund⁽¹⁾⁽²⁾
(\$ in millions)

	Final Adopted Budget 2007-08	Final Adopted Budget 2008-09	Final Adopted Budget 2009-10⁽³⁾	Final Revised Budget 2010-11⁽⁴⁾	Final Adopted Budget 2011-12
Beginning Balance⁽⁵⁾	\$ 518.3	\$ 574.3	\$ 300.1	\$ 646.9	\$ 828.6
Revenue:					
State Apportionment	\$2,912.0	\$2,762.7	\$2,368.7	\$2,026.9	\$ 2,232.4
Property Taxes	741.2	780.4	785.3	846.0	775.5
Total Revenue Limit Revenues	\$3,653.2	\$3,543.1	\$3,154.0	\$2,872.9	\$3,007.9
Federal	905.7	830.8	1,355.1	1,251.9	935.2
Other State	2,336.4	2,169.0	1,872.4	2,108.4	2,036.8
Other Local	139.8	148.0	106.6	147.3	124.1
Other Sources	124.4	102.8	43.8	40.2	18.9
Total Revenue	\$7,159.5	\$6,792.0	\$6,532.0	\$6,420.7	\$6,123.0
Total Beginning Balance and Revenue	\$7,677.9	\$7,366.3	\$6,832.1	\$7,067.7	\$6,951.6
Expenditures:					
Certificated Salaries	\$3,376.7	\$3,203.7	\$2,939.2	\$2,779.9	\$2,689.3
Classified Salaries	977.7	998.1	888.2	839.4	794.8
Employee Benefits	1,346.9	1,301.5	1,411.7	1,397.7	1,412.8
Books and Supplies	589.7	467.7	514.7	598.1	365.4
Other Operating Expenses	763.7	817.2	709.8	792.1	810.8
Capital Outlay	60.9	41.1	37.4	39.7	43.9
Other Outgo/Other Uses	91.9	72.5	39.1	145.0	192.6
Total Expenditures	\$7,207.6	\$6,901.7	\$6,540.1	\$6,591.9	\$6,309.7
Ending Balance	\$ 470.2	\$ 464.6	\$ 292.0	\$ 475.8	\$ 641.9

⁽¹⁾ Totals may not add due to rounding.

⁽²⁾ Includes the Regular Program and the Specially-Funded Programs.

⁽³⁾ The District's Fiscal Year 2009-10 Final Adopted Budget was based upon information from the State through the May Revision (as defined herein) to the State Budget Act (as defined herein) for Fiscal Year 2009-10. Accordingly, the information set forth above does not reflect the information that was later set forth in the State Budget Act (as defined herein) for Fiscal Year 2009-10.

⁽⁴⁾ The Fiscal Year 2010-11 Revised District Budget was based upon information from the State through September 2010 and the assumptions described above. Accordingly, the information set forth above does not reflect the information that was later set forth in the Fiscal Year 2010-11 State Budget Act (as defined herein).

⁽⁵⁾ Actual beginning balance for each Fiscal Year, except for (a) Fiscal Year 2008-09, which was an unaudited estimate that was later revised to reflect refinements of Fiscal Year 2007-08 expenditures in selected programs, (b) Fiscal Year 2009-10, which was estimated and reflected a downward adjustment to the estimate in the Fiscal Year 2009-10 Adopted Budget to account for certificates of participation that had been assumed but ultimately were not issued in Fiscal Year 2008-09, and (c) Fiscal Year 2011-12, which was subsequently updated by the Fiscal Year 2010-11 Unaudited Actuals amount of \$899.6 million.

Sources: Los Angeles Unified School District's Final Adopted Budgets for Fiscal Years 2007-08 through 2009-10 and 2011-12; Final Revised Budget for Fiscal Year 2010-11.

Possible Reductions to Fiscal Year 2011-12 Education Expenditures and District Contingency Plan. The 2011-12 State Budget Act authorizes approximately \$601.0 million in funding reductions in the areas of higher education, health and human services and public safety, beginning in January 2012, if the State's Director of Finance estimates that the State's revenues for Fiscal Year 2011-12 will be less than \$87,452,500,000, but will be at least \$86,452,500,000. If the State's Director of Finance estimates that revenues for Fiscal Year 2011-12 will be less than \$86,452,500,000, the 2011-12 State Budget Act authorizes an additional \$1.86 billion in education reductions. These reductions include reductions to certain Proposition 98 allocations in the event the State's Director of Finance determines that the State's revenues for Fiscal Year 2011-12 will not meet or exceed projected levels. In such event, the 2011-12 State Budget Act authorizes a reduction of up to \$1.5 billion from K-12 education that may include reduction in the school year by up to seven days and a reduction of up to \$248 million relating to the elimination of funding for home-to-school transportation (collectively, the "Maximum Trigger"). The State's Director of Finance will make a determination whether the State's revenues meet or exceed such levels by December 15, 2011. See "State Funding of Education - State Budget - Fiscal Year 2011-12 State Budget" herein. In August 2011, the State Controller released his monthly report of the State's cash balance, receipts and disbursements during July 2011. The State Controller's report indicated that revenues were approximately \$538.8 million or a negative 10.3% below the projections contained in the 2011-12 State Budget Act.

In order to address the impact of the Maximum Trigger, if implemented, and uncertainties related to future State funding generally, the District set aside \$334 million in a Reserve for Revenue Uncertainties as part of the Fiscal Year 2011-12 District Budget. In the event that the Maximum Trigger is implemented by the State, the District's Reserve for Revenue Uncertainty of \$334 million is expected to be available to cover the projected reduction in revenue of up to \$184 million, which would consist of \$146 million of revenue limit apportionment and \$38 million of transportation revenues from the State. The Maximum Trigger would, if enacted, result in a reduction of the District's projected ending fund balance for Fiscal Year 2011-12 to approximately \$457.9 million or 7% of District revenues. Accordingly, the District expects that its ending balance would remain above the 5% General Fund ending balance requirement set forth in the District's Budget and Finance Policy.

Projected Impacts of Assembly Bill 114 upon District Budget. In connection with the 2011-12 State Budget Act, Assembly Bill 114 directs school districts to budget based upon the same level of revenue per unit of average daily attendance as it received in Fiscal Year 2010-11 and to maintain staffing and program levels commensurate with that level. Pursuant to AB 114, the State will reduce funding beginning in February 2012 in the event the State's revenues are below the projections set forth in the 2011-12 State Budget Act. In addition, during Fiscal Year 2011-12, each school district will not be required to demonstrate that it is able to meet its financial obligations for the two subsequent fiscal years as part of the budget process. AB 114 also provides schools with the authority to reduce the minimum number of instructional days and minutes by up to seven days during Fiscal Year 2011-12, which is in addition to the authority to reduce the number of instructional days by up to five days under previous law. See "State Funding of Education - State Budget - Fiscal Year 2011-12 State Budget" herein.

As part of its review of the District's Fiscal Year 2011-12 District Budget, LACOE determined that the District is in compliance with the provisions of AB 114. Although the District is not required to demonstrate that it is able to meet its financial obligations for two subsequent fiscal years under the provisions of AB 114, the District continues to be under the same rules that require a school district to prepare and submit interim financial reports and to certify whether such school district is able to meet its financial obligations for the remainder of the current fiscal year and the next two fiscal years. LACOE, in its approval letter for the Fiscal Year 2011-12 District Budget, requested that the District submit a list of options that the District Board would consider implementing as part of its fiscal stabilization plan to meet its fiscal requirements in Fiscal Years 2012-13 and 2013-14. LACOE expects to consider the viability of the fiscal stabilization plan as a component of the District's First Interim Financial Report which the District must submit to LACOE by December 15, 2011.

District Budget, Interim Financial Estimates and Unaudited Actuals. The following Table C-2 summarizes the originally budgeted revenues and expenditures and the projected year-end amounts, including the projected year-end District General Fund Balance as reported in the Fiscal Year 2010-11 First Interim Report (as defined herein), the Fiscal Year 2010-11 Second Interim Report (as defined herein), the Fiscal Year 2010-11 Third Interim Report (as defined herein) and the Fiscal Year 2010-11 unaudited actuals financial report. The District has timely prepared each of these estimates of its Fiscal Year 2010-11 financial results and delivered such information to LACOE and the District Board.

TABLE C-2

**LOS ANGELES UNIFIED SCHOOL DISTRICT
District General Fund
Summary of Balances, Revenues and Expenditures
Fiscal Year 2010-11
(\$ in millions)⁽¹⁾**

	Fiscal Year 2010-11 Revised District Budget	First Interim Report (December 2010)	Second Interim Report (March 2011)	Third Interim Report (June 2011)	Fiscal Year 2011-12 Unaudited Actuals (June 2011)
Beginning Balance	\$ 646.9	\$ 646.9	\$ 662.9	\$ 662.9	\$ 662.9
Revenues/Other Sources	6,420.7	6,202.1	6,324.6	6,465.8	6,417.4
Expenditures/Other Uses	6,591.9	6,368.7	6,395.4	6,300.1	6,180.8
Operating Surplus (Deficit)	\$ (171.2)	\$ (166.6)	\$ (70.8)	\$ 165.7	\$ 236.6
Ending Balance	\$ 475.8	\$ 480.4	\$ 592.0	\$ 828.6	\$ 899.6

⁽¹⁾ Totals may not add due to rounding.

Source: Controller; Los Angeles Unified School District.

State Financial Accountability and Oversight Provisions

Interim Reporting Requirements. State Assembly Bill 1200 (“A.B. 1200”), effective January 1, 1992, tightened the budget development process and interim financial reporting for public school districts, enhancing the authority of the offices of the county superintendents of schools and establishing guidelines for emergency State aid apportionments. State Assembly Bill 2756 (“A.B. 2756”), effective June 21, 2004, revised the existing provisions of A.B. 1200 and imposed additional financial accountability and oversight requirements on public school districts. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the two subsequent fiscal years. A positive certification is assigned to any school district that, based on then-current projections, will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that, based on then-current projections, will be unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district, based on then-current projections, which may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. Under the provisions of A.B. 2756, for school districts that are certified as qualified or negative, the county superintendent of schools is required to report to the State Superintendent of Public Instruction on the financial condition of the school district and his or her proposed remedial actions and to take all actions that are necessary to ensure that the school district meets its financial obligations. The county office of education reviews the interim reports and certifications made by school districts and may change certification to qualified or negative if necessary. If a

school district has a qualified or negative certification report in any year, the school district may not issue non-voter-approved debt instruments in that fiscal year or in the next succeeding fiscal year, unless the county office of education, using criteria from the State Superintendent of Public Instruction, determines repayment is probable.

District First Interim Report for Fiscal Year 2010-11. The District's Fiscal Year 2010-11 First Interim Report (the "Fiscal Year 2010-11 First Interim Report") was filed with LACOE by December 15, 2010, the deadline therefor. The then-Superintendent Cortines recommended that the District submit its Fiscal Year 2010-11 First Interim Report with a self-certified qualified certification of its financial condition. The Fiscal Year 2010-11 First Interim Report did not project increased revenues as set forth in the Fiscal Year 2010-11 State Budget Act (as defined herein). Due to, among other things, the State's projected budget deficit, the District did not expect to receive certain revenues or revenue increases previously projected in the Fiscal Year 2010-11 State Budget Act.

The Fiscal Year 2010-11 First Interim Report stated that the District would be able to meet its financial obligations in Fiscal Year 2010-11 and projected that the District would need budget-balancing solutions and/or shared commitments from its collective bargaining units to close projected deficits for Fiscal Years 2011-12 and 2012-13. The Fiscal Year 2010-11 First Interim Report projected a balance of \$480.4 million in the District General Fund at the end of Fiscal Year 2010-11.

District Second Interim Report for Fiscal Year 2010-11. The District's Fiscal Year 2010-11 Second Interim Report (the "Fiscal Year 2010-11 Second Interim Report") was approved by the District Board on March 15, 2011 and filed with LACOE by March 17, 2011, the deadline therefor. The Fiscal Year 2010-11 Second Interim Report reflected the funding under the Fiscal Year 2011-12 Proposed State Budget and legislation adopted prior to the submission of the Fiscal Year 2010-11 Second Interim Report. The District filed the Fiscal Year 2010-11 Second Interim Report with a self-qualified certification of financial condition. The Fiscal Year 2010-11 Second Interim Report indicated that the District, based on then-current projections, would have a positive ending balance of \$592.0 million in the District General Fund at the end of Fiscal Year 2010-11. The Fiscal Year 2010-11 Second Interim Report also indicated that the District would have a positive ending balance of \$30.5 million in Fiscal Year 2011-12 and a negative ending balance of \$343.4 million in Fiscal Year 2012-13, with these reserve levels to be increased to the required minimum levels as set forth in the 2011 Fiscal Stabilization Plan.

District Third Interim Report for Fiscal Year 2010-11. The District's Fiscal Year 2010-11 Third Interim Report (the "Fiscal Year 2010-11 Third Interim Report") was filed with LACOE on June 1, 2011. The Fiscal Year 2010-11 Third Interim Report reflected the funding under the Proposed 2011-12 State Budget. However, the adjustments set forth in the 2011-12 May Revision (as defined herein) were reserved rather than being deemed available for District expenditures in Fiscal Year 2011-12. The District did not budget the additional funding set forth in 2011-12 May Revision due to the uncertainties contained therein. The Fiscal Year 2010-11 Third Interim Report indicated that the District, based on then-current projections, would have a positive ending balance of \$828.6 million in the District General Fund at the end of Fiscal Year 2010-11. The projected undesignated fund balance was increased by \$190 million compared to the amount set forth in the Fiscal Year 2010-11 Second Interim Report due to, among other things, the District's acknowledgement of certain revenues prior to the actual receipt thereof.

District Unaudited Actuals for Fiscal Year 2010-11. The District's unaudited financial statements for Fiscal Year 2010-11 (the "Fiscal Year 2010-11 Unaudited Actuals") was filed with LACOE on September 15, 2011. The Fiscal Year 2010-11 Unaudited Actuals indicated that the District ended Fiscal Year 2011-12 with a positive ending balance of \$899.6 million in the District General Fund, which reflects an increase of approximately \$71.0 million compared to the projection set forth in the Fiscal Year 2010-11 Third Interim Report. The Fiscal Year 2010-11 Unaudited Actuals state that the District's ending balance of \$899.6 million consisted of \$266.4 million legally restricted balance, \$7.5 million reserved for stores,

\$2.9 million reserved for revolving cash, 65.4 million designated for economic uncertainties, \$147.0 million designated for other purposes, and \$410.3 million which was undesignated as of the June 30, 2011.

Significant Accounting Policies, System of Accounts and Audited Financial Statements

The CDE imposes by law uniform financial reporting and budgeting requirements for K-12 school districts. Financial transactions are accounted for in accordance with the California School Accounting Manual. The District uses fund accounting and maintains governmental funds, proprietary funds and fiduciary funds. The District General Fund is the chief operating fund of the District. For a description of the other major funds of the District, see the description thereof contained in APPENDIX D – “AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2010” attached hereto. Note 1 to such audited financial statements sets forth significant accounting policies that the District follows.

In addition to the significant accounting policies set forth in the District’s audited financial statements for the fiscal year ended June 30, 2010 included in Appendix D attached hereto, the District, beginning with the Fiscal Year 2011-12 District Budget, will follow Governmental Accounting Standards Board Statement No. 54 - “Fund Balance Reporting and Governmental Fund Type Definitions” (“GASB 54”) which was developed in order for governments to classify amounts consistently regardless of the fund type or column in which they are presented. Pursuant to GASB 54, the fund balances will be designed as one of the following five categories: (i) nonspendable fund balance which includes amounts that are not in a spendable form or are required to be maintained intact, (ii) restricted fund balance which includes amounts constrained to specific purposes by their providers, through constitutional provisions, or by enabling legislation; (iii) committed fund balance which includes amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint; (iv) assigned fund balance which includes amounts a government intends to use for a specific purpose whereby the intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority; and (v) unassigned fund balance which includes amounts that are available for any purpose; these amounts are reported only in the general fund.

The District is required to file its audit report for the preceding fiscal year with the State Controller’s Office, the CDE and the County Superintendent of Schools by December 15. The District filed its audit report for the Fiscal Year 2005-06 in compliance with such requirement. However, in 2005 the District commenced the implementation of an enterprise resource planning system, called the “Business Tools for Schools.” Implementation problems relating to the human resources and payroll components of Business Tools for Schools led to delayed reconciliation of the District’s audited financial statements for Fiscal Year 2006-07, which, in turn, affected the timely delivery of the District’s comprehensive annual financial reports (“CAFRs”) for Fiscal Years 2007-08 and 2008-09 to LACOE by the respective December 15, 2008 and December 15, 2009 deadlines therefor set forth in Section 41020 of the State Education Code. The District timely filed its CAFR for Fiscal Year 2009-10 with LACOE pursuant to the State Education Code and the District expects to file its audited financial statements for Fiscal Year 2010-11 by the December 15, 2011 deadline therefor. The human resources and payroll components of Business Tools for Schools are currently operating within industry standards. The District is currently reconciling data with respect to its CalSTRS, CalPERS and PARS (each term as defined herein) contributions, particularly in relation to the Business Tools for Schools’ implementation problems. The District cannot predict whether such reconciliation will result in an upward or downward estimate of the District’s required CalSTRS, CalPERS and PARS contributions or the amounts of such revised estimate.

Notwithstanding the delays relating to the reconciliation of the District’s audited financial information for Fiscal Years 2006-07 through 2008-09, the District has complied with the continuing disclosure undertakings for each such fiscal year with respect to its outstanding debt obligations by filing

with the appropriate repositories unaudited financial statements by the respective deadlines therefor set forth in the District's continuing disclosure undertakings. Further, the District filed the audited financial statements for Fiscal Years 2006-07 and 2007-08 when they were available and filed its audited financial statements for Fiscal Year 2008-09 on February 26, 2010, prior to the February 28, 2011 deadline, in its continuing disclosure agreements. See "LEGAL MATTERS—Continuing Disclosure" in the forepart of this Official Statement.

Simpson & Simpson Certified Public Accountants, Los Angeles, California, served as independent auditor to the District for its audited financial statements for Fiscal Year 2009-10. See APPENDIX D – "AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2010" attached hereto.

The following Table C-3 sets forth the District's audited District General Fund revenues, expenditures and fund balances for the Fiscal Years 2005-06 through 2009-10.

TABLE C-3

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenditures and District General Fund Balance⁽¹⁾⁽²⁾
Fiscal Years 2005-06 through 2009-10
(\$ in millions)

	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10
Beginning Balance	\$ 349.6	\$ 434.5	\$ 695.2	\$ 657.2	\$ 750.0
Revenues:					
State Apportionment	\$2,791.7	\$2,912.3	\$2,817.7	\$2,517.5	\$2,120.9
Property Taxes	777.6	811.3	806.4	927.4	856.4
Total Revenue Limit Revenues	\$3,569.3	\$3,723.6	\$3,624.1	\$3,444.9	\$2,977.2
Federal	889.5	775.6	756.4	1,077.1	964.0
Other State	1,915.1	2,302.1	2,304.5	1,964.3	2,159.4
Other Local	98.1	120.3	123.7	163.4	108.1
Other Sources ⁽³⁾	100.7	72.4	145.6	114.8	93.5
Total Revenue	\$6,572.7	\$6,994.0	\$6,954.3	\$6,764.5	\$6,302.1
Total Beginning Balance and Revenues	\$6,922.3	\$7,428.5	\$7,649.5	\$7,421.7	\$ 7,052.1
Expenditures					
Certificated Salaries	\$3,051.0	\$3,214.5	\$3,314.6	\$3,231.9	\$2,807.9
Classified Salaries	897.9	981.1	1,054.2	997.7	908.1
Employee Benefits	1,292.2	1,314.0	1,318.0	1,284.5	1,407.4
Books and Supplies	435.9	373.9	435.3	296.6	260.1
Other Operating Expenses	616.8	708.0	764.9	744.4	760.7
Capital Outlay	63.1	34.8	37.0	27.5	18.2
Other Outgo/Other Uses ⁽⁴⁾	130.9	107.0	68.2	89.0	226.7
Total Expenditures	\$6,487.8	\$6,733.3	\$6,992.2	\$6,671.8	\$6,389.1
Ending Balance	\$ 434.5	\$ 695.2	\$ 657.2	\$ 750.0	\$ 662.9

⁽¹⁾ Totals may not add due to rounding.

⁽²⁾ Includes Regular Program and the Specially-Funded Programs.

⁽³⁾ Includes operating transfers in, support costs transferred to the District General Fund, insurance proceeds and proceeds from capital leases.

⁽⁴⁾ Includes operating transfers out, support costs transferred from the District General Fund and funds transferred to pay non-general obligation bond debt service.

Sources: Los Angeles Unified School District's audited financial statements for Fiscal Years 2005-06 through 2009-10.

Collective Bargaining

General. The District has 11 bargaining units with existing contracts. A new bargaining unit, which is being formed, is expected to represent approximately 290 classified supervisors. The following Table C-4 sets forth the expiration dates of the labor agreements with each of the District's employee bargaining units as of September 28, 2011.

TABLE C-4

**LOS ANGELES UNIFIED SCHOOL DISTRICT
Employee Bargaining Units**

Employee Bargaining Unit	Contract Expiration Date⁽¹⁾ (June 30)
Associated Administrators of Los Angeles	2011
Unit A (School Police)	2014
Unit B (Instructional Aides)	2011
Unit C (Operations – Support Services)	2011
Unit D (Office – Technical and Business Services)	2008 ⁽²⁾
Unit E (Skilled Crafts)	2014
Unit F (Teacher Assistants)	2011
Unit G (Playground Aides)	2011
Unit H (Sergeants and Lieutenants)	2008
Unit S (Classified Supervisors)	2011
United Teachers of Los Angeles	2011

⁽¹⁾ The District and each of the employee bargaining units set forth in the table above for which the applicable contract has expired are operating under the terms of the applicable expired contract. As of the date hereof, the District and such bargaining units are negotiating terms to be contained in new contracts.

⁽²⁾ The District and Unit D have reached a tentative agreement regarding a successor agreement.

Source: Los Angeles Unified School District.

The District is currently in negotiations with United Teachers Los Angeles (“UTLA”), the District’s largest union, and the Associated Administrators of Los Angeles (“AALA”), regarding the recommendations made by the Teacher Effectiveness Task Force, which was created by the District Board in April 2010. These negotiations focus on the creation of an improved multiple-measure evaluation system, the distribution and utilization of national board certified teachers, the use of joint models of study to identify and reward career performance and development, and efforts to effect changes to different personnel decisions.

The District expects to open negotiations with respect to a successor agreement with UTLA during fall of 2011. Until that date, however, the District or the UTLA may reopen the current agreement with respect to an article thereof which pertains to salaries, other compensation matters, and related provisions of the labor agreement in the event the District or the UTLA believes that a material change in the District’s financial condition has occurred.

AALA may open negotiations with respect to two articles thereof for the AALA 2010 2011 reopener. As of the date hereof, AALA has not done so. The District has submitted initial proposals on two articles relating to negotiations on evaluations. AALA and the District may reopen the current agreement over an article thereof, which pertains to salaries, and other compensation matters. AALA has submitted proposals with respect to the successor agreement and the District has countered those proposals. Negotiations on the successor agreement are continuing.

The District reached a tentative agreement with Unit D concerning its successor agreement. The successor agreement, if approved in its proposed form, would restore positions for which certain employees that are represented by the California School Employees Association, which could include library aides, school financial managers and clerical staff. Further, the successor agreement, if approved in its proposed form, would require members of Unit D to take four furlough days during Fiscal Year 2011-12. The District estimates that the restoration of such positions and the implementation of four furlough days would increase expenditures relating to Classified Salaries by approximately \$6 million for Fiscal Year 2011-12. The

District Board and the membership of Unit D expect to review and consider the successor agreement in October 2011.

In February 2009, the District reached a three-year agreement with all bargaining units regarding health and welfare benefits. The multi-year agreement defines the District's contribution towards health and welfare benefits for active and retired employees. The agreement sets new benchmarks for when newly-hired District employees become eligible for lifetime benefits. The labor agreement caps the amount that health care benefit costs can increase at 3.5% annually. However, in the event that insurance companies increase prices at rates higher than 3.5%, the Health Benefits Committee, which is comprised of representatives of the respective bargaining units and one District member, would be required to modify health plans in accordance with the budget or employees will face salary deductions. See “—Other Postemployment Benefits” herein. The District is currently in negotiations with the Health Benefits Committee.

Furlough Days. Six out of the eight unions have signed furlough agreements for four furlough days for fiscal year 2011-12. Unit F, Unit G, and District-represented employees will also take the corresponding number of furlough days as those units requiring negotiated agreements. The agreement includes a formula that provides for a reduction of the number of furlough days as the District's base revenue limit appropriation improves and an increase in the number of furlough days up to a maximum of six as economic conditions worsen.

Litigation Regarding District Layoff Procedures. A complaint for injunctive and declaratory relief was filed on February 24, 2010 against the District and the State entitled *Reed, et al. v. State of California and the Los Angeles Unified School District, et al.* in the Los Angeles County Superior Court. The plaintiffs, who were students at three middle schools within the District, alleged in this complaint that the State's and the District's budgetary measures resulted in increased layoffs and use of substitute teachers at the schools named therein that were disproportionate to other schools within the District. As a result, the complaint alleged, the plaintiffs had been deprived of educational equality. Among other relief, the plaintiffs sought declaratory relief that the State and the District had violated their rights under the State Constitution and the State Government Code and injunctive relief prohibiting the defendants from implementing future layoffs of teachers at the schools named therein that were disproportionate to other schools within the District or hindering the ability of the schools to maintain an effective corps of teachers.

On May 13, 2010, the presiding judge issued a preliminary injunction restraining the District from implementing any budget-based layoffs at the subject middle schools during the pendency of the action but no later than the end of the 2010-11 school year and to skip teachers then-currently assigned at the three middle schools during the current layoff proceedings. In October 2010, the District Board approved a tentative settlement agreement pursuant to which the District would no longer lay off teachers based solely on seniority. Pursuant to the tentative settlement agreement, layoffs based, in part, on seniority would be distributed evenly among schools within the District. UTLA has stated that it opposes the tentative settlement agreement. The Los Angeles County Superior Court entered a final order in February 2011. UTLA has appealed the matter. The District is unable to predict the outcome of this appeal. The District conducted its Reduction in Force (“RIF”) notice procedure for Fiscal Year 2010-11 in accordance with the tentative settlement agreement. However, in connection with the District Budget for Fiscal Year 2011-12, the District was able to rescind a significant amount of RIF notices.

Retirement Systems

General. The District currently participates in the California State Teachers' Retirement System, the State Public Employees' Retirement System and the Public Agency Retirement System. Subject to the implementation of any layoff proposal with respect to the District's workforce or modification or approval of collective bargaining agreements, the District's regular employer contribution to CalSTRS, CalPERS and PARS for Fiscal Year 2011-12 is projected to be at least equal to its contribution for Fiscal Year 2010-11,

after adjusting for specially-funded programs. For additional information regarding the District's pension and retiree health care programs and costs, see the District's financial statements for Fiscal Year 2009-10 contained in APPENDIX D – "AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2010" attached hereto.

The information set forth below regarding California State Teachers' Retirement System, the State Public Employees' Retirement System and the Public Agency Retirement System has been obtained from publicly available sources and has not been independently verified by the District, not guaranteed as to the accuracy or completeness of the information and is not to be construed as a representation by the District, the Underwriters or the Financial Advisor. Furthermore, the summary data below should not be read as current or definitive, as recent gains or losses on investments made by the retirement systems generally may have changed the unfunded actuarial accrued liabilities stated below.

California State Teachers' Retirement System. The California State Teachers' Retirement System ("CalSTRS") is a defined benefit plan that covers all full-time certificated District employees and some classified District employees, which are District employees employed in a position that does not require a teaching credential from the State. Employees and the District contribute 8.00% and 8.25%, respectively, of gross salary expenditures to CalSTRS. Benefit provisions are established by State legislation in accordance with the State Teachers' Retirement Law.

CalSTRS is operated on a Statewide basis and, based on publicly available information, has unfunded liabilities. Additional funding of CalSTRS by the State and the inclusion of adjustments to such State contributions based on consumer price changes were provided for in 1979 Statutes, Chapter 282. The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make to CalSTRS. Accordingly, there can be no assurances that the District's required contributions to CalSTRS will not significantly increase in the future above current levels. Pursuant to the CalSTRS' comprehensive annual financial report for the Fiscal Year ended June 30, 2010, absent corrective action, the CalSTRS fund will be depleted in 2044, and the State will be obligated to the pay the difference between the benefits paid and the contributions received.

The following Table C-5 sets forth the District's regular annual contributions to CalSTRS for Fiscal Years 2005-06 through 2010-11. The District has always paid all required CalSTRS annual contributions.

TABLE C-5

**LOS ANGELES UNIFIED SCHOOL DISTRICT
Annual Regular CalSTRS Contributions
Fiscal Years 2005-06 through 2010-11
(\$ in millions)**

Fiscal Year	District Contributions
2005-06	\$251.5
2006-07	263.0
2007-08	264.4
2008-09	270.1
2009-10	233.1
2010-11	236.7 ⁽¹⁾

⁽¹⁾ Estimated.

Source: Los Angeles Unified School District Comprehensive Annual Financial Reports for Fiscal Years 2005-06 through 2009-10 and the District for Fiscal Year 2010-11.

The unfunded actuarial accrued liabilities and funded status of the CalSTRS pension fund as of June 30 of Fiscal Years June 30, 2006 through June 30, 2010 are set forth in the following Table C-6. The individual funding progress for the District is not provided in the actuarial report from CalSTRS.

TABLE C-6

**Actuarial Value of State Teachers' Retirement Fund Defined Benefit Program
Valuation Dates June 30, 2006 through June 30, 2010
(\$ in millions)**

Valuation Date (June 30)	Accrued Liability	Actuarial Value of Assets⁽¹⁾	Unfunded Liability	Funded Ratio (Actuarial Value)	Funded Ratio (Fair Market Value)
2006	\$150.872	\$131.237	\$19.635	87.0%	87.0%
2007	167.129	146.419	20.710	89.0	88.0
2008	177.734	155.215	22.519	87.0	85.0
2009	185.683	145.142	40.541	78.0	58.0
2010	196.315	140.291	56.024	71.0	60.0

⁽¹⁾ Actuarial Value of Assets does not include amounts allocable to the CalSTRS Supplemental Benefits Maintenance Account

Sources: California State Teachers' Retirement System Defined Benefit Program Actuarial Valuations as of June 30, 2006 through June 30, 2010.

The actuarial assumptions set forth in the California State Teachers' Retirement System Defined Benefit Program Actuarial Valuation as of June 30, 2010 use the "Entry Age Normal Cost Method" and, among other things, an assumed 7.75% investment rate of return and 6.00% interest on accounts, projected wage growth of 4.00%, projected 3.00% inflation and demographic assumptions relating to mortality rates, length of service, rates of disability, rates of withdrawal, probability of refund, and merit salary increases. The amounts of CalSTRS' unfunded liability will vary from time to time depending upon actuarial assumptions, rates of return on investment, salary scales and levels of contribution.

The market value of the CalSTRS pension fund as of June 30, 2009 and June 30, 2010 was \$118.9 billion and \$129.8 billion, respectively. CalSTRS produces a comprehensive annual financial report which includes financial statements and required supplementary information. Copies of the CalSTRS' comprehensive annual financial report may be obtained from CalSTRS, P.O. Box 15275, Sacramento, California 95851. The information presented in these reports is not incorporated by reference in this Official Statement.

California Public Employees' Retirement System. The California Public Employees' Retirement System ("CalPERS") is a defined benefit plan that covers classified personnel who work four or more hours per day. Benefit provisions are established by State legislation in accordance with the Public Employees' Retirement Law. The District's contribution to CalPERS is capped at 13.02% of gross salary expenditures. If the District's contribution rate to CalPERS is less than 13.02% of gross salary expenditures for a given year, the State will reduce the District's revenue limit for that year by the amount of the difference between the District's contribution calculated based on a contribution rate of 13.02% of gross salary expenditures and the District's actual contribution. Moreover, if the required contribution rate is greater than 13.02% for a given year, then the State will provide additional revenue limit allocations to the District for that year by the amount of the difference between the District's actual contribution to CalPERS and the District's contribution calculated based on a contribution rate of 13.02% of gross salary expenditures. The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make to CalPERS. Accordingly, there can be no

assurances that the District's required contributions to CalPERS will not significantly increase in the future above current levels.

Active plan members are required to contribute 7% (miscellaneous) or 9% (safety) of their monthly salary and the District is required to contribute based on an actuarially determined rate. The required employer contribution rates for the Fiscal Year 2010-11 were 10.707% for miscellaneous and 34.056% for safety members. The District paid the employee's contribution of 9% for most of the safety members and certain percentages for employees covered under other collective bargaining units.

The following Table C-7 sets forth the District's regular annual contributions, inclusive of employee contributions paid by the District, to CalPERS for Fiscal Years 2005-06 through 2010-11. The District has always paid all required CalPERS annual contributions.

TABLE C-7

**LOS ANGELES UNIFIED SCHOOL DISTRICT
Annual CalPERS Regular Contributions
Fiscal Years 2005-06 through 2010-11⁽¹⁾
(\$ in millions)**

Fiscal Year	District Contributions⁽¹⁾
2005-06	\$137.1
2006-07	149.7
2007-08	160.6
2008-09	163.6
2009-10	156.0
2010-11	142.5 ⁽²⁾

⁽¹⁾ Includes regular contributions and employee contributions paid by the District and "PERS Recapture." Pursuant to State law, the State is allowed to recapture the savings corresponding to a lower CalPERS rate by reducing a school district's revenue limit apportionment by the amount of the school district's CalPERS savings in that year. Such recapture has occurred with respect to the District in each fiscal year since Fiscal Year 1982-83.

⁽²⁾ Estimated.

Source: Los Angeles Unified School District Comprehensive Annual Financial Reports for the Fiscal Years 2005-06 through 2009-10.

CalPERS is operated on a Statewide basis and, based on publicly available information, has unfunded liabilities. The amounts of the pension/award benefit obligation or unfunded actuarially accrued liability will vary from time to time depending upon actuarial assumptions, rates of return on investments, salary scales, and levels of contribution.

Unlike typical defined benefit programs such as those administered by CalPERS, neither the CalSTRS employer nor the State contribution rate varies annually to make up funding shortfalls or assess credits for actuarial surpluses. The State does pay a surcharge when the teacher and school district contributions are not sufficient to fully fund the basic defined benefit pension (generally consisting of 2% of salary for each year of service at age 60 referred to as "pre-enhancement benefits") within a 30-year period. However, this surcharge does not apply to the system-wide unfunded liability resulting from recent benefit enhancements. As indicated above, there is presently no required contribution from teachers, school districts or the State to fund this unfunded liability. Historically, the school district employer contribution rate has remained at 8.25%. However, the District is unable to predict what the amount of liabilities will be in the future or the amount of contributions which the District may be required to make.

The unfunded actuarial accrued liabilities and funded status of CalPERS as of June 30 of Fiscal Years June 30, 2006 through June 30, 2010 are set forth in the following Table C-8. The individual funding progress for the District is not provided in a separate actuarial report from CalPERS.

TABLE C-8

**Actuarial Value of Schools Portion of CalPERS
Historical Funding Status
Valuation Dates June 30, 2006 through June 30, 2010
(\$ in millions)**

Valuation Date (June 30)	Actuarial Accrued Liabilities	Market Value of Assets (MVA)	Funded Status (MVA)	Unfunded Liabilities/ (Surplus) (MVA)	Projected Payroll for Contribution	Unfunded/ (Surplus) as a % of Payroll
2006	\$41,408.65	\$40,852.35	98.7%	\$ 556.31	\$ 9,880.89	5.60%
2007	44,810.07	48,292.93	107.8	(3,482.86)	10,249.83	(34.00)
2008	48,537.68	45,547.90	93.8	2,989.78	11,137.70	26.80
2009	52,493.08	34,146.45	65.0	18,346.63	11,109.76	165.10
2010	55,306.96	38,435.17	69.5	16,871.79	11,283.40	149.50

Sources: CalPERS State & Schools Actuarial Valuations as of June 30, 2006 through June 30, 2010

The actuarial funding method used in the CalPERS State & Schools Actuarial Valuation as of June 30, 2010 is the “Individual Entry Age Normal Cost Method”. The CalPERS State & Schools Actuarial Valuation as of June 30, 2010 assumes, among other things, a 7.75% investment rate of return, projected salary increases of 3.45% to 11.05%, projected 3.00% inflation and projected 2.00% or 3.00% post-retirement benefit increases.

In December 2009, the CalPERS Board of Administration adopted changes to the asset smoothing method in order to phase in over a three year period the impact of the negative 24% investment loss experienced by CalPERS in Fiscal Year 2008-09. Under the new methodology, which is not mandatory for employers, investment gains and losses will be tracked and the net unamortized gain or loss will be amortized and paid off over a fixed and declining 30-year period instead of the current, rolling 30-year amortization period with the exception of gains and losses in Fiscal Years 2008-09, 2009-10, and 2010-11. For Fiscal Years 2008-09, 2009-10, and 2010-11, such fiscal year’s gains or losses will be isolated and amortized over fixed and declining 30 year periods. In addition, CalPERS has adopted a policy such that if a plan’s accrued liability exceeds the actuarial value of assets, the annual contribution with respect to the total unfunded liability of such plan may not be less than the amount produced by a 30-year amortization of the unfunded liability. Further, all CalPERS plans will be subject to a minimum employer contribution rate equal to the employer normal cost plus a 30-year amortization of surplus, if any.

The market value of the CalPERS pension fund as of June 30, 2009 and June 30, 2010 was \$177.0 billion and \$200.5 billion, respectively. CalPERS issues a comprehensive annual financial report and actuarial valuations that include financial statements and required supplementary information. Copies of the CalPERS CAFR and actuarial valuations may be obtained from the CalPERS Financial Services Division, P.O. Box 942703, Sacramento, California 94229-2703. The information set forth therein is not incorporated by reference in this Official Statement.

Public Agency Retirement System. On July 1, 1992, the District joined the Public Agency Retirement System (“PARS”), a multiple-employer retirement trust. This defined contribution plan covers the District’s part-time, seasonal, temporary and other employees not otherwise covered by CalPERS or

CalSTRS, but whose salaries would otherwise be subject to Social Security tax. Benefit provisions and other requirements are established by District management based on agreements with various bargaining units.

The District is unable to predict the amount of the contributions which the District may be required to make to PARS in the future. Further, the District cannot estimate the current amount of unfunded liabilities of the PARS plans or the funding progress therefor. Accordingly, there can be no assurances that the District's required contributions to PARS will not significantly increase in the future above current levels. The District has always paid all required PARS annual contributions.

The following Table C-9 sets forth the District's annual contributions to PARS for Fiscal Years 2005-06 through 2010-11.

TABLE C-9
LOS ANGELES UNIFIED SCHOOL DISTRICT
Annual PARS Contribution
Fiscal Years 2005-06 through 2010-11
(\$ in millions)

Fiscal Year	District Contributions⁽¹⁾
2005-06	\$6.8
2006-07	3.5
2007-08	8.8
2008-09	6.9
2009-10	5.7
2010-11	5.2 ⁽²⁾

⁽¹⁾ Reflects payments to PARS for pension costs associated with the District's regular and specially-funded programs, except specially-funded programs are not included in Fiscal Years 2007-08 and 2008-09.

⁽²⁾ Estimated. Includes amounts related to prior years' PARS contributions.

Source: Los Angeles Unified School District Comprehensive Annual Financial Report for Fiscal Years 2005-06 through 2009-10.

Other Postemployment Benefits

In addition to employee health care costs, the District provides postemployment health care benefits in accordance with collective bargaining agreements. As of July 1, 2010, there are approximately 36,000 retirees who meet the eligibility requirements for these benefits. The District currently funds these benefits on a pay-as-you-go basis, paying an amount in each Fiscal Year equal to the benefits distributed or disbursed in that Fiscal Year. The following Table C-10 sets forth the District's funding of other postemployment benefits for Fiscal Years 2005-06 through 2009-10.

TABLE C-10

LOS ANGELES UNIFIED SCHOOL DISTRICT
Expenditures for Other Postemployment Benefits
Fiscal Years 2005-06 through 2009-10
(\$ in millions)

Fiscal Year	Amount
2005-06	\$222.3
2006-07	233.5
2007-08	255.9
2008-09	267.3
2009-10	237.3

Source: Los Angeles Unified School District Comprehensive Annual Financial Reports for Fiscal Years 2006-07 through 2009-10.

On June 21, 2004, the GASB released its Statement No. 45 “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions” (“Statement No. 45”). Statement No. 45 establishes standards for the measurement, recognition and display of postemployment healthcare as well as other forms of postemployment benefits, such as life insurance, when provided separately from a pension plan expense or expenditures and related liabilities in the financial reports of state and local governments. Under Statement No. 45, governments are required to: (i) measure the cost of benefits, and recognize other postemployment benefits expense, on the accrual basis of accounting in periods that approximate employees’ years of service; (ii) provide information about the actuarial liabilities for promised benefits associated with past services and whether, or to what extent, those benefits have been funded; and (iii) provide information useful in assessing potential demands on the employer’s future cash flows. The District’s postemployment health benefits fall under Statement No. 45. The Statement No. 45 reporting requirements for the District became effective during Fiscal Year 2007-08.

The District’s OPEB consists of post-employment benefits of health, prescription drug, dental, vision and life insurance coverage for retirees; long-term care coverage, life insurance and death benefits that are not offered as part of a pension plan; and long-term disability insurance for employees. As of the date hereof, the most recent actuarial report prepared for the District is its “GASB 43 and 45 Valuation Report as of June 30, 2009 and Annual Required Contribution for the Fiscal Year Ending June 30, 2010,” dated February 25, 2010 (the “Postemployment Valuation”).

The following are the principal actuarial assumptions used in the Postemployment Valuation:

1. Measurement Date: June 30, 2009
2. Census Date: June 30, 2009
3. Economic Assumptions:
 - a. Discount Rate: 5.00%;
 - b. Investment Rate of Return: 5.00% for pay-as-you-go funding;
 - c. Valuation Date: June 30, 2009;
 - d. Annual Inflation Rate: 3.25%;
 - e. Annual Payroll Growth: 4.25%;
 - f. Administrative Expenses: No administrative expenses were valued separately from the premiums; and
 - g. Actuarial Cost Method: Entry Age Normal; level dollar, open. Entry age is based on current age minus years of service.

4. Demographic Assumptions

- a. Retirement: Age-based ranges;
- b. Termination: Service-related ranges;
- c. Disability Retirement: Age-based rates for all participants;
- d. Mortality: (i) Active Employees: 1994 Group Annuity Mortality table, 5 year setback for males, 4 year setback for females; (ii) Retirees: 1994 Group Annuity Mortality table, 3 year setback for males, 2 year setback for females; and (iii) Disabled Lives – Select Rates used during the first three years of disability and Ultimate Rates used after three years of disability;
- e. Plan Participation: 100% of current active employees with medical coverage are assumed to continue coverage upon retirement;
- f. Marital Characteristics: (i) Retirees: actual data and (ii) Active Employees: 75% of male participants are assumed to elect spousal coverage, with female spouses five years younger than male participants and 50% of female participants are assumed to elect spousal coverage, with male spouses two years older than female participants; and
- g. Plan Participation: 100% of the current active employees with medical coverage are assumed to continue medical coverage at retirement.

5. Benefit Assumptions

- a. Premium Rates: Used for Retiree Medical Coverage, including prescription drugs, Retiree Dental Coverage and Retiree Vision Coverage;
- b. Health Care Cost Subsidy Trend Rates: 9.25% (graded down over 10 years to ultimate rate of 5.00%) for the health maintenance organizations and 9% (graded down over 10 years to ultimate rate of 5.00%) for the preferred provider organizations; and
- c. Dental and Vision Care Inflation: 5.00%.

The Postemployment Valuation sets forth the District's actuarial valuation of postemployment medical benefits as of June 30, 2009 for its employees and retirees. The Postemployment Valuation sets forth the liabilities of the postemployment benefit plan based upon GASB Statement Nos. 43 and 45. The market value of plan net assets as of June 30, 2009 is estimated to be \$0. The Postemployment Valuation reports that, as of June 30, 2009, the unfunded actuarial accrued liability ("UAAL") of the District's post-retirement health and welfare benefits program is approximately \$9.925 billion. Pursuant to Statement No. 45, OPEB expense in an amount equal to annual OPEB cost is recognized in government-wide financial statements on an accrual basis. Net OPEB obligations, if any, including amounts associated with under- or over-contributions from governmental funds, are to be displayed as liabilities (or assets) in government-wide financial statements.

The Postemployment Valuation recommended an annual required contribution ("ARC") of \$1.01 billion, or 21.7% of the District's payroll at the June 30, 2009 valuation date, for Fiscal Year 2009-10. As of June 30, 2010, the "pay-as-you-go" cost of providing postemployment benefits is projected to be \$257.963 million. Accordingly, the District's net pension obligation ("NPO") as of June 30, 2010 was expected to be greater than the NPO as of June 30, 2009. NPO is the cumulative difference between the annual pension cost (the "Annual OPEB Cost") to the District of the postemployment benefit plan and the actual contribution in a particular year. Annual OPEB Cost is equal to (i) the ARC, (ii) one year's interest on the NPO, and (iii) an adjustment to the ARC to offset, approximately, the amount included in item (i) for amortization of the past contribution deficiencies.

Table C-11 below reflects the District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for Fiscal Years 2007-08 through 2009-10.

TABLE C-11

LOS ANGELES UNIFIED SCHOOL DISTRICT
Other Postemployment Benefit Costs and Net Obligation
Fiscal Years 2007-08 through 2009-10
(\$ in thousands)

Fiscal Year	Annual OPEB Cost	Annual OPEB Cost	
		Contributed	Net OPEB Obligation
2007-08	\$1,088,523	24%	\$ 832,665
2008-09	1,088,523	25	1,653,926
2009-10	977,150	24	2,393,811

Source: Los Angeles Unified School District Comprehensive Annual Financial Report for Fiscal Year 2009-10.

The District has reviewed and is expected to continue to review the Postemployment Valuation, in conjunction with the District's obligations under its postemployment benefit plan, to determine, among other things, its course of action with respect to postemployment benefit contributions and what other postemployment benefit liability must be reported. In the opinion of District management, any further increase in the District's UAAL as described in the Postemployment Valuation will not adversely affect the District's ability to pay debt service on its general fund obligations, COPs or general obligation bonds, including the Refunding Bonds, the last of which are payable from *ad valorem* property taxes.

For additional information regarding the District's OPEB, see APPENDIX D – "AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2010" attached hereto.

Insurance

The District maintains various excess property, casualty and fidelity insurance programs, which are self-insured, with varying self-insured retentions. The District's excess property coverage is provided currently through its membership in the Public Entity Property Insurance Program ("PEPIP"), an insurance pool comprised of certain cities, counties and school districts. The District maintains excess property insurance on all District facilities under a combination of self-insurance retentions and varying sublimits through the excess insurance policies of PEPIP. The current self-insured retention for fire loss damage for excess property coverage is \$500,000 per occurrence and the policy limit is \$1 billion. The District maintains what it considers to be adequate reserves to cover losses within the self-insurance retention. District General Fund resources are used to pay for property loss insurance and uninsured repairs for property damage. In addition to the above excess property policies, the District purchases a separate boiler and machinery policy with \$100 million in occurrence limits and a Fidelity crime policy with \$1 million in occurrence limits.

Excess liability insurance is maintained through a combination of excess policies totaling \$45 million in aggregate above a \$3 million self-insured retention per occurrence. The District maintains reserves that it believes are adequate to cover losses within the self-insured retention.

The District is self-insured for its Workers' Compensation Program. The lower amount of claims is the result of workers' compensation reforms implemented by the State as well as District activities to improve third party management of claims and reduce workers' compensation fraud. Separate funds are used to account for amounts set aside to pay claims incurred and related expenditures under the respective insurance programs. The following Table C-12 sets forth the workers' compensation liability, claims and changes in estimates and claims paid from Fiscal Year 2005-06 through 2009-10.

TABLE C-12

LOS ANGELES UNIFIED SCHOOL DISTRICT
Workers' Compensation Claims Paid
Fiscal Years 2005-06 through 2009-10
(\$ in millions)

Fiscal Year	Liability: Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claims Paid	Liability: End of Fiscal Year
2005-06	\$685.3	\$80.0	\$ (96.8)	\$668.5
2006-07	668.5	(70.7)	(88.4)	509.3
2007-08	509.3	58.1	(87.9)	479.5
2008-09	479.5	72.2	(80.6)	471.2
2009-10	471.2	59.7	(78.5)	452.4

Source: Los Angeles Unified School District Comprehensive Annual Financial Report for Fiscal Years 2005-06 through 2009-10.

The District has also purchased through the AIG companies a pollution legal liability ("PLL") policy with coverage of \$50 million for each incident with an aggregate of \$100 million (coverage period of August 11, 1999 through August 11, 2019) and a contractor's pollution liability ("CPL") insurance policy with \$50 million of coverage provided per covered site and \$50 million of coverage in aggregate losses through August 11, 2008. The District filed a lawsuit in Los Angeles County Superior Court in March 2006 against AIG alleging the insurance carrier committed acts of bad faith for failure to honor claims incurred during the PLL policy period. The litigation is currently in the discovery phase. The AIG CPL policy expired on August 11, 2006.

The District implemented an owner controlled insurance program ("OCIP") on May 1, 2006 ("OCIP II") after the expiration of its initial OCIP. OCIP II covers new construction and renovation projects funded by school bonds. Under an OCIP, the District provides general liability and workers' compensation insurance coverage to enrolled construction contractors. Builder's risk and CPL coverage are also provided. The benefits derived from the large buying power of an OCIP, along with centralized risk management and safety creates savings that accrue for the District. Under the OCIP II, workers' compensation coverage with statutory limits, and primary and excess liability coverage with limits of \$100 million have been underwritten by six major insurance carriers. In addition, buildings under construction and renovation with project values under \$50 million, a portion of the costs of which are financed with the proceeds of District general obligation bond issues, are covered under PEPiP. Builders risk coverage for projects, with construction values above \$50 million, is currently covered under individual policies underwritten by various carriers. Savings to the District from May 1, 2006 through May 1, 2013 from OCIP II are estimated in the range of approximately \$68 million to \$117 million.

Liabilities for loss and loss adjustment expenses under each of the District's insurance programs include the accumulation of estimates for losses reported prior to the balance sheet date, estimates of losses incurred but not reported and estimates of expenses for investigating and adjusting reported and unreported losses. Such liabilities are estimates of the future expected settlements and are based upon analysis of historical patterns of the number of incurred claims and their values. The District believes that, given the inherent variability in any such estimates, the aggregate liabilities are within a reasonable range of adequacy. Individual reserves are continually monitored and reviewed, and, as settlements are made or reserves adjusted, differences are reflected in current operations. For additional information regarding the District's insurance programs, see the District's financial statements for Fiscal Year 2009-10 contained in APPENDIX D – "AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2010" attached hereto.

District Fiscal Policies

Debt Management Policy. In October 2003, the District Board adopted a debt management policy that established formal guidelines for the issuance and management of various types of debt instruments and other financial obligations (the “Debt Management Policy”). The Debt Management Policy establishes targets and ceilings for COPs, unhedged variable rate exposure and sets forth benchmark debt ratios that include both COPs and the District’s general obligation bonds.

The Debt Management Policy is required to be reviewed annually. The current Debt Management Policy was approved by the District Board on September 13, 2011. The Debt Management Policy sets forth an annual gross debt service cap of \$105 million attributable to COPs and establishes a target of 2.0% and a ceiling of 2.5% for the ratio of gross COPs debt service divided by District General Fund appropriations. A target may be increased only through District Board authorization each time a new debt is proposed, but is not intended to exceed the ceiling established in the Debt Management Policy.

The District’s current maximum fiscal year COPs debt service is \$58.7 million, which is below the \$105.0 million cap, and was 0.8% of budgeted District General Fund appropriations for Fiscal Year 2009-10, which is below the 2.0% to 2.5% policy range.

The Debt Management Policy limits unhedged variable rate debt to 20% of outstanding COPs or \$100 million, whichever is less, and requires reporting of the debt ratios and benchmarks set forth in Tables C-13 and C-14 below in the annual Debt Report.

As of September 1, 2011, the District had \$459.9 million of outstanding COPs (net of economically defeased COPs), of which \$103.6 million are variable rate COPs. The District’s average daily District General Fund cash balance is projected to be \$670.9 million for Fiscal Year 2011-12. Accordingly, the District believes that interest rate exposure on its variable rate COPs is naturally hedged by this cash position.

The following Table C-13 sets forth the debt factors for COPs which are to be repaid from the District General Fund or other internal District resources as reported in the District’s Fiscal Year 2009-10 Debt Report.

TABLE C-13

**LOS ANGELES UNIFIED SCHOOL DISTRICT
Debt Management Policy – Debt Factors
(as of June 30, 2010)⁽¹⁾**

Debt Factor	Target⁽²⁾	Ceiling⁽²⁾	Actual	Over (Under) Policy Ceiling
Maximum COPs Gross Debt Service Limit (percentage)	2.0% of District General Fund Expenditures	2.5% of District General Fund Expenditures	0.8%	(1.7)%
Maximum COPs Gross Debt Service Limit ⁽³⁾	Not applicable	\$105.0 million	\$55.0 million	(\$50.0 million)
Unhedged Variable Rate Debt as % of total COPs Debt	Not applicable	20.0%	0.0%	(20.0)%

⁽¹⁾ Includes the \$21,615,000 Certificates of Participation, 2010 Series C-1 and the \$61,730,000 Certificates of Participation, 2010 Series C-2 executed and delivered in December 2010.

⁽²⁾ “District General Fund Expenditures” includes said amounts based upon the District’s Fiscal Year 2009-10 Final Adopted Budget.

⁽³⁾ May increase with each approved issuance of COPs.

Source: Los Angeles Unified School District.

The following Table C-14 sets forth the benchmark debt burden ratios that recognize the combined direct debt and overall debt of the District. Table C-14 also provides a summary of the District’s performance against policy benchmarks for the District’s general obligation bond and COPs debt and debt issued by overlapping agencies. These benchmarks pertain to large school districts nationwide whose ratings are in the double-A or higher rating category.

Due to the statistical dispersion of the underlying data for the benchmarks in the following Table C-14 and the large size of the District’s bonding program relative to other large school districts, the District’s debt burden ratios are not unexpectedly higher than most of the benchmark values. Even though some of the other large school districts have school funding mechanisms different than the District’s and may have budgets that are considerably smaller than the District’s, the District believes that the “large, highly-rated” school district cohort to be the most appropriate cohort group against which it should be compared.

TABLE C-14

LOS ANGELES UNIFIED SCHOOL DISTRICT
Debt Management Policy Benchmarks for District's Direct and Overall Debt
(As of June 30, 2010)⁽¹⁾

Debt Burden Ratio	Benchmark	Benchmark's Value	LAUSD Actual⁽¹⁾
Direct Debt to Assessed Value	Moody's Median for Aa Rated School Districts With Student Population Above 200,000	1.10%	2.50%
	Standard & Poor's Mean for AA Rated School Districts With Student Population Above 150,000	1.50%	
Overall Debt to Assessed Valuation	Moody's Median for Aa Rated School Districts With Student Population Above 200,000	2.60%	4.03%
	Standard & Poor's Mean for AA Rated School Districts With Student Population Above 150,000	3.20%	
Direct Debt Per Capita ⁽²⁾	Standard & Poor's Median for AA Rated School Districts With Student Population Above 150,000	\$ 736	\$2,434
	Standard & Poor's Mean for AA Rated School Districts With Student Population Above 150,000	\$ 847	
Overall Debt Per Capita ⁽²⁾	Standard & Poor's Median for AA Rated School Districts With Student Population Above 150,000	\$1,665	\$3,930
	Standard & Poor's Mean for AA Rated School Districts With Student Population Above 150,000	\$2,639	

⁽¹⁾ Benchmark Value information in Table C-14 is as set forth in the District's Debt Report submitted in April 2011 for Fiscal Year 2009-10. The District's CAFRs report these calculations differently by adjusting for outstanding bond and COP unamortized premiums and discounts.

⁽²⁾ Per capita debt calculations are based upon the estimated District population of 4.876 million as of June 30, 2010.

Source: Los Angeles Unified School District.

Budget and Finance Policy. On June 22, 2004, the District Board adopted a Budget and Finance Policy that took effect on July 1, 2005. The purposes of the Budget and Finance Policy are to establish best practices for the District's budget process and to establish a reserves policy for District operations, liabilities and asset/equipment replacement. The purpose of the operating reserves is to set aside monies for current year obligations. These reserves include the Reserve for Anticipated Balances, the Reserve for Revolving Cash, Stores, and Prepaid Expenses, the Emergency Reserve, and the Reserve for Economic Uncertainties. The purpose of the liability reserves is to set aside monies for future obligations of the District. Liability reserves include the Liability Self Insurance Account Reserve, the Workers' Compensation Fund Unfunded Liability Reserve, and the Health & Welfare Fund Retirement Benefits for Employees Reserve. The Budget and Finance Policy also created the Special Reserve for Equipment Replacement.

Under State law, the District is required to maintain only one of the operating reserves, the Reserve for Economic Uncertainties. In the Fiscal Year 2010-11 Third Interim Report, the Reserve for Economic Uncertainties is projected to be funded at the current legally mandated minimum of 1.0% of the District's General Fund expenditures, or approximately \$65.4 million at the end of Fiscal Year 2010-11. For Fiscal Year 2011-12, the statutory required minimum Reserve for Economic Uncertainties has been budgeted at \$65.4 million. The District's other operating reserves may be funded and phased in annually based on the District Board's actions, although the Chief Financial Officer of the District has not recommended any such funding at present.

District Debt

General Obligation Bonds. Pursuant to Sections 15106 and 17422 of the State Education Code, the District's bonding capacity for general obligation bonds is 2.5% of taxable property value in the District. The taxable property value in the District for Fiscal Year 2011-12 is \$469.1 billion, which results in a total current bonding capacity of approximately \$11.7 billion. The District currently has approximately \$416.33 million of unused bonding capacity for the issuance of additional general obligation bonds. The District does not presently expect to issue additional general obligation bonds other than general obligation refunding bonds.

The District may not issue general obligation bonds without voter approval and may not issue general obligation bonds in an amount greater than its bonding capacity. From July 1997 through March 2003, the District issued the entire amount of general obligation bonds pursuant to a \$2.4 billion authorization approved by voters in the April 8, 1997 election (the "Proposition BB Authorization"). A \$3.35 billion general obligation bond authorization was approved by voters on November 5, 2002 (the "Measure K Authorization"). The District has issued \$3.350 billion aggregate principal amount of Measure K general obligation bonds. A \$3.87 billion general obligation bond authorization was approved by the voters on March 2, 2004 (the "Measure R Authorization"). The District has issued \$3.635 billion aggregate principal amount of Measure R general obligation bonds. A \$3.985 billion general obligation bond authorization was approved by the voters on November 8, 2005 (the "Measure Y Authorization"). The District has issued \$3.542 billion of aggregate principal amount of Measure Y general obligation bonds. A \$7.0 billion general obligation bond authorization was approved by voters on November 7, 2008 (the "Measure Q Authorization"). No general obligation bonds have been issued pursuant to the Measure Q Authorization.

In August 2011, the District received updated estimates of projected assessed valuation from a private econometrics firm. The econometrics model projected annual increases in the District's assessed valuation base over the foreseeable future. See "—Assessed Valuation of Property within the District" herein. There remains approximately \$235 million of the Measure R Authorization, approximately \$443 million of the Measure Y Authorization and the entire \$7.0 billion of the Measure Q Authorization. Based upon the aggregate assessed valuation of taxable property within the District for Fiscal Year 2011-12, the District has approximately \$416.33 million of bonding capacity for new issuances of general obligation bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE REFUNDING BONDS – Assessed Valuation" in the forepart of this Official Statement and "CALIFORNIA CONSTITUTIONAL AND STATUTORY PROVISIONS RELATING TO *AD VALOREM* PROPERTY TAXES, DISTRICT REVENUES AND APPROPRIATIONS—Article XIII A of the State Constitution" herein.

Pursuant to Section 1(b)(3) of Article XIII A of the State Constitution, Chapters 1 and 1.5 of Part 10 of Division 1 of Title 1 of the State Education Code, as amended, and other applicable law (collectively, the "Act"), the District Board has appointed a Citizens' Bond Oversight Committee. The Citizen's Bond Oversight Committee is composed of 16 members representing numerous community groups and operates to inform the public concerning the spending of Measure K, Measure R, Measure Y and Measure Q Authorization bond funds authorized by the Act. The Citizen's Bond Oversight Committee regularly reviews the potential bond projects and budgets and provides non-binding advice to the District Board on how to allocate and reallocate scarce bond proceeds in order to ensure the completion of viable projects and to avoid non-completion of projects once commenced. The Citizens' Bond Oversight Committee also informs the public concerning the spending of funds attributable to the Proposition BB Authorization, although Proposition BB was approved under statutes other than the Act. The Citizens' Bond Oversight Committee meets monthly in order to review all matters including, among other things, changes in budget, scope and schedules that relate to the District's general obligation bonds and the projects proposed to be funded therefrom. In addition, the Citizens' Bond Oversight Committee makes recommendations to the District Board regarding such matters. See "CALIFORNIA CONSTITUTIONAL AND STATUTORY

PROVISIONS RELATING TO *AD VALOREM* PROPERTY TAXES, DISTRICT REVENUES AND APPROPRIATIONS—Proposition 39” herein. The District’s OIG conducts yearly audits on all construction management firms to ensure that funds from the New School Construction Program are spent in compliance with the Act and the District’s policies relating thereto. The District’s outside auditor, Simpson & Simpson, currently prepares the require bond audits regarding the expenditures of general obligation bond proceeds.

The members of the District’s Bond Citizens’ Oversight Committee and the community groups represented by such members are set forth below.

**LOS ANGELES UNIFIED SCHOOL DISTRICT
Bond Citizens’ Oversight Committee
(As of September 1, 2011)**

Member	Community Group Represented
David Crippins, Chairperson	L.A. Area Chamber of Commerce
Elizabeth Bar-El, Vice -Chair	LAUSD Parent Representative
John Naimo, Secretary	Office of the Auditor-Controller, County of Los Angeles
Maria Cabildo	LAUSD Parent Representative
Sylvia Cunningham	American Association of Retired Persons
Scott Folsom	Tenth District Parent Teacher Student Association
Adrian Garcia	Mayor’s Office, City of Los Angeles
Eva S. Hain	American Association of Retired Persons
John Hakel	Associated General Contractors of California
David Jenkins	Associated General Contractors of California
Lynda Levitan	Thirty-First District Parent Teacher Student Association
Anastacio Medina	Breathe LA
Constance Rice	Advancement Project
Richard Slawson	Los Angeles Co. Federation of Labor, AFL-CIO
Barry Waite	LAUSD Parent Representative
Wendy Watanabe	County of Los Angeles Auditor-Controller
Chester A. Widom	American Institute of Architects

The following Tables C-15, C-16, C-17 and C-18 set forth the outstanding bonds issued under the Proposition BB, Measure K, Measure R and Measure Y Authorizations, respectively. The following Tables C-15 and C-16 exclude the Refunding Bonds and include the Prior Bonds to be refunded.

TABLE C-15

**LOS ANGELES UNIFIED SCHOOL DISTRICT
Proposition BB (Election of 1997) Bonds
(\$ in thousands)**

Bonds Issued	Aggregate Principal Amount	Outstanding Amount as of September 1, 2011	Date of Issue
Series A Bonds	\$ 356,000 ⁽¹⁾⁽²⁾	\$ 64,120	July 22, 1997
Series B Bonds	350,000 ⁽²⁾⁽³⁾⁽⁴⁾	--	August 25, 1998
Series C Bonds	300,000 ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	--	August 10, 1999
Series D Bonds	386,655 ⁽¹⁾⁽²⁾⁽³⁾	--	August 3, 2000
Series E Bonds	500,000 ⁽¹⁾⁽⁴⁾⁽⁵⁾⁽⁸⁾⁽⁹⁾	15,665	April 11, 2002
2002 Refunding Bonds ⁽¹⁰⁾	258,375	210,440	April 17, 2002
Series F Bonds	507,345 ⁽⁴⁾⁽⁶⁾⁽⁸⁾	251,070	March 13, 2003
2004 Refunding Bonds ⁽¹⁰⁾	219,125	217,245	December 21, 2004
2005 Refunding Bonds ⁽¹⁰⁾	467,675	467,675	July 20, 2005
2006 Refunding Bonds, Series B ⁽¹⁰⁾	254,544	247,846	November 15, 2006
2007 Refunding Bonds, Series A-2 ⁽¹⁰⁾	136,055	136,055	January 31, 2007
2007 Refunding Bonds, Series B ⁽¹⁰⁾	24,845	24,650	February 22, 2007
2009 Refunding Bonds, Series A ⁽¹⁰⁾	51,090	38,550	October 15, 2009
2010 Refunding Bonds, Series A ⁽¹⁰⁾	20,810	20,130	March 4, 2010
TOTAL	\$3,832,519	\$1,693,446	

⁽¹⁾ \$215.68 million principal amount of the Series A, C, D and E Bonds were refunded with the proceeds of the 2004 Refunding Bonds.

⁽²⁾ \$485.95 million principal amount of the Series A, B, C and D Bonds were refunded with the proceeds of the 2005 Refunding Bonds.

⁽³⁾ \$262.73 million principal amount of the Series B, C and D Bonds were refunded with the proceeds of the 2002 Refunding Bonds.

⁽⁴⁾ \$50.835 million of the Series B, C, E and F Bonds were refunded with proceeds of the 2009 Refunding Bonds, Series A.

⁽⁵⁾ \$231.23 million principal amount of the Series E Bonds were refunded with proceeds of the 2006 Refunding Bonds, Series B.

⁽⁶⁾ \$129.51 million principal amount of the Series F Bonds were refunded with proceeds of the 2007 Refunding Bonds, Series A.

⁽⁷⁾ \$215.1 million of the Series F Bonds will be refunded with proceeds of the Refunding Bonds described in the forepart of this Official Statement.

⁽⁸⁾ \$25.79 million principal amount of the Series E Bonds were refunded with proceeds of the 2007 Refunding Bonds, Series B.

⁽⁹⁾ \$19.785 million principal amount of the Series E Bonds were refunded with proceeds of the 2010 Refunding Bonds, Series A.

⁽¹⁰⁾ Refunding bonds are not counted against the bond authorization limit.

Source: Los Angeles Unified School District.

TABLE C-16

LOS ANGELES UNIFIED SCHOOL DISTRICT
Measure K (Election of 2002) Bonds
(\$ in thousands)

Bonds Issued	Aggregate Principal Amount	Outstanding Amount as of September 1, 2011	Date of Issue
Series A Bonds	\$2,100,000 ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾	\$ 357,270	March 5, 2003
2006 Refunding Bonds, Series A ⁽⁶⁾	132,325	132,325	February 22, 2006
2006 Refunding Bonds, Series B ⁽⁶⁾	320,361	310,494	November 15, 2006
2007 Refunding Bonds, Series A-1 ⁽⁶⁾	1,153,195	1,133,525	January 31, 2007
Series B Bonds	500,000	449,130	February 22, 2007
Series C Bonds	150,000	134,765	August 16, 2007
Series D Bonds	250,000	234,740	February 19, 2009
Series KRY Bonds (2009) (Federally Taxable Build America Bonds) ⁽⁷⁾	200,000	200,000	October 15, 2009
2010 Refunding Bonds, Series A ⁽⁶⁾	54,185	53,205	March 4, 2010
Series KRY Bonds (2010) (Tax-Exempt) ⁽⁸⁾	149,140	145,250	March 4, 2010
Series KY (2010) (Tax Exempt) ⁽⁹⁾	860	860	May 6, 2010
TOTAL	\$5,010,066	\$3,151,564	

⁽¹⁾ \$210.5 million principal amount of the Series A Bonds will be refunded with proceeds of the Refunding Bonds described in the forepart of this Official Statement.

⁽²⁾ \$131.94 million principal amount of the Series A Bonds were refunded with proceeds of the 2006 Refunding Bonds, Series A.

⁽³⁾ \$330.15 million principal amount of the Series A Bonds were refunded with proceeds of the 2006 Refunding Bonds, Series B.

⁽⁴⁾ \$1,120.81 million principal amount of the Series A Bonds were refunded with proceeds of the 2007 Refunding Bonds, Series A-1.

⁽⁵⁾ \$53.06 million principal amount of the Series A Bonds were refunded with proceeds of the 2010 Refunding Bonds, Series A.

⁽⁶⁾ Refunding bonds are not counted against the bond authorization limit.

⁽⁷⁾ \$200.0 million principal amount of the District's \$1.37 billion Series KRY (2009) (Federally Taxable Build America Bonds) are allocable to the Measure K Authorization.

⁽⁸⁾ \$149.14 million principal amount of the District's \$478.6 million Series KRY (2010)(Tax-Exempt) are allocable to the Measure K Authorization.

⁽⁹⁾ \$860,000 principal amount of the District's \$159.495 million Series KY (2010)(Tax-Exempt) are allocable to the Measure K Authorization.

Source: Los Angeles Unified School District.

TABLE C-17

LOS ANGELES UNIFIED SCHOOL DISTRICT
Measure R (Election of 2004) Bonds
(\$ in thousands)

Bonds Issued	Aggregate Principal Amount	Outstanding Amount as of September 1, 2011	Date of Issue
Series C Bonds	\$ 50,000	\$ 40,355	September 23, 2004
Series E Bonds	400,000	319,720	August 10, 2005
Series F Bonds	500,000	436,035	February 16, 2006
Series G Bonds ⁽¹⁾	400,000	334,290	August 17, 2006
Series H Bonds ⁽¹⁾	550,000	476,705	August 16, 2007
Series I Bonds	550,000	518,525	February 19, 2009
2009 Refunding Bonds, Series A ⁽¹⁾⁽²⁾	23,675	17,020	October 15, 2009
Series KRY Bonds (2009)			
(Federally Taxable Build America Bonds) ⁽³⁾	363,005	363,005	October 15, 2009
Series KRY Bonds (2009) (Tax-Exempt) ⁽⁴⁾	36,995	29,680	October 15, 2009
Series RY Bonds (2010)			
(Federally Taxable Build America Bonds) ⁽⁵⁾	477,630	477,630	March 4, 2010
Series KRY Bonds (2010) (Tax-Exempt) ⁽⁶⁾	157,165	157,165	March 4, 2010
TOTAL	\$3,508,470	\$3,170,130	

⁽¹⁾ \$21.435 million of the proceeds of the District's \$74.765 million aggregate principal amount of 2009 General Obligation Refunding Bonds, Series A were used to refund a portion of the District's Series G Bonds and Series H Bonds.

⁽²⁾ Refunding bonds are not counted against the bond authorization limit.

⁽³⁾ \$363.005 million principal amount of the District's \$1.37 billion Series KRY (2009) (Federally Taxable Build America Bonds) are allocable to the Measure R Authorization.

⁽⁴⁾ \$36.995 million principal amount of the District's \$205.8 million Series KRY (2009) (Tax-Exempt) are allocable to the Measure R Authorization.

⁽⁵⁾ \$477.63 million of the District's \$1.25 billion Series RY (2010) (Federally Taxable Build America Bonds) are allocable to the Measure R Authorization.

⁽⁶⁾ \$157.165 million of the District's \$478.6 million Series KRY (2010) (Tax-Exempt) are allocable to the Measure R Authorization.

Source: Los Angeles Unified School District.

TABLE C-18

LOS ANGELES UNIFIED SCHOOL DISTRICT
Measure Y (Election of 2005) Bonds
(\$ in thousands)

Bonds Issued	Aggregate Principal Amount	Outstanding Amount as of September 1, 2011	Date of Issue
Series A Bonds	\$ 56,785	\$ 23,750	February 22, 2006
Series B Bonds	80,200	31,615	February 22, 2006
Series C Bonds	210,000	177,500	February 22, 2006
Series D Bonds	47,400	22,345	February 22, 2006
Series E Bonds	300,000	271,065	August 16, 2007
Series F Bonds	150,000	141,145	February 19, 2009
Series G Bonds	5,615	5,615	October 15, 2009
Series KRY Bonds (2009) (Federally Taxable Build America Bonds) ⁽¹⁾	806,795	806,745	October 15, 2009
Series KRY Bonds (2009) (Tax-Exempt) ⁽²⁾	168,790	141,250	October 15, 2009
Series H Bonds (2009) (Qualified School Construction Bonds)	318,800	318,800	October 15, 2009
Series KRY Bonds (2010) (Tax-Exempt)	172,270	130,450	March 4, 2010
Series I Bonds (2010)(Federally Taxable)	3,795	3,795	March 4, 2010
Series RY Bonds (2010) (Federally Taxable Build America Bonds)	772,955	772,955	March 4, 2010
Series KY Bond (2010) (Tax-Exempt) ⁽⁵⁾	158,635	158,635	May 6, 2010
Series J (Qualified School Construction Bonds)	290,195	290,195	May 6, 2010
TOTAL	\$3,542,235	\$3,295,860	

⁽¹⁾ \$806.795 million principal amount of the District's \$1.37 billion Series KRY (2009) (Federally Taxable Build America Bonds) are allocable to the Measure Y Authorization.

⁽²⁾ \$168.79 million principal amount of the District's \$205.8 million Series KRY (2009) (Tax-Exempt) are allocable to the Measure Y Authorization.

⁽³⁾ \$172.27 million principal amount of the District's \$478.6 million Series KRY (2010) (Tax-Exempt) are allocable to the Measure Y Authorization.

⁽⁴⁾ \$772.955 million principal amount of the District's \$1.25 billion Series RY (2010) (Federally Taxable Build America Bonds) are allocable to the Measure Y Authorization.

⁽⁵⁾ \$158.635 million principal amount of the District's \$159.495 million Series KY (2010) (Tax-Exempt) are allocable to the Measure Y Authorization.

Source: Los Angeles Unified School District.

Certificates of Participation. As of September 1, 2011, the District had outstanding lease obligations issued in the form of COPs in the aggregate principal amount of \$459.9 million, excluding COPs that are economically defeased. Outstanding lease obligations represent approximately \$620.9 million in total debt service, based upon certain assumed interest rates for the District's variable rate lease obligations and the receipt of a direct cash subsidy payment from the United States Department of the Treasury equal to 35% of the interest evidenced by the District's Certificates of Participation 2010 Series B-1 (Federally Taxable Direct Pay Build America Bonds)(Capital Projects I). The following Table C-19 sets forth the District's lease obligations paid from the District General Fund, developer fees, and the Cafeteria Fund with respect to its outstanding COPs.

In September 2010, the District set aside a portion of the proceeds from a general obligation bond issuance to defease a portion of the debt service payments on its Certificates of Participation 2007 Series A

(Informational Technology Projects) and Certificates of Participation 2009 Series A (Food Services Project). The District expects the aforementioned defeasance to reduce debt service costs paid by the District General Fund and Cafeteria Fund by an aggregate amount of \$32.93 million from Fiscal Year 2010-11 through Fiscal Year 2013-14. Table C-19 incorporates the impact of the defeasance of such debt service payments.

TABLE C-19

LOS ANGELES UNIFIED SCHOOL DISTRICT
Certificates of Participation Lease Obligations Debt Service Schedule⁽¹⁾⁽²⁾⁽³⁾
(as of September 1, 2011)
(\$ in thousands)

Fiscal Year Ending (June 30)	Paid from General Fund	Paid from Cafeteria Fund	Paid From Developer Fees⁽⁴⁾	Fiscal Year Total Debt Service
2012	\$35,555	\$786	\$9,577	\$45,918
2013	35,829	786	9,576	46,192
2014	35,798	786	9,577	46,161
2015	39,829	4,963	9,574	54,367
2016	37,400	4,963	9,574	51,938
2017	36,875	4,963	9,575	51,413
2018	36,872	4,963	16,886	58,722
2019	24,375	4,963	0	29,339
2020	24,367	2,482	--	26,849
2021	24,357	--	--	24,357
2022	17,129	--	--	17,129
2023	17,136	--	--	17,136
2024	16,494	--	--	16,494
2025	16,425	--	--	16,425
2026	16,673	--	--	16,673
2027	16,662	--	--	16,662
2028	16,651	--	--	16,651
2029	16,629	--	--	16,629
2030	14,504	--	--	14,504
2031	14,487	--	--	14,487
2032	14,479	--	--	14,479
2033	2,088	--	--	2,088
2034	2,083	--	--	2,083
2035	2,084	--	--	2,084
2036	2,079	--	--	2,079
	<u>\$516,861</u>	<u>\$29,658</u>	<u>\$74,340</u>	<u>\$620,858</u>

⁽¹⁾ Totals may not add due to independent rounding.

⁽²⁾ The District has assumed an interest rate of 2.75% per annum, remarketing fees of 0.08% and letter of credit fees of 1.20% for its Variable Rate Refunding Certificates of Participation 2008 Series A (Administration Building Project) and Variable Refunding Certificates of Participation 2008 Series B (Administration Building Project III).

⁽³⁾ The lease payments stated above reflect the net obligations of the District, due to the defeasance of certain COPs.

⁽⁴⁾ In the event that insufficient developer fees or cafeteria funds are available to pay these respective lease obligations, the District General Fund is obligated to pay these obligations, subject to the terms of the applicable leases. However, such fees have been sufficient to date to pay these lease obligations. Debt service payments for the Fiscal Year 2017-18 will be paid in part from funds in a debt service reserve fund.

Source: Los Angeles Unified School District.

Other Long Term Obligations. The following Table C-20 summarizes the District’s other long-term obligations, which exclude outstanding general obligation bonds and COPs, as of June 30, 2010.

TABLE C-20

LOS ANGELES UNIFIED SCHOOL DISTRICT
Other Outstanding Long-Term Obligations
(\$ in thousands)

	Balance as of June 30, 2010
Self-Insurance Claims ⁽¹⁾	\$ 528,345
Net Pension Obligation – OPEB ⁽²⁾⁽³⁾	2,393,811
Liability for Employee Benefits	224,884
Revolving loan and other loan ⁽⁴⁾	1,231
Capital lease/obligation	2,628
Arbitrage payable	12,445
Legal Settlements	15,200
TOTAL	\$3,178,544

⁽¹⁾ Includes the total claims liabilities recorded for medical, dental, liability and workers’ compensation. Beginning with Fiscal Year 2003-04, the District, in conformity with generally accepted accounting principles, implemented a change that recognizes estimated claims liabilities at the full present value of claims in its fund financials. In the past, the District recorded estimated claims liabilities only to the extent funded in its fund financial statements, which was substantially less than the present value for the Workers’ Compensation Self-Insurance Fund.

⁽²⁾ Pursuant to Statement No. 45, OPEB expense in an amount equal to annual OPEB cost is recognized in government-wide financial statements on an accrual basis. Net OPEB obligations, if any, including amounts associated with under- or over-contributions from governmental funds, are to be displayed as liabilities (or assets) in government-wide financial statements. The Statement No. 45 reporting requirements for the District became effective during Fiscal Year 2007-08.

⁽³⁾ The District’s current funding policy on OPEB Benefits is pay-as-you-go. There are no dedicated assets at this time to offset the Actuarial Accrued Liability. A Net OPEB Obligation is created under GASB 45 reporting requirements to the extent that the calculated Annual Required Contribution exceeds the annual pay-as-you-go cost of providing postretirement benefits.

⁽⁴⁾ Includes the Children’s Care Facilities Revolving Loan and California Energy Commission Loan.

Source: Los Angeles Unified School District Comprehensive Annual Financial Report for Fiscal Year 2009-10.

Tax and Revenue Anticipation Notes. The District has issued tax and revenue anticipation notes annually since Fiscal Year 1990-91 to fund shortfalls due to timing differences between receipts and disbursements. In July 2011, the District issued its 2011-2012 Tax and Revenue Anticipation Notes, Series A (the “2011-2012 Tax and Revenue Anticipation Notes”) in a principal amount of \$550,000,000. The 2011-2012 Tax and Revenue Anticipation Notes are scheduled to mature and be paid on August 1, 2012.

Future Financings

General Obligation Bonds. The District has approximately \$235.2 million authorized and unissued general obligation bond authorization remaining under the Measure R Authorization, \$442.8 million authorized and unissued general obligation bond authorization remaining under the Measure Y Authorization and \$7 billion authorized and unissued general obligation bond authorization remaining under the Measure Q Authorization. Based upon the aggregate assessed valuation of taxable property within the District for Fiscal Year 2011-12, the District has approximately \$416.33 million of bonding capacity for new issuances of general obligation bonds. The District does not presently expect to issue additional general obligation bonds other than general obligation refunding bonds. See “—District Debt—General Obligation Bonds” herein.

The District may issue refunding bonds to refund outstanding general obligation bonds from time to time, depending on market conditions. In addition, as described in the text of each of the ballots of

Proposition BB, Measure K, Measure R, Measure Y and Measure Q, the District Board does not guarantee that the respective bonds authorized and issued under the Proposition BB, Measure K, Measure R, Measure Y and Measure Q Authorizations will provide sufficient funds to allow completion of all potential projects listed in connection with said measures.

Certificates of Participation. The District expects that, from time to time, additional capital projects may be approved by the District Board for funding through the execution and delivery of certificates of participation.

Tax and Revenue Anticipation Notes. The District may issue additional tax and revenue anticipation notes payable subsequent to the District's outstanding 2011-12 Tax and Revenue Anticipation Notes to fund the General Fund in the event it projects additional shortfalls due to timing differences between receipts and disbursements.

Overlapping Debt Obligations

Set forth on Table C-21 on the following page is the Debt Report prepared by California Municipal Statistics Inc., which provides information with respect to direct and overlapping debt within the District as of September 1, 2011 (the "Debt Report"). The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representations in connection therewith. The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The first column in Table C-21 names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. Column 2 shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in Table C-21) produces the amount shown in column 3, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

TABLE C-21

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Direct and Overlapping Bonded Debt
(As of September 1, 2011)

2011-12 Assessed Valuation: \$469,095,224,956
 Redevelopment Incremental Valuation: 42,029,977,919
 Adjusted Assessed Valuation: \$427,065,247,037

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable ⁽¹⁾</u>	<u>Debt 9/1/11</u>
Los Angeles County Flood Control District	46.749%	\$ 25,148,625
Metropolitan Water District of Southern California	23.533	53,028,086
Los Angeles Community College District	81.491	2,856,186,208
Pasadena Area Community College District	0.001	1,101
Los Angeles Unified School District	100.000	11,311,050,000 ⁽²⁾
City of Los Angeles	99.923	1,232,505,240
Other Cities	Various	46,290,378
Palos Verdes Library District	4.905	273,454
City Community Facilities Districts	100.000	135,525,000
City of Los Angeles Landscaping and Special Tax Assessment Districts	99.923	63,386,155
City of Los Angeles Assessment District No. 1	100.000	2,847,487
Other City and Special District 1915 Act Bonds	99.832 - 100.000	24,684,092
Los Angeles County Regional Park & Open Space Assessment District	46.109	90,966,141
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		<u>\$15,841,891,967</u>
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Los Angeles County General Fund Obligations	46.109%	\$ 676,294,754
Los Angeles County Superintendent of Schools Certificates of Participation	46.109	5,196,336
Pasadena Area Community College District Certificates of Participation	0.001	12
Los Angeles Unified School District Certificates of Participation	100.000	491,072,567
City of Los Angeles General Fund and Judgment Obligations	99.923	1,888,794,507
Other City of Los Angeles General Fund and Pension Obligations	Various	195,106,395
Los Angeles County Sanitation District Nos. 1,2,3,4,5,8,9,16 & 23 Authorities	Various	46,570,510
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		<u>\$3,303,035,081</u>
Less: Los Angeles County General Fund Obligations supported by landfill revenues		8,209,902
Los Angeles Unified School District Qualified Zone Academy Bonds:		
Amount set-aside in Building Fund to make payments on 2000 Series A QZAB		1,804,529
Amount accumulated in Sinking Fund for repayment of 2000 Series A QZAB		27,909,320
Amount accumulated in Sinking Fund for repayment of 2005 QZAB		3,282,112
City self-supporting bonds		10,605,432
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		<u>\$3,251,223,786</u>
GROSS COMBINED TOTAL DEBT		\$19,144,927,048 ⁽³⁾
NET COMBINED TOTAL DEBT		\$19,093,115,753

⁽¹⁾ Based on Fiscal Year 2010-11 ratios.

⁽²⁾ Excludes the Refunding Bonds and includes the Prior Bonds to be refund with a portion of the proceeds of the Refunding Bonds.

⁽³⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2011-12 Assessed Valuation:

Direct Debt (\$11,311,050,000) 2.41%
 Total Overlapping Tax and Assessment Debt..... 3.38%

Ratios to Adjusted Assessed Valuation:

Gross Combined Direct Debt (\$11,802,122,567) 2.76%
Net Combined Direct Debt (\$11,769,126,606)..... 2.76%
 Gross Combined Total Debt..... 4.48%
 Net Combined Total Debt..... 4.47%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/11: \$0

Source: California Municipal Statistics, Inc.

STATE FUNDING OF EDUCATION

General

Public school district revenues consist primarily of guaranteed State moneys, *ad valorem* property taxes and funds received from the State and federal government in the form of categorical aid, which are amounts restricted to specific categories of use, under various ongoing programs. All State apportionment of revenue limit aid ("State Aid") is subject to the appropriation of funds in the State's annual budget. Decreases in State revenues may affect appropriations made by the State Legislature to the District. See "DISTRICT FINANCIAL INFORMATION" herein.

Historically, approximately 85% of the annual District General Fund revenues have consisted of payments from or under the control of the State. Payments made to K-12 public schools and public colleges and universities are priority payments for State funds and are expected to be made prior to other State payment obligations. Although the State Constitution protects the priority of payments to K-12 schools, college and universities, it does not protect the timing of such payments and other obligations may be scheduled and have been scheduled to be paid in advance of those dates on which payments to school districts are scheduled to be made.

School districts in the State have historically received most of their revenues under a formula known as the "revenue limit." Each school district's revenue limit, which is funded by State moneys and local *ad valorem* property taxes from the general 1% *ad valorem* property tax levy, is allocated based on the ADA of each school district for either the current or preceding school year. Each school district receives a portion of the local *ad valorem* property taxes that are collected from the general 1% *ad valorem* property tax levy within its district boundaries. Generally, State Aid to a school district will amount to the difference between the school district's revenue limit and the school district's local property tax allocation from the general 1% *ad valorem* property tax levy. In the District's 2009-10 Fiscal Year, approximately 44.7% of the District's operating revenues were derived from the revenue limit. See "CALIFORNIA CONSTITUTIONAL AND STATUTORY PROVISIONS RELATING TO *AD VALOREM* PROPERTY TAXES, DISTRICT REVENUES AND APPROPRIATIONS" herein.

A large percentage of a school district's budgeted revenues comes from categorical funds provided exclusively by the State and federal government. These funds are to be used for specific programs and typically cannot be used for any other purpose. The State lottery is another source of funding for school districts, providing approximately 1.7% of a school district's general fund budget. Every school district receives the same amount of lottery funds per pupil from the State. The initiative authorizing the State lottery mandates the funds be used for instructional purposes and prohibits their use for land acquisition, construction or research and development. A small part of a school district's budget is from local sources other than property taxes, such as interest income, donations and sales of property. Some school districts derive a significant portion of their operating funds from voter-approved parcel taxes.

The revenue limit calculation formula was first instituted in Fiscal Year 1973-74 to provide a mechanism to calculate the amount of general purpose revenue a school district is entitled to receive from the State and local allocations of the general 1% *ad valorem* property tax levy. Prior to Fiscal Year 1973-74, taxpayers in school districts with low property values per pupil paid higher tax rates than taxpayers in school districts with high property values per pupil. However, despite higher tax rates, less was spent per pupil in school districts with low property values per pupil than school districts with high property values per pupil. Thus, the State revenue limit funding helps to alleviate the inequities between the two types of school districts.

ADA is reported by school districts each year in April, July and December. Revenue limit calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost

of living increases and to equalize revenues among school districts in the State of similar type (i.e., unified school districts, high school districts or elementary school districts) and size (e.g., large or small).

The calculation of the amount of State Aid a school district is entitled to receive each year is basically a five-step process. First, the prior year school district revenue limit per ADA is established, with recalculations as are necessary for adjustments for equalization or other factors. Second, the adjusted prior year revenue limit per ADA is inflated according to formulas based on the implicit price deflator for government goods and services and the statewide average revenue limit per ADA for school districts. During this phase, a deficit factor may be applied to the base revenue limit if so provided in the State Budget Act (as defined herein) for a given fiscal year (when appropriation of funds in the State's annual budget for revenue limits or for any categorical program is not sufficient to pay all claims for State Aid, a deficit factor is applied to reduce the allocation of State Aid to the amount appropriated). Third, the current year's revenue limit per ADA for each school district is multiplied by such school district's ADA for the current or prior year. For a school district with declining enrollment, the current year's revenue limit per ADA is multiplied by the school district's ADA for the prior year. This has been the case for the District in recent years, thereby providing a cushion until the District's cost structure adjusts to lower ADA. Fourth, revenue limit add-ons are calculated for each school district if such school district qualified for the add-ons. Add-ons include the necessary small school district adjustments, meals for needy pupils and small school district transportation, and are added to the revenue limit for each qualifying school district. Finally, local *ad valorem* property taxes allocated from the general 1% *ad valorem* property tax levy are deducted from the revenue limit to arrive at the amount of State Aid to which each school district is entitled for the current year.

The following Table C-22 sets forth the District's revenue limit per unit of ADA from Fiscal Years 2002-03 through 2010-11 and the budgeted revenue limit per unit of ADA for Fiscal Year 2011-12.

TABLE C-22
LOS ANGELES UNIFIED SCHOOL DISTRICT
K-12 Base Revenue Limit Per Unit of Average Daily Attendance
Fiscal Years 2002-03 through 2011-12

Fiscal Year	K-12 Base Revenue Limit⁽¹⁾
2002-03	\$4,747.13
2003-04	4,835.13
2004-05	4,968.66
2005-06	5,179.66
2006-07	5,544.56
2007-08	5,796.56
2008-09	5,645.07
2009-10	4,962.13
2010-11	5,264.22 ⁽²⁾
2011-12	5,265.03 ⁽³⁾

⁽¹⁾ The K-12 Base Revenue Limit figures represent the funded revenue limits.

⁽²⁾ Unaudited.

⁽³⁾ Budgeted.

Source: Los Angeles Unified School District Comprehensive Annual Financial Report for Fiscal Years 2002-03 through 2009-10; Fiscal Year 2011-12 District Budget.

The following Table C-23 sets forth the deficit factor and COLA from Fiscal Years 2001-02 through 2010-11 as reflected in the State Budget Acts with respect to Fiscal Years 2001-02 through 2010-11. In

connection with the Revised 2009-10 State Budget Act, the State Legislature approved legislation stating that most programs, including universities, the courts and various social service programs would no longer receive a COLA or inflationary adjustments. Pursuant to the Fiscal Year 2010-11 State Budget Act, the COLA for school districts is (0.39)%.

TABLE C-23

**LOS ANGELES UNIFIED SCHOOL DISTRICT
Deficit Factor and Cost of Living Adjustment
Fiscal Years 2001-02 through 2010-11**

Fiscal Year	Deficit Factor	Cost of Living Adjustment
2001-02	0.000%	3.87%
2002-03	0.000	2.00
2003-04	3.002	1.86
2004-05	2.143	2.41
2005-06	0.892	4.23
2006-07	0.000	5.92
2007-08	0.000	4.53
2008-09	7.844	5.66
2009-10	18.355	4.25 ⁽¹⁾
2010-11 ⁽²⁾	17.963	(0.39) ⁽²⁾
2011-12	19.754	2.24

⁽¹⁾ The 4.25% increase of the statutory COLA for Fiscal Year 2009-10 is offset is by a deficit factor of 18.355% on the base revenue limit, which results in a net funded COLA of a negative 7.64%.

⁽²⁾ Budgeted. The 0.39% decrease of the statutory COLA for Fiscal Year 2010-11 is eliminated by the adoption of a deficit factor less than the deficit factor in Fiscal Year 2009-10.

Source: Los Angeles Unified School District.

The following Table C-24 sets forth the District's annual ADA record for Fiscal Year 2002-03 through 2011-12.

TABLE C-24

LOS ANGELES UNIFIED SCHOOL DISTRICT
Annual Average Daily Attendance
Fiscal Years 2002-03 through 2011-12

Fiscal Year	K-12⁽¹⁾⁽²⁾	Affiliated Charter Schools⁽³⁾⁽⁴⁾	Total
2002-03	661,615	17,681	679,296
2003-04	666,169	5,143	671,312
2004-05	654,308	5,990	660,298
2005-06	633,013	5,958	638,971
2006-07	614,487	5,936	620,423
2007-08	599,799	6,482	606,281
2008-09	588,372	6,655	595,027
2009-10	570,057	6,906	576,963
2010-11 ⁽⁵⁾	554,824	6,144	560,968
2011-12 ⁽⁶⁾	529,186	16,309	545,495

⁽¹⁾ Includes non-public school special education students.

⁽²⁾ With declining enrollment, the District's K-12 revenue limit funds in Fiscal Year 2004-05 through 2009-10 are based upon the respective prior Fiscal Year's ADA.

⁽³⁾ Decreases in ADA are primarily attributable to affiliated charter schools converting to regular District schools or to independent charter schools.

⁽⁴⁾ Includes charter schools that are fiscally affiliated with the District that are funded with block grants.

⁽⁵⁾ Unaudited.

⁽⁶⁾ Budgeted.

Source: Los Angeles Unified School District Comprehensive Annual Financial Report for Fiscal Years 2002-03 through 2009-10; Los Angeles Unified School District for Fiscal Year 2010-11; Fiscal Year 2011-12 District Budget.

As part of the Fiscal Year 1992-93 State budget resolution, the State required counties, cities and special districts to shift *ad valorem* property tax revenues to school districts by contributing to the Education Revenue Augmentation Fund ("ERAF") in lieu of direct payments to school districts from the general fund of the State (the "State General Fund"). This transfer is commonly referred to as the "ERAF shift." The Fiscal Year 1993-94 State Budget Act required a similar shift of *ad valorem* property taxes to school districts from local government entities, which shift of *ad valorem* property taxes has continued. The manner in which the shift of *ad valorem* property taxes has occurred has varied year by year. The Fiscal Year 2004-05 State Budget Act included a \$1.3 billion ERAF shift in local *ad valorem* property taxes from cities, counties, special districts and redevelopment agencies to school districts. However, the Fiscal Year 2004-05 State Budget Act also included a \$1.136 billion diversion of ERAF funds from school districts and community colleges to local governments to offset the reduction in sales tax revenues to local governments used by the State to pay debt service on the State's economic recovery bonds. In addition, \$2.8 billion was reduced from *ad valorem* property tax allocations to school districts to replace the shift of vehicle license fee revenues from local governments to the State. As a result of the various shifts of *ad valorem taxes*, school districts no longer receive ERAF funds. See Table C-26, which sets forth real property tax levies and collections for the District's last 10 Fiscal Years, in the Section herein entitled "DISTRICT FINANCIAL INFORMATION—Tax Rates, Levies and Collections."

Proposition 1A (defined herein) generally prohibited the State from shifting to schools or community colleges any share of *ad valorem* property tax revenues allocated from the 1% levy to local governments for

any fiscal year, as set forth under the laws in effect as of November 3, 2004. Proposition 1A provided, however, that beginning in Fiscal Year 2008-09, the State could shift to schools and community colleges up to 8% of local government property tax revenues from the general 1% *ad valorem* property tax levy, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe State financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. Notwithstanding the aforementioned shifts in property tax revenues in prior years, certain levels of funding are guaranteed as described in “—Proposition 98” below. *Ad valorem* property taxes levied to pay debt service on the District’s general obligation bonds, are not subject to the shifts described above for *ad valorem* property taxes provided from the 1% levy. Further, the State’s ability to initiate future exchanges and shifts of funds will be limited by Proposition 22. See “CALIFORNIA CONSTITUTIONAL AND STATUTORY PROVISIONS RELATING TO *AD VALOREM* PROPERTY TAXES, DISTRICT REVENUES AND APPROPRIATIONS—Proposition 1A” and “ - Proposition 22” herein.

Charter School Funding

A charter school is a public school authorized by a school district, county office of education or the State Board of Education. A proposed charter school submits a petition to one of these entities for approval and that petition details the operations of the charter school. State law requires that charter petitions be approved if they comply with the statutory criteria. The District has certain fiscal oversight and other responsibilities with respect to both affiliated and independent charter schools. However, independent charter schools that receive their funding directly from the State are not included in the District’s audit report and function like independent agencies, including having control over their staffing and budgets, which are received directly from the State. Affiliated charter schools receive their funding from the District and are included in the District’s budgets and audit reports. In addition, as of June 30, 2010, there were 11 affiliated charter schools operated by the District and 150 fiscally independent charter schools within the District’s boundaries. In Fiscal Years 2009-10 and 2010-11, the revenue limit ADA for the District’s affiliated charter schools was estimated to be 6,903 and 6,970, respectively.

Charter schools generally receive funding in three broad categories. Charter schools receive a block grant that is similar to school district revenue limit funding and is based on Statewide average revenue limits for school districts within specified ranges of grades. These charter school revenues are deducted from the amount of State Aid a school district is entitled to receive each year. Charter schools also receive a block grant in lieu of many categorical programs. Charter schools may spend these block grants for any educational purpose. The third broad category of funding for charter schools is categorical funds not included in the block grant. A charter school must apply for these funds, program by program, and if received, must spend the funds in accordance with the same program requirements as traditional schools. An increase in the number of independent charter schools within a school district, or of independent charter school students in a school district who had previously been students at a traditional school in that same school district, results in a reduction of the revenue limit and, possibly, program funding for that school district.

In November 2010, the District Board approved the “Quality Schools Compact,” which commits the District and leaders of charter schools to improve the way that they work together over the next five years in order to increase the numbers of students attending traditional schools and charter schools. Pursuant to the Quality Schools Compact, the District has agreed to, among other things, work with charter schools to increase funding for all students attending public schools. The Quality Schools Compact approves a policy whereby traditional schools and charter schools will collaborate to procure products and services. In addition, the District and interested charter schools will consider options that allow traditional schools and charter schools to meet short-term working capital needs through, among other things, the issuance of tax and revenue anticipation notes with due consideration given to the cost to the District. The District does not presently expect to issue tax and revenue anticipation notes on behalf of any independent charter school in Fiscal Year 2011-12.

Proposition 98

On November 8, 1988, voters of the State approved Proposition 98, a combined initiative constitutional amendment and statute called the “Classroom Instructional Improvement and Accountability Act.” Proposition 98 changed State funding of public education below the university level and the operation of the State’s appropriation limit as described in Article XIII B of the State Constitution, primarily by guaranteeing K-14 schools a minimum share of State General Fund revenues. Under Proposition 98 (as modified by Proposition 111, which was enacted on June 5, 1990), there are currently three tests which determine the minimum level of K-14 funding. See “CONSTITUTIONAL AND STATUTORY PROVISIONS RELATING TO *AD VALOREM* PROPERTY TAXES, DISTRICT REVENUES AND APPROPRIATIONS” herein. Proposition 98 also contains provisions transferring certain State tax revenues in excess of the revenue limit to K 14 schools under Article XIII B of the State Constitution.

Proposition 98 permits the State Legislature, by two-thirds vote of both houses and with the Governor’s concurrence, to suspend the K-14 schools’ minimum funding formula for a one-year period. The amount of suspension is eventually repaid according to a specified State Constitutional formula, thereby restoring Proposition 98 funding to the level that would have been required in the absence of such suspension. The Fiscal Year 2004-05 State Budget Act suspended the Proposition 98 minimum guarantee for Fiscal Year 2004-05; however, the suspended amount was fully paid in Fiscal Year 2005-06. The Proposition 98 minimum guarantee was fully funded for Fiscal Years 2005-06 through Fiscal Year 2009-10. The State Budget Act for Fiscal Year 2010-11 suspended the Proposition 98 minimum guarantee in Fiscal Year 2010-11. The Fiscal Year 2011-12 State Budget Act proposes to fully fund the Proposition 98 minimum guarantee.

Assembly Bill No. 6 (“ABx8 6”), which was adopted in March 2010, authorized the State to eliminate the sales tax on gasoline and replace it with an excise tax. The elimination of the sale tax on gasoline would reduce the State General Fund. Under current law, any reduction in the State General Fund could reduce the minimum guarantee under Proposition 98. Pursuant to ABx8 6, the State Director of Finance is directed to adjust the percentage of State General Fund revenues appropriated for school districts and community college districts such that the provisions of ABx8 6 will have no net fiscal impact upon the amounts that are otherwise required to be applied by the State for the support of school districts and community college districts pursuant to Proposition 98. However, there can be no assurances that any action taken by the State Director of Finance will not adversely affect Proposition 98 revenues. See “—State Budget—State Budget for Fiscal Year 2010-11” and “CALIFORNIA CONSTITUTIONAL AND STATUTORY PROVISIONS RELATING TO *AD VALOREM* PROPERTY TAXES, DISTRICT REVENUES AND APPROPRIATIONS—Proposition 98,” and “—Proposition 22” herein.

In addition to traditional calculations based upon General Fund revenues, the Proposition 98 guarantee set forth in the 2011-12 State Budget Act reflects: (i) an increase of \$578.1 million to ensure that the Proposition 98 minimum guarantee does not decrease with the shift in motor vehicle fuel revenues; (ii) an increase of \$221.8 million to reflect the inclusion of mental health and out-of-home care services within the Proposition 98 guarantee; (iii) a decrease of \$1.134 billion to reflect the exclusion of child care programs, with the exception of part-day preschool programs from Proposition 98; and (iv) a decrease of \$1.7 billion to ensure that the total Proposition 98 guarantee remains unchanged as a result of new local revenue related to redevelopment agencies. See “– State Budget - Fiscal Year 2011-12 State Budget” herein.

Litigation Regarding State Budgetary and Fiscal Actions

On May 20, 2010, more than 60 individual students and their respective families, nine school districts within the State, the California Congress of Parents Teachers & Students, the Association of California School Administrators, and the California School Boards Association filed a complaint for declaratory and injunctive relief, entitled *Maya Robles-Wong, et al. v. State of California, et al.*, (the “Robles

Complaint”) in the Alameda County Superior Court. The *Robles* Complaint alleges, among other things, that the State’s current system of funding public education is not designed to support the core education program required by the State and that the State has failed to meet its duties under the State Constitution to keep up and support a “system of common schools.” The *Robles* Complaint further alleges that the State does not provide and sufficiently fund an educational finance system that is intentionally, rationally, and demonstrably aligned with the goals and objectives of the State’s prescribed educational program and the costs of ensuring that all children of all needs have the opportunity to become proficient in accordance with the State’s academic standards. The *Robles* Complaint requests that the court enter a permanent injunction to, among other things, require the State to align its school finance system with its prescribed educational program and direct the defendants to cease operating the existing public school finance system or any other system of public finance that does not meet the requirements of the State Constitution. The District is not listed as a defendant in the *Robles* Complaint.

On July 13, 2010, 18 individual students and their respective families, three taxpayer citizens, the Campaign for Quality Education, the Alliance of Californians for Community Empowerment, Californians for Justice and the San Francisco Organizing Project filed a complaint for declaratory and injunctive relief, entitled *Campaign for Quality Education, et al., v. State of California and Arnold Schwarzenegger, Governor of the State of California*, (the “CQE Complaint”) in the Alameda County Superior Court. The CQE Complaint alleges, among other things, that the State has violated its constitutional duties by failing to provide the individual plaintiffs’ school districts with sufficient funds and that the State has failed to adopt policies to enable the districts to ensure that the individual plaintiffs and students of the districts have access to a meaningful education. The CQE Complaint further alleges that the State has violated the constitutional guarantees of equal protection under the State Constitution by failing to fulfill its constitutionally mandated duties to maintain a school finance system that allocates funds sufficient to provide students in the individual plaintiffs’ school districts with a meaningful education and to first set apart and provide those funds to the public school system. The CQE Complaint requests that the court issue a declaratory judgment that the State has failed to adhere to its constitutional duties relating to the system of education, and provide injunctive relief as necessary to achieve compliance with the State Constitution. The District is not listed as a defendant in the CQE Complaint.

The District cannot predict whether the plaintiffs listed in the *Robles* Complaint or the CQE Complaint will be successful, and if so, how any final court decision with respect to either lawsuit would affect the financial status of the District, as the nature of any court’s remedy and the responses of the State Legislature and the Governor are unknown.

On September 28, 2011, the District and four other petitioners filed a complaint for declaratory and injunctive relief, entitled *California School Boards Association, et. al v. State of California, et. al* (the “Proposition 98 Complaint”) in the Superior Court of the State of California located in the County of San Francisco. The Proposition 98 Complaint alleges, among other things, that the 2011-12 State Budget Act is in violation of the State’s constitutional obligation to fund public education. Pursuant to the 2011-12 State Budget Act, the State diverted a portion of the State’s Sales and Use tax revenues from the State General Fund to counties and cities and thereby excluded such revenues from the calculation of the required Proposition 98 minimum funding guarantee. See “STATE FUNDING OF EDUCATION - State Budget - Fiscal Year 2011-12 State Budget” herein. The petitioners allege that the State improperly lowered the Proposition 98 minimum funding guarantee by redefining these revenues, which are expected to total approximately \$5.1 billion in Fiscal Year 2011-12 as “not General Fund revenues”. Accordingly, the aggregate amount of General Fund revenues used to calculate the minimum guarantee under Test 1 of Proposition 98 was reduced. Due to this action, among other things, the petitioners allege that the minimum funding requirement set forth in the 2011-12 State Budget Act is at least \$2.1 billion less than the amount required by Proposition 98. See “CALIFORNIA CONSTITUTIONAL AND STATUTORY PROVISIONS RELATING TO AD VALOREM PROPERTY TAXES, DISTRICT REVENUES AND APPROPRIATIONS - Proposition 98” herein. The 2011-12 State Budget Act provides that the modified

calculation may be terminated if voters approve certain ballot measures at or prior to the statewide election in November 2012. In the alternative, the State may adopt a five year repayment plan. The petitioners allege that neither option satisfies the minimum guarantee under Proposition 98 and have requested a judicial declaration directing the State to recalculate the minimum guarantee under Proposition 98 and implement such recalculation in a manner to ensure that school and community college districts do not receive less than the constitutionally required minimum level of funding. The District cannot predict whether any of the parties listed in the Proposition 98 Complaint will prevail, and if so, how any final court decision with respect to the Proposition 98 Complaint would affect the financial status of the District, as the nature of any court's remedy and the responses of the State Legislature, the State Attorney General and the Governor are unknown.

Litigation Regarding Redevelopment Agency Revenues and Education Expenditures

On July 18, 2011, the California Redevelopment Association filed a complaint for declaratory and injunctive relief entitled *California Redevelopment Association, et al. v. Ana Matosantos, a Director, et al* (the "RDA Complaint") in the Supreme Court of the State of California. The RDA Complaint requested that the Supreme Court nullify Assembly Bill X1 26 and Assembly Bill X1 27 which were approved in connection with the 2011-12 State Budget Act and stay the VARP. Assembly Bill X1 26 provides for the dissolution of redevelopment agencies effective October 1, 2011 and Assembly Bill X1 27 provides an alternative for communities to continue certain redevelopment practices. See "STATE FUNDING OF EDUCATION - State Budget - Fiscal Year 2011-12 State Budget" herein. The RDA Complaint alleges that the State violated Proposition 22 of the State Constitution. In August 2011, the California Supreme Court agreed to hear the RDA Complaint and agreed to an expedited process designed to provide a decision by January 15, 2012, the date on which initial payments would become due pursuant to Assembly Bill X1 27. The Supreme Court has issued an order granting a stay of the provisions of Assembly Bill X1 26 and Assembly Bill X1 27, except for certain provisions which limit the issuance of new debt, the ability of redevelopment agencies to enter into new loan agreements or dispose of assets, and the ability of redevelopment agencies to spend certain funds.

The final resolution of the RDA Complaint may alter the amounts budgeted by the State to be available to local governments in the State, including the school districts. See "STATE FUNDING OF EDUCATION - State Budget - Fiscal Year 2011-12 State Budget" herein. In the event the plaintiffs prevail in the RDA Complaint, the District expects the State could incur a reduction in General Fund revenues available for Proposition 98 expenditures. However, the District cannot predict whether the plaintiffs listed in the RDA Complaint or the State will be successful in this lawsuit, how any final court decision with respect to this lawsuit would affect the financial status of the District, the manner in which the State may address the budgetary impact of this lawsuit and whether, as a result of the lawsuit, the State will impose, among other things, additional deferrals of State Aid or reductions of Proposition 98 expenditures.

State Budget

General. The District's operating income consists primarily of two components, which include the State Aid portion funded from the State General Fund and a locally generated portion derived from the District's share of the general 1% *ad valorem* property tax levy authorized by the State Constitution. In addition, school districts, such as the District, may be eligible for other special categorical funding, including funding for certain State and federal programs. Currently, the District receives approximately 78% of District General Fund revenues from funds of or controlled by the State. As a result, decreases in State revenues, or in State legislative appropriations made to fund education, may significantly affect District operations.

The following discussion of the State's budget has been obtained from publicly available information which the District believes to be reliable; however, none of the District, its counsel (including Disclosure

Counsel), the Financial Advisor or the Underwriters guarantees the accuracy or completeness of this information and have not independently verified such information. Additional information regarding State budgets is available at various State-maintained websites, including www.dof.ca.gov. These websites are not incorporated herein by reference and none of the District, its counsel (including Disclosure Counsel), the Financial Advisor or the Underwriters make any representation as to the accuracy of the information provided therein.

The State Budget Process. The State's fiscal year begins on July 1 and ends on June 30. According to the State Constitution, the Governor of the State (the "Governor") is required to propose a budget for the next fiscal year (the "Governor's Budget") to the State Legislature no later than January 10 of each year. State law requires the Governor to update the Governor's Budget projections and budgetary proposals by May 14 of each year (the "May Revision"). Proposition 25, which was adopted by voters in the State at an election held on November 2, 2010, amended the State Constitution such that a final budget must be adopted by a simple majority vote of each house of the State Legislature by no later than June 15 and the Governor must sign the adopted budget by no later than June 30. The budget becomes law upon the signature of the Governor (the "Budget Act"). In recent years, the State's final budget has not been timely adopted. The Governor signed the Fiscal Year 2010-11 State Budget Act into law on October 8, 2010, subsequent to the deadline therefor.

Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor's Budget, the State Legislature takes up the proposal. Under the State Constitution, money may be drawn from the State Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act, as approved by the State Legislature and signed by the Governor. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each House of the State Legislature. Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (except for K-14 education) must be approved by a two-thirds majority vote in each House of the State Legislature and be signed by the Governor. Bills containing K-14 education appropriations require only a simple majority vote. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution. Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt. However, delays in the adoption of a final State budget in any fiscal year may affect payments of State funds during such budget impasse. See "—State Funding of Schools Without a State Budget" herein for a description of payments of appropriations during a budget impasse.

Fiscal Year 2011-12 State Budget. On June 30, 2011, the Governor signed the 2011 State Budget Act for Fiscal Year 2011-12 (the "2011-12 State Budget Act") to address a then-projected \$26.6 billion deficit through June 30, 2012. After accounting for budgetary actions adopted by the State Legislature, higher than expected revenues and updated expenditure projections, the 2011-12 State Budget Act projects that the State's structural deficit has been reduced to less than \$5 billion annually. The 2011-12 State Budget Act estimates Fiscal Year 2011-12 revenues and transfers of \$88.5 billion, total expenditures of \$85.9 billion and a year-end surplus of \$1.3 billion (net of the negative \$1.2 billion prior-year State General Fund balance). The 2011-12 State Budget Act allocates the projected surplus to the reserve for the liquidation of encumbrances (\$770 million) and the special fund for economic uncertainties (\$543 million).

The 2011-12 State Budget Act authorizes approximately \$601.0 million in funding reductions in the areas of higher education, health and human services and public safety, beginning in January 2012, if the State's Director of Finance estimates that the State's revenues for Fiscal Year 2011-12 will be less than \$87,452,500,000, but will be at least \$86,452,500,000. If the State's Director of Finance estimates that revenues for Fiscal Year 2011-12 will be less than \$86,452,500,000, the 2011-12 State Budget Act authorizes

an additional \$1.86 billion in education reductions including, among other things, the reductions described in paragraph (5) below. The State's Director of Finance will make a determination whether the State's revenues meet or exceed such levels by December 15, 2011.

Certain of the features of the 2011-12 State Budget Act which could affect school districts in the State include the following:

1. The 2011-12 State Budget Act proposes to fund Proposition 98 for Fiscal Year 2011-12 at approximately \$48.7 billion, which reflects a decrease of \$1.1 billion from the estimated Fiscal Year 2010-11 funding level.

2. In addition to traditional calculations based upon General Fund revenues, the Proposition 98 guarantee set forth in the 2011-12 State Budget Act reflects: (i) an increase of \$578.1 million to ensure that the Proposition 98 minimum guarantee does not decrease with the shift in motor vehicle fuel revenues; (ii) an increase of \$221.8 million to reflect the inclusion of mental health and out-of-home care services within the Proposition 98 guarantee; (iii) a decrease of \$1.134 billion to reflect the exclusion of child care programs, with the exception of part-day preschool programs from Proposition 98; and (iv) a decrease of \$1.7 billion to ensure that the total Proposition 98 guarantee remains unchanged as a result of new local revenue related to redevelopment agencies. See "STATE FUNDING OF EDUCATION - Litigation Regarding State Budgetary and Fiscal Actions" herein.

3. In connection with the 2011-12 State Budget Act, Assembly Bill 114 directs school districts to budget based upon the same level of revenue per unit of average daily attendance as it received in Fiscal Year 2010-11 and to maintain staffing and program levels commensurate with that level. Pursuant to AB 114, the State will reduce funding beginning in February 2012 in the event the State's revenues are below the projections set forth in the 2011-12 State Budget Act. In addition, for the 2011-12 fiscal year, each school district will not be required to demonstrate that it is able to meet its financial obligations for the two subsequent fiscal years as part of the interim report process. AB 114 also provides schools with the authority to reduce the minimum number of instructional days and minutes by up to seven days during Fiscal Year 2011-12, which is in addition to the authority to reduce the number of instructional days by up to five days under previous law.

4. Pursuant to the 2011-12 State Budget Act, certain sales and use tax revenues transferred in accordance with the Governor's realignment plan would not be General Fund revenues for the purposes of calculating the Proposition 98 guarantee. The State's treatment of such revenues will be operative for Fiscal Year 2011-12 and subsequent years only if one or more ballot measures, which must be approved before November 17, 2012, authorize such revenues to be so treated and provide funding for school districts and community college districts in an amount equal to that which would have been provided if such tax revenues were General Fund revenues for purposes of Proposition 98.

5. The 2011-12 State Budget Act authorizes trigger reductions to certain Proposition 98 allocations in the event the State's Director of Finance determines that the State's revenues for Fiscal Year 2011-12 will not meet or exceed projected levels. In such event, the 2011-12 State Budget Act authorizes a reduction of up to \$1.5 billion from K-12 education relating to the aforementioned seven day reduction in the school year and a reduction of up to \$248 million relating to the elimination of funding for home-to-school transportation.

6. The 2011-12 State Budget Act includes the deferral of \$2.1 billion in State Aid to Fiscal Year 2012-13 from Fiscal Year 2011-12 which was proposed in the 2011-12 Proposed State Budget and withdrawn in the May Revision to the 2011-12 Proposed State Budget.

7. The 2011-12 State Budget Act imposes a deficit factor of 19.754% on the revenue limit for Fiscal Year 2011-12, which reflects an increase from the deficit factor of 19.608% previously authorized for Fiscal Year 2011-12 under the Education Code.

8. In connection with the Governor's realignment plan, the 2011-12 State Budget Act approves a Voluntary Alternative Redevelopment Program ("VARP"), pursuant to which redevelopment agencies may continue operating provided that their respective establishing cities or counties agree to provide \$1.7 billion in payments to K-12 schools. If the establishing cities or counties do not agree to make payments to K-12 schools, the related redevelopment agency will be required to cease operations pursuant to Assembly Bill X1 26 and any property tax revenues that remain after payment of such redevelopment agency's outstanding debt service obligations and allowable administrative costs will be distributed to cities, counties, special districts, and K-14 schools.

9. The 2011-12 State Budget Act provides \$98.6 million from the Mental Health Services Fund to county mental health services on a one-time basis for mental health services to special education students. On-going responsibility for these services, including out-of-home residential services, is realigned to school districts. The Governor has stated that schools districts may contract with counties to provide services using Proposition 63 funds, but school districts would be responsible for any costs exceeding this amount.

10. The 2011-12 State Budget Act provides \$6.6 million in federal funding for the California Longitudinal Pupil Achievement Data System. The Governor vetoed the provision of \$2.1 million in federal funds that the State Legislature had provided for the California Longitudinal Teacher Integrated Data Education System in Fiscal Year 2011-12.

11. The 2011-12 State Budget Act provides \$3.2 million to support the Clean Technology and Renewable Energy Job Training, Career Technical Education, and Dropout Prevention Program. The program is designed to create partnerships between schools and businesses to provide occupational training for at-risk high school students in areas such as conservation, renewable energy, and pollution reduction.

12. The 2011-12 State Budget Act authorizes flexibility to school districts for an additional two years for categorical programs, routine and deferred maintenance expenditure requirements, class size requirements, instructional time requirements, sale of surplus property, instructional materials purchase requirements, and local budget reserve requirements.

Additional Information. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of the State budget may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." Various analyses of the budget may be found at the website of the LAO at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found via the website of the State Treasurer, www.treasurer.ca.gov. The information presented in these websites is not incorporated by reference in this Official Statement.

Future State Budgets. The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address the State's current or future budget deficits and cash management practices. Future State budgets will be affected by national and State economic conditions, including the current economic downturn, over which the District has no control, and other factors over which the District will have no control. To the extent that the State budget process results in reduced revenues, deferred revenues or increased expenses for the District, the District will be required to make adjustments to its budget and cash management practices. In the event current or future State Budgets decrease the District's revenues or increase required expenditures by the District from the levels assumed by

the District, the District will be required to generate additional revenues, curtail programs or services, or use its reserve funds to ensure a balanced budget.

State Funding of Schools Without a State Budget

Although the State Constitution requires that the State Legislature adopt a budget for the State by June 15 of the prior Fiscal Year and that the Governor sign a budget by June 30, this deadline has been missed from time to time. Delays in the adoption of a Budget Act in any Fiscal Year could impact the receipt of State funding by the District. On May 29, 2002, the California Court of Appeal for the Second District decided the case of *Howard Jarvis Taxpayers Association, et al. v. Kathleen Connell* (as Controller of the State of California), et al. (also referred to as *White v. Davis*) (“*Connell*”). The California Court of Appeal concluded that, absent an emergency appropriation, the State Controller may authorize the payment of State funds during a budget impasse only when payment is either (i) authorized by a “continuing appropriation” enacted by the State Legislature, (ii) authorized by a self-executing provision of the State Constitution, or (iii) mandated by federal law. The Court of Appeal specifically concluded that the provisions of Article XVI, Section 8 of the State Constitution—the provision establishing minimum funding of K 14 education enacted as part of Proposition 98—did not constitute a self-executing authorization to disburse funds, stating that such provisions merely provide formulas for determining the minimum funding to be appropriated every budget year but do not appropriate funds. Nevertheless, the State Controller has concluded that the provisions of the State Education Code establishing K-12 and county office of education revenue limit funding do constitute continuing appropriations enacted by the State Legislature and, therefore, has indicated that State payments of such amounts would continue during a budget impasse. The State Controller, however, has concluded that K-12 categorical programs are not authorized pursuant to a continuing appropriation enacted by the State Legislature and, therefore, cannot be paid during a budget impasse. To the extent the *Connell* decision applies to State payments reflected in the District’s budget, the requirement that there be either a final budget bill or an emergency appropriation may result in the delay of some payments to the District while such required legislative action is delayed, unless the payments are self-executing authorizations, continuing appropriations or are subject to a federal mandate.

The State Supreme Court granted the State Controller’s petition for review of the *Connell* case on a procedural issue unrelated to continuous appropriations and on the substantive question as to whether the State Controller is authorized to pay State employees their full and regular salaries during a budget impasse. No other aspect of the Court of Appeal’s decision was addressed by the State Supreme Court. On May 1, 2003, with respect to the substantive question, the State Supreme Court concluded that the State Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those State employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act.

CALIFORNIA CONSTITUTIONAL AND STATUTORY PROVISIONS RELATING TO *AD VALOREM* PROPERTY TAXES, DISTRICT REVENUES AND APPROPRIATIONS

Constitutionally Required Funding of Education

The State Constitution requires that from all State revenues there shall first be set apart the moneys to be applied by the State for the support of the public school system and public institutions of higher education. California school districts receive a significant portion of their funding from State appropriations. As a result, decreases as well as increases in State revenues can significantly affect appropriations made by the State Legislature to school districts.

Article XIII A of the State Constitution

On June 6, 1978, California voters approved Proposition 13 (“Proposition 13”), which added Article XIII A to the State Constitution (“Article XIII A”). The provisions of Article XIII A were subsequently modified pursuant to Proposition 39, which was approved by California voters on November 7, 2000. (See “—Proposition 39” below). Article XIII A limits the amount of any *ad valorem* property tax to 1% of the full cash value thereof, except that additional *ad valorem* property taxes may be levied to pay debt service on (i) bonded indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness approved by a two-thirds vote on or after July 1, 1978, for the acquisition or improvement of real property, and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the school district or community college district, but only if certain accountability measures are included in the proposition. Article XIII A defines full cash value to mean “the county assessor’s valuation of real property as shown on the 1975-76 tax bill under “full cash value,” or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or reduced in the event of declining property value caused by substantial damage, destruction or other factors including a general economic downturn. Subsequent amendments further limit the amount of any *ad valorem* tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on bonded indebtedness approved by the requisite percentage of voters voting on the proposition.

Legislation Implementing Article XIII A

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any *ad valorem* property tax (except to pay voter-approved indebtedness). The 1% *ad valorem* property tax is automatically levied by the County and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the up to 2% annual inflationary adjustment of the 1% tax base are allocated among the various jurisdictions in the “taxing area” based upon their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years. Separate *ad valorem* property taxes to pay voter approved indebtedness such as general obligation bonds are levied by the County on behalf of the local agencies. Article XIII A effectively prohibits the levying of any other *ad valorem* property tax above the Proposition 13 limit except for taxes to support such indebtedness.

The full cash value of taxable property under Article XIII A represents the maximum taxable value for property. Accordingly, the fair market value for a given property may not be the equivalent of the full cash value under Article XIII A. During periods in which the real estate market within the District evidences an upward trend, the fair market value for a given property, which has not been reappraised due to a change in ownership, may exceed the full cash value of such property. During periods in which the real estate market demonstrates a downward trend, the fair market value of a given property may be less than the full cash value of such property and the property owner may apply for a “decline in value” reassessment pursuant to Proposition 8. Reassessments pursuant to Proposition 8, if approved by the Office of the County Assessor, lower valuations of properties (where no change in ownership has occurred) if the current value of such property is lower than the full cash value of record of the property. See “DISTRICT FINANCIAL INFORMATION—Assessed Valuation of Property within the District” herein. The value of a property reassessed as a result of a decline in value may change, but in no case may its full cash value exceed its fair market value. When and if the fair market value of a property which has received a downward reassessment

pursuant to Proposition 8 increases above its Proposition 13 factored base year value, the Office of the County Assessor will enroll such property at its Proposition 13 factored base year value.

Article XIII B of the State Constitution

An initiative to amend the State Constitution entitled “Limitation of Government Appropriations” was approved on September 6, 1979 thereby adding Article XIII B to the State Constitution (“Article XIII B”). In June 1990, Article XIII B was amended by the voters through their approval of Proposition 111. Under Article XIII B, the State and each local governmental entity have an annual “appropriations limit” and are not permitted to spend certain moneys that are called “appropriations subject to limitation” (consisting of tax revenues, State subventions and certain other funds) in an amount higher than the appropriations limit. Article XIII B does not affect the appropriations of moneys that are excluded from the definition of “appropriations subject to limitation,” including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the appropriations limit is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in costs of living and changes in population, and adjusted where applicable for transfer of financial responsibility of providing services to or from another unit of government. Among other provisions of Article XIII B, if these entities’ revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years. However, in the event that a school district’s revenues exceed its spending limit, the district may, in any fiscal year, increase its appropriations limit to equal its spending by borrowing appropriations limit from the State, provided the State has sufficient excess appropriations limit in such year. See “STATE FUNDING OF EDUCATION—State Budget” herein.

The District Board adopted the annual appropriation limit for Fiscal Year 2009-10 of approximately \$4.1 billion. The limitation applies only to proceeds of taxes and therefore does not apply to service fees and charges, investment earnings on non-proceeds of taxes, fines, and revenue from the sale of property and taxes received from the State and federal governments that are tied to special programs. For Fiscal Year 2009-10, the funds subject to limitation total approximately \$3.6 billion and are approximately \$500 million below the Article XIII B limit.

Article XIII C and Article XIII D of the State Constitution

On November 5, 1996, the voters of the State approved Proposition 218, the so called “Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D to the State Constitution (“Article XIII C” and “Article XIII D”), which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

Article XIII D deals with assessments and property related fees and charges. Article XIII D explicitly provides that nothing in Article XIII C or XIII D shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however, it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by the District.

Proposition 98

On November 8, 1988, State voters approved Proposition 98, a combined initiative, constitutional amendment and statute called the “Classroom Instructional Improvement and Accountability Act” (the “Accountability Act”). The Accountability Act changed State funding of public education below the university level, and the operation of the State’s Appropriations Limit, primarily by guaranteeing State funding for K-12 school districts and community college districts (collectively, “K-14 districts”).

Under Proposition 98 (as modified by Proposition 111, which was enacted on June 5, 1990), K-14 districts are guaranteed the greater of (i) in general, a fixed percent of the State General Fund's revenues ("Test 1"), (ii) the amount appropriated to K-14 districts in the prior year, adjusted for changes in the cost of living (measured as in Article XIIB by reference to State per capita personal income) and enrollment ("Test 2"), or (iii) a third test, which would replace Test 2 in any year when the percentage growth in per capita State General Fund revenues from the prior year plus 0.05% is less than the percentage growth in State per capita personal income ("Test 3"). Under Test 3, schools would receive the amount appropriated in the prior year adjusted for changes in enrollment and per capita State General Fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 would become a "credit" to schools which would be the basis of payments in future years when per capita State General Fund revenue growth exceeds per capita personal income growth. Legislation adopted prior to the end of Fiscal Year 1988-89 that implemented Proposition 98, determined the K-14 districts' funding guarantee under Test 1 to be 40.3% of the State General Fund tax revenues, based on 1986-87 appropriations. However, that percentage has been adjusted to 34.559% to account for a subsequent redirection of local property taxes whereby a greater proportion of education funding now comes from local property taxes.

Proposition 98 permits the State Legislature, by a two-thirds vote of both houses of the State Legislature and with the Governor's concurrence, to suspend the K-14 districts' minimum funding formula for a one-year period. In the fall of 1989, the State Legislature and the Governor utilized this provision to avoid having 40.3% of revenues generated by a special supplemental sales tax enacted for earthquake relief go to K-14 districts. In the fall of 2004, the State Legislature and the Governor agreed to suspend the K-14 districts' minimum funding formula set forth pursuant to Proposition 98 in order to address a projected shortfall during Fiscal Year 2004-05. Proposition 98 also contains provisions transferring certain State tax revenues in excess of the Article XIIB limit to K-14 districts.

The Fiscal Year 2010-11 State Budget Act increased total Proposition 98 expenditures by 0.2%, to \$49.7 billion. For further information concerning the impact of State Budgets on Proposition 98 funding, see "DISTRICT FINANCIAL INFORMATION—State Budget" herein.

Proposition 39

Proposition 39, which was approved by California voters in November 2000 ("Proposition 39"), provides an alternative method for passage of school facilities bond measures by lowering the constitutional voting requirement from two-thirds to 55% of voters and allows property taxes to exceed the current 1% limit in order to repay such bonds. The lower 55% vote requirement would apply only to bond issues to be used for construction, rehabilitation, or equipping of school facilities or the acquisition of real property for school facilities. The State Legislature enacted additional legislation which placed certain limitations on this lowered threshold, requiring that (i) two-thirds of the governing board of a school district approve placing a bond issue on the ballot, (ii) the bond proposal be included on the ballot of a Statewide or primary election, a regularly scheduled local election, or a Statewide special election (rather than a school district election held at any time during the year), (iii) the tax rate levied as a result of any single election not exceed \$25 for a community college district, \$60 for a unified school district, or \$30 for an elementary school or high school district per \$100,000 of taxable property value, and (iv) the governing board of the school district appoint a citizen's oversight committee to inform the public concerning the spending of the bond proceeds. In addition, the school board of the applicable district is required to perform an annual, independent financial and performance audit until all bond funds have been spent to ensure that the funds have been used only for the projects listed in the measure. The District's Measure K, Measure R, Measure Y and Measure Q bond programs were authorized pursuant to Proposition 39. The District is in full compliance with all Proposition 39 requirements.

Proposition 1A

Proposition 1A (“Proposition 1A”), proposed by the Legislature as a Senate Constitutional Amendment in connection with the 2004-05 Budget Act and approved by California voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provided, however, that beginning in fiscal year 2008-09, the State could shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the VLF rate below 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates. The Revised 2009-10 State Budget Act enacted a shift of approximately \$1.9 billion of city, county, and special district property taxes pursuant to Proposition 1A and used such funds to offset State General Fund spending for education and other programs. The State is required to repay this obligation by June 15, 2013. The State’s ability to initiate future exchanges and shifts of funds will be limited by Proposition 22. See “– Proposition 22” below.

Proposition 22

Proposition 22 (“Proposition 22”), which was approved by California voters in November 2010, prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services and prohibits fuel tax revenues from being loaned for cash-flow or budget balancing purposes to the State General Fund or any other State fund. Due to the prohibition with respect to State’s ability to take, reallocate, and borrow money raised by local governments for local purposes, Proposition 22 supersedes certain provisions of Proposition 1A of 2004. See “– Proposition 1A” herein. In addition, Proposition 22 generally eliminates the State’s authority to temporarily shift property taxes from cities, counties, and special districts to schools, temporarily increase school and community college district’s share of property tax revenues, prohibits the State from borrowing or redirecting redevelopment property tax revenues or requiring increased pass-through payments thereof, and prohibits the State from reallocating vehicle license fee revenues to pay for State-imposed mandates. In addition, Proposition 22 requires a two-thirds vote of each house of the State Legislature and a public hearing process to be conducted in order to change the amount of fuel excise tax revenues shared with cities and counties. The LAO states that Proposition 22 will prohibit the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies.

Proposition 22 prohibits the State from borrowing sales taxes or excise taxes on motor vehicle fuels or changing the allocations of those taxes among local government except pursuant to specified procedures involving public notices and hearings. In addition, Proposition 22 requires that the State apply the formula setting forth the allocation of State fuel tax revenues to local agencies revert to the formula in effect on June 30, 2009. The LAO anticipates that Proposition 22 will require the State to adopt alternative actions to address its fiscal and policy objectives, particularly with respect to short-term cash flow need. The District does not believe that the adoption of Proposition 22 will have a significant impact on their respective revenues and expenditures during Fiscal Year 2011-12.

State School Facilities Bonds

Proposition 47 and Proposition 1A of 1998. The Class Size Reduction Kindergarten - University Public Education Facilities Bond Act of 2002 appeared on the November 5, 2002 ballot as Proposition 47 and was approved by State voters ("Proposition 47"). This measure authorizes the sale and issuance of \$13.05 billion in general obligation bonds by the State for funding construction and renovation of K-12 school facilities (\$11.4 billion) and higher education facilities (\$1.65 billion). Proposition 47 includes \$6.35 billion for acquisition of land and new construction of K-12 school facilities. Of this amount, \$2.9 billion will be set aside to fund backlog projects for which school districts submitted applications to the State on or prior to February 1, 2002. The balance of \$3.45 billion would be used to fund projects for which school districts submitted applications to the State after February 1, 2002. K-12 school districts will be required to pay 50% of the costs for acquisition of land and new construction with local revenues. In addition, Proposition 47 provided that up to \$100 million of the \$3.45 billion would be allocated for charter school facilities. Proposition 47 provides up to \$3.3 billion for reconstruction or modernization of existing K-12 school facilities. Of this amount, \$1.9 billion will be set aside to fund backlog projects for which school districts submitted applications to the State on or prior to February 1, 2002 and the balance of \$1.4 billion would be used to fund projects for which school districts submitted applications to the State after February 1, 2002. K-12 school districts will be required to pay 40% of the costs for reconstruction or modernization with local revenues. Proposition 47 provides a total of \$1.7 billion to K-12 school districts which are considered critically overcrowded, specifically to schools that have a large number of pupils relative to the size of the school site. In addition, \$50 million will be available to fund joint-use projects. Proposition 47 also includes \$1.65 billion to construct new buildings and related infrastructure, alter existing buildings and purchase equipment for use in the State's public higher education systems.

Proposition 1A was previously approved in November 1998 and provided \$6.7 billion of capital funding for K-12 public schools ("Proposition 1A of 1998").

Proposition 55. The Kindergarten-University Public Education Facilities Bond Act of 2004 appeared on the March 2, 2004 ballot as Proposition 55 and was approved by State voters ("Proposition 55"). This measure authorizes the sale and issuance of \$12.3 billion in general obligation bonds by the State for funding the construction and renovation of public K-12 school facilities (\$10 billion) and public higher education facilities (\$2.3 billion). Proposition 55 includes \$5.26 billion for the acquisition of land and construction of new school buildings. A school district would be required to pay for 50% of costs with local resources unless it qualifies for state hardship funding. The measure also provides that up to \$300 million of these new construction funds is available for charter school facilities.

Proposition 55 makes \$2.25 billion available for the reconstruction or modernization of existing public school facilities. Districts would be required to pay 40% of project costs from local resources. Proposition 55 directs a total of \$2.44 billion to school districts with schools which are considered critically overcrowded. These funds would go to schools that have a large number of pupils relative to the size of the school site. Proposition 55 also makes a total of \$50 million available to fund joint-use projects. Proposition 55 includes \$2.3 billion to construct new buildings and related infrastructure, alter existing buildings and purchase equipment for use in these buildings for the State's public higher education systems. The measure allocates \$690 million to the University of California and California State University and \$920 million to community colleges in the State. The Governor and the State Legislature select specific projects to be funded by the bond proceeds.

Proposition 1D. The Kindergarten-University Public Education Facilities Bond Act of 2006 appeared on the November 7, 2006 ballot as Proposition 1D and was approved by State voters ("Proposition 1D"). This measure authorizes the sale and issuance of \$10.4 billion in general obligation bonds by the State for funding the construction and renovation of public K-12 school facilities (\$7.3 billion) and public higher education facilities (\$3.1 billion). Proposition 1D includes \$1.9 billion for the acquisition

of land and construction of new school buildings. A school district would be required to pay for 50% of costs with local resources unless it qualifies for state hardship funding. Proposition 1D also provides that up to \$500 million of these construction funds is available for charter school facilities.

Proposition 1D makes \$3.3 billion available for the reconstruction or modernization of existing public school facilities. Districts would be required to pay 40% of project costs from local resources. Proposition 1D directs a total of \$1.0 billion to school districts with schools that are considered critically overcrowded. These funds would go to schools that have a large number of pupils relative to the size of the school site. Proposition 1D also makes a total of \$29 million available to fund joint-use projects. Proposition 1D includes \$3.1 billion to construct new buildings and related infrastructure, alter existing buildings and purchase equipment for use in these buildings for California's public higher education systems. The measure allocates \$890 million to the University of California campuses and \$690 million to the California State University campuses and \$1.5 billion to California community colleges. Pursuant to Proposition 1D, the Governor and the State Legislature select specific projects to be funded by the bond proceeds. See "DISTRICT GENERAL INFORMATION—*Williams* Settlement Agreement and Legislation; Funding for the New School Construction Program" herein.

The District applies for apportionments from State bond initiatives and historically has received funding from such State bond initiatives. No assurances can be given that the District will continue to apply for apportionments from current or future State bond initiatives or that the District will continue to receive funding from State bond initiatives for which it applies.

Future Initiatives

The foregoing described amendments to the State Constitution and propositions were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted that further affect District revenues or the District's ability to expend revenues.

GLOSSARY OF CERTAIN TERMS AND ABBREVIATIONS

The following are definitions and abbreviations of certain terms used in this Appendix C.

“AALA” means the Associated Administrators of Los Angeles, which represents the middle managers in the District.

“Accountability Act” means the Classroom Instructional Improvement and Accountability Act, approved by California voters on November 8, 1988, which guarantees State funding for K-12 school districts and community college districts.

“ADA” means average daily attendance, a measure of pupil attendance used as the basis for providing revenue to school districts and as a measure of unit costs. ADA includes only in-seat attendance.

“API” means Academic Performance Index. Schools’ scores on the API scale, and their improvement as reflected by API scores, form the basis for funding in several Governors’ Initiatives programs. The API scale measures student achievement on certain standardized tests.

“ARC” means annual required contribution.

“ARRA” means the American Recovery and Reinvestment Act of 2009.

“AYP” means adequate yearly progress as defined under the NCLB Act.

“CAFR” means comprehensive annual financial report.

“CalPERS” means the California Public Employees’ Retirement System, a defined benefit plan which covers classified personnel who work four or more hours per day.

“CalSTRS” means the California State Teachers’ Retirement System, a defined benefit plan which covers all full-time certificated and some classified District employees.

“CCSDO” means the County Committee on School District Organization.

“CDE” means the California Department of Education.

“COLA” means cost-of-living adjustments, which is used in determining the District’s revenue limit.

“ERAF” means the State’s Education Revenue Augmentation Fund used to collect property taxes in each county that are shifted from cities, the county, and special districts prior to their reallocation to school local education agencies.

“FTE” means full-time equivalent.

“GASB” means the Governmental Accounting Standards Board, an operating entity of the Financial Accounting Foundation established to set standards of financial accounting and reporting for state and local governmental entities.

“IDEA” means the Individuals with Disabilities Act of 1990, as amended.

“LACOE” means the Los Angeles County Office of Education.

“LAO” means the Legislative Analyst’s Office of the State of California.

“LEA” means local education agency as defined under the NCLB Act.

“NCLB Act” means the federal No Child Left Behind Act of 2001.

“NPO” means net pension obligation.

“PARS” means the Public Agency Retirement System, a defined contribution plan which covers the District’s part-time, seasonal, temporary and other employees not otherwise covered by CalPERS or CalSTRS, but whose salaries would otherwise be subject to Social Security tax.

“PEPIP” means the Public Entity Property Insurance Program, an insurance pool comprised of certain cities, counties and school districts.

“PSAA” means the State of California’s Public Schools Accountability Act of 1999.

“QEIA” means the Quality Education Investment Act of 2006.

“UAAL” means unfunded actuarial accrued liability.

“UTLA” means the United Teachers of Los Angeles, which is the collective bargaining unit representing teachers and support service personnel throughout the District.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

**AUDITED FINANCIAL STATEMENTS OF THE DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

[THIS PAGE INTENTIONALLY LEFT BLANK]

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended June 30, 2010



LOS ANGELES UNIFIED SCHOOL DISTRICT
Los Angeles, CA



**LOS ANGELES UNIFIED SCHOOL DISTRICT
LOS ANGELES, CALIFORNIA**

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2010**

**MR. RAMON C. CORTINES
SUPERINTENDENT OF SCHOOLS**

**MS. MEGAN K. REILLY
CHIEF FINANCIAL OFFICER**

**MR. TIMOTHY S. ROSNICK
CONTROLLER**



**PREPARED BY
ACCOUNTING AND DISBURSEMENTS DIVISION**

**333 S. BEAUDRY AVENUE
LOS ANGELES, CALIFORNIA 90017**

LOS ANGELES UNIFIED SCHOOL DISTRICT
Comprehensive Annual Financial Report
Year Ended June 30, 2010

Table of Contents

INTRODUCTORY SECTION	Page
Letter of Transmittal	i
Board of Education and Principal School District Officials	ix
Organizational Structure	x
 FINANCIAL SECTION	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
 Basic Financial Statements:	
 Government-wide Financial Statements:	
Statement of Net Assets	14
Statement of Activities	15
 Fund Financial Statements:	
Balance Sheet – Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	20
Statement of Net Assets – Proprietary Funds – Governmental Activities – Internal Service Funds	21
Statement of Revenues, Expenses and Changes in Fund Net Asset – Proprietary Funds – Governmental Activities – Internal Service Funds	22
Statement of Cash Flows – Proprietary Funds – Governmental Activities – Internal Service Funds	23
Statement of Fiduciary Net Assets – Fiduciary Funds	24
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds – Pension Trust Funds	25
 Notes to Basic Financial Statements	26
 Required Supplementary Information	66
 Supplementary Information:	
 District Bonds Fund:	
District Bonds Fund – Combining Balance Sheet	67
District Bonds Fund – Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	68
District Bonds Fund – Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual.....	70

LOS ANGELES UNIFIED SCHOOL DISTRICT
Comprehensive Annual Financial Report
Year Ended June 30, 2010

Table of Contents

Supplementary Information (Continued)	Page
 Nonmajor Governmental Funds:	
Special Revenue Funds/Debt Service Funds/Capital Projects Funds:	
Nonmajor Governmental Funds – Combining Balance Sheet	76
Nonmajor Governmental Funds – Combining Statement of Revenues, Expenditures and Changes in Fund Balances	82
Special Revenue Funds – Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	88
Debt Service Funds – Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	92
Capital Projects Funds – Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	96
 Internal Service Funds:	
Internal Service Funds – Combining Balance Sheet	105
Internal Service Funds – Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	106
Internal Service Funds – Combining Statement of Cash Flows	107
 Fiduciary Funds:	
Fiduciary Funds – Pension Trust Funds – Combining Balance Sheet	109
Fiduciary Funds – Pension Trust Funds – Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	110
Fiduciary Funds – Agency Funds – Combining Statement of Changes in Assets and Liabilities	111
 Capital Assets Used in the Operation of Governmental Funds:	
Capital Assets Used in the Operation of Governmental Funds – Comparative Schedule by Source	113
Capital Assets Used in the Operation of Governmental Funds – Schedule of Changes in Capital Assets by Source	114
Long-Term Obligations:	
Schedule of Changes in Long-Term Obligations	116
Schedule of Certificates of Participation	118
 STATISTICAL SECTION (Unaudited)	
Schedules of Financial Trends Information	
Net Assets by Components – Last Nine Fiscal Years	124
Changes in Net Assets – Last Nine Fiscal Years	126
Governmental Activities Tax Revenues by Source – Last Eight Fiscal Years	128
Fund Balances of Governmental Funds – Last Ten Fiscal Years	130
Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years	132

LOS ANGELES UNIFIED SCHOOL DISTRICT
Comprehensive Annual Financial Report
Year Ended June 30, 2010

Table of Contents

STATISTICAL SECTION (Unaudited) (Continued)	Page
Schedules of Financial Trends Information (Continued)	
Governmental Fund Types – Expenditures and Other Uses by State Defined Object – Last Ten Fiscal Years ..	134
Governmental Fund Types – Expenditures and Other Uses by Goal and Function – Last Eight Fiscal Years ...	136
Governmental Fund Types – Revenues by Source (SACS Report Categories) – Last Ten Fiscal Years	138
Schedules of Revenue Capacity Information	
Assessed Value of Taxable Property – Last Ten Fiscal Years	139
Property Tax Rates – All Direct and Overlapping Governments – Last Ten Fiscal Years	140
Largest Local Secured Taxpayers	142
Property Tax Levies and Collections – Last Ten Fiscal Years	143
Revenue Limit per Unit of Average Daily Attendance – Last Ten Fiscal Years	144
Governmental Fund Types – Schedule of Revenues and Other Sources, Expenditures and Other Uses by State Defined Object – Last Ten Fiscal Years	146
Schedules of Debt Capacity Information	
Ratio of Annual Debt Service for General Bonded Debt and Certificates of Participation (COPs) to Total General Governmental Expenditures – Last Ten Fiscal Years	156
Ratio of Net General Bonded Debt and Certificates of Participation (COPs) to Assessed Value and Net Debt per Capita – Last Ten Fiscal Years	157
Schedule of Direct and Overlapping Bonded Debt	158
Legal Debt Margin Information – Last Ten Fiscal Years	159
Schedules of Demographic and Economic Information	
Demographic Statistics – Last Ten Fiscal Years	160
Principal Employers – Current Year and Nine Years Ago	161
Schedules of Operating Information	
Average Daily Attendance/Hours of Attendance (Annual Report) – Last Ten Fiscal Years	162
Full-Time Equivalent District Employees by Function – Last Eight Fiscal Years.....	164
Capital Assets by Function – Last Eight Fiscal Years.....	166
Miscellaneous Statistical Data – Last Four Fiscal Years.....	168
STATE AND FEDERAL COMPLIANCE INFORMATION SECTION	
General Fund:	
Schedule of Principal Apportionment Revenue from the State School Fund	171
Schedule of Appropriations, Expenditures and Other Uses, and Unexpended Balances by District Defined Program	172
Expenditures and Other Uses by Goal and Function	173
Schedule of Current Expense of Education	174
Schedule of Special Purpose Revenues, Expenditures and Restricted Balances	175
Adult Education Fund:	
Schedule of Revenues and Other Sources, Expenditures and Other Uses by Function, and Changes in Fund Balance	176

LOS ANGELES UNIFIED SCHOOL DISTRICT
Comprehensive Annual Financial Report
Year Ended June 30, 2010

Table of Contents

STATE AND FEDERAL COMPLIANCE INFORMATION SECTION	Page
(Continued)	
Child Development Fund:	
Schedule of Revenues and Other Sources, Expenditures and Other Uses by Function, and Changes in Fund Balance	177
All Funds:	
Schedule of Fund Equity	178
Schedule of Revenues and Other Financing Sources	182
Organization Structure	188
Schedule of Average Daily Attendance/Hours of Attendance	189
Schedule of Average Daily Attendance – Canyon Elementary School	190
Schedule of Average Daily Attendance – Colfax Charter Elementary School	191
Schedule of Average Daily Attendance – Community Magnet Charter Elementary School	192
Schedule of Average Daily Attendance – Dr. T. Alexander Jr. Science Center School	193
Schedule of Average Daily Attendance – Kenter Canyon Elementary School	194
Schedule of Average Daily Attendance – Marquez Avenue Elementary School	195
Schedule of Average Daily Attendance – Open Magnet Charter School	196
Schedule of Average Daily Attendance – Pacific Palisades Elementary School	197
Schedule of Average Daily Attendance – Revere (Paul) Middle School	198
Schedule of Average Daily Attendance – Topanga Learn-Center Elementary School	199
Schedule of Average Daily Attendance – Westwood Elementary School	200
Schedule of Instructional Time Offered	201
Schedule of Financial Trends and Analysis	202
Schedule to Reconcile the Annual Financial Budget Report (SACS) with Audited Financial Statements	203
Charter Schools	204
Notes to State Compliance Information	207
Schedule of Expenditures of Federal Awards	208
Notes to Schedule of Expenditures of Federal Awards	213
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	214
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	216
Auditor's Report on State Compliance	219
Schedule of Findings and Questioned Costs	222
Independent Auditor's Management Letter	304
Status of Prior Year Findings and Recommendations	315



LOS ANGELES UNIFIED SCHOOL DISTRICT

Accounting and Disbursements Division

RAMON C. CORTINES
Superintendent of Schools

MEGAN K. REILLY
Chief Financial Officer



TIMOTHY S. ROSNICK
Controller

V. LUIS BUENDIA
Deputy Controller

TERESA SANTAMARIA
Deputy Controller

December 15, 2010

The Honorable Board of Education
Los Angeles Unified School District
333 South Beaudry Avenue
Los Angeles, California 90017

Dear Board Members:

The Comprehensive Annual Financial Report of the Los Angeles Unified School District (District), for the fiscal year ended June 30, 2010, is hereby submitted. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included. The report also includes a "State and Federal Compliance Information" section, which is designed to meet the reporting requirements of the Office of the California State Controller, the U.S. General Accounting Office, the U.S. Office of Management and Budget, and the Single Audit Act Amendments of 1996.

Independent Audit

EC §41020 provides that each school district shall arrange for an audit by certified public accountants of its books and accounts, including the District's income by source of funds and expenditures by object and program. The District's contract auditor for 2009-10 is Simpson & Simpson, CPAs. The independent auditor's report on the basic financial statements is presented in the Financial Section of this report on page 1.

Audit Results

The District received an Unqualified financial audit, which means that there were no significant findings during the audit of the financial statements. For the federal compliance audit, 20 programs received an Unqualified audit and 4 programs were Qualified. The District received an Unqualified state compliance audit. The Qualified federal compliance audit indicates that there were material weaknesses discovered during the audit.

The District is pleased that the number of findings during 2009-10 declined from 29 to 18. In addition, the amount of the questioned costs declined 64%, from \$5.6 million in 2008-09 to \$2.0 million in 2009-10. Even with these improvements, the District will continue to work with schools and offices to focus on resolving the remaining areas of internal control and compliance issues.

Comprehensive Annual Financial Report

This report is presented in four sections:

I. Introductory

This section includes this transmittal letter, a list of members of the Board of Education and principal school district officials, and a chart of the District's current organizational structure.

II. Financial

This section includes the government-wide financial statements and individual fund financial statements and schedules, as well as the Independent Auditor's Report from Simpson & Simpson, CPAs. It also includes a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The MD&A provides an objective and easily readable analysis of the District's financial activities on both a short- and long-term basis. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

Supplementary Information

This sub-section includes combining financial statements for nonmajor funds, schedules for capital assets and long-term obligations.

III. Statistical

This section includes selected statistical tables and schedules, generally presented on a multi-year basis, which reflect social and economic data, financial trends, and the fiscal capacity of the District.

IV. State and Federal Compliance Information

This section includes: informational schedules for General Fund, Adult Education Fund, and Child Development Fund; schedules of average daily attendance; a schedule of financial trends and analysis; schedules of State and Federal financial grants and entitlements; the auditor's reports on issues of compliance with reporting requirements of the Office of the California State Controller, U.S. General Accounting Office, U.S. Office of Management and Budget, and the Single Audit Act Amendments of 1996; and the auditor's reports on internal controls and their management improvement recommendations.

Profile of the Los Angeles Unified School District

The District encompasses approximately 710 square miles in the western section of Los Angeles County. The District is located in and includes virtually all of the City of Los Angeles and all or significant portions of the cities of Bell, Carson, Commerce, Cudahy, Gardena, Hawthorne, Huntington Park, Lomita, Maywood, Rancho Palos Verdes, San Fernando, South Gate, Vernon, and West Hollywood, in addition to considerable unincorporated territories devoted to homes and industry. The District was formed in 1854 as the Common Schools for the City of Los Angeles and became a unified school district in 1960.

As of June 30, 2010, the District is operating 437 elementary schools, 78 middle/junior high schools, 70 senior high schools, 56 options schools, 12 multi level schools, 16 special education schools, 25 magnet schools and 145 magnet centers, 24 community adult schools, 5 regional occupational centers, 5 skills centers, 1 regional occupational program center, 100 early education centers, 4 infant centers, and

23 primary school centers. The District is governed by a seven-member Board of Education elected by district to serve alternating four-year terms. As of June 30, 2010, the District employed 44,684 certificated, 30,545 classified, and 18,915 unclassified employees. Enrollment as of October 2009 was 617,798 students in K-12 schools, 130,475 students in adult schools and centers, and 11,432 children in early education centers.

As a reporting entity, the District is accountable for all activities related to public education in most of the western section of Los Angeles County. This report includes all funds of the District with the exception of the fiscally independent charter schools, which are required to submit their own individual audited financial statements, and the Auxiliary Services Trust Fund, which is not significant in relation to District operations. The Auxiliary Services Trust Fund was established in 1935 to receive and disburse funds for insurance premiums on student body activities and property, “all city” athletic and musical events, grants restricted for student activities, and other miscellaneous activities.

Economic Condition and Outlook

The United States economy is still in the recession that began in December 2007. According to the latest information from the Bureau of Labor and Statistics, the unemployment rates for both the nation and California has generally been stable from January 2010 to August 2010. Although as indicated in the table below, California’s unemployment rates have been higher than the nation’s.

Month (2010)	U.S.	California
January	9.7%	12.5%
February	9.7%	12.5%
March	9.7%	12.6%
April	9.9%	12.5%
May	9.7%	12.4%
June	9.5%	12.3%
July	9.5%	12.3%
August	9.6%	12.4%
September	9.6%	12.4% (P)

P – Preliminary estimate

Source: Bureau of Labor Statistics – Labor Force Statistics from the Current Population Survey; Local Area Unemployment Statistics

UCLA economists are forecasting very sluggish growth for the State and national economies for the next several years but discounts the possibility of a double-dip recession. It was mentioned that the Federal stimulus spending failed to bring down the unemployment rate and the uncertain effects of broad new federal policies such as taxation, health care, and financial regulation, were impairing the economic recovery by making employers reluctant to hire new employees on a permanent basis. The forecast for California is still higher unemployment rate than the nation and income growth below the national average. By 2012, the UCLA economists see some improvement on personal income.

Federal Funding

In 2009-10, Federal government funds from the American Recovery and Reinvestment Act (ARRA) provided additional funds for Title 1 (\$108.8 million), State Fiscal Stabilization Funds (\$49.7 million), and Individuals with Disabilities Education Act (\$83.2 million). These funds were one-time in nature which boosted 2009-10 funds and will expire at the end of 2010-11. The District will also receive Federal funding for Education Jobs in the amount of \$114.8 million. Funds from both State Fiscal Stabilization Funds and the Education Jobs Fund have been set aside for salaries, benefits, and other expenses associated with retaining existing employees.

School District Budget

The following are some major highlights and guidelines used by LAUSD in the *revised* 2010-11 final budget adopted on October 5, 2010:

- COLA for revenue limit purposes for 2010-11, 2011-12, and 2012-13 are estimated at <0.39>%, 2.10%, and 2.40%, respectively, with deficit rates of 18.355% for 2010-11, 20.0330% for 2011-12, and 21.9116% for 2012-13. Effective COLA of 0% is assumed for fiscal years 2011-12 and 2012-13.
- Funded ADA for 2010-11, 2011-12, and 2012-13 are 572,885, 555,885, and 540,521, respectively.
- Flexibilities allowed in the budget includes transfers of categorical program balances for any educational purpose, which includes transfer to the unrestricted portion of the General Fund, with some exceptions; this flexibility is in effect from 2008-09 through 2012-13.
- Change in K-3 Class Size Reduction funding for fiscal years 2010-11 to 2011-12 to reflect the new funding structure and funding cap which is limited to the number of classes indicated in the 2008-09 application; entitlement for 2012-13 is estimated based on the old funding formula.
- Reduction of the required contribution into Ongoing and Major Maintenance Account from three percent to two percent of the General Fund expenditures through 2012-13.
- Elimination of the district's matching requirements of one-half of one percent for the Deferred Maintenance Program; the State share continues to be funded as part of the Tier III Categorical Programs and is included in the General Fund.
- Reduction of instructional days by five days without losing any incentive funding to maintain a 180-day school year.
- Suspension of the purchase of newly adopted instructional materials through 2012-13.
- For 2010-11, seven furlough days for AALA and UTLA members; eight furlough days for District-represented employees and Local 99 (Units B&C); and twelve furlough days for Unit S employees.
- A Reserve for Economic Uncertainty reflecting the statutory 1% requirement for districts over 400,000 ADA.
- Funding for employee health and medical benefits at the current negotiated collective bargaining agreements.

The District's ongoing financial challenges remain, at the core of which are declining enrollment's impact, revenue reduction, and employee health benefits' rising costs. The District will continue to work to address these challenges and respond to the continuing uncertain economic situation.

Superintendent's Strategic Plan

The Los Angeles Unified School District has four interconnected strategies that will help us meet our goals and ensure all students are college-prepared and career-ready.

1. Using data to drive standards based instruction – Use data to drive standards-based, effective instruction for all students, coupled with support and intervention, when students need extra assistance or accelerated learning.
2. Supporting All Employees – We are accountable for our students' success. We will use data to personalize the supports that all of our employees need to serve our students, from professional development and training, to creating measurable performance goals.
3. Budgeting for Student Achievement – We will make the District budget more transparent, align resources for greater impact and equity, and give schools the ability to target resources to meet their school specific needs, bringing funding and decision-making closer to schools and classrooms.

4. Creating and Supporting Quality Schools – We will analyze multiple data points to differentiate the service and support we deliver to schools. In addition, we will capture and share best practices across all of our schools regardless of school models.

Local Bonds:

a) Proposition BB Bonds

Proposition BB authorized the District to issue general obligation bonds in an amount not to exceed \$2.4 billion. The purpose of the issuance of the Bonds is to provide needed health and safety improvements to more than 800 deteriorating school buildings and 15,000 classrooms, including upgrading electrical wiring and plumbing; repairing decaying roofs and walls; earthquake retrofitting and asbestos removal; providing infrastructure for computer technology and science laboratories; providing air conditioning for classrooms; enhancing student safety with lighting, fences, and security systems; funding and/or providing matching funds for construction and additions at several schools and the building of 100 new schools to reduce class size and decrease busing.

The Bonds represent a general obligation of the District. The Board of Supervisors of the County of Los Angeles is empowered and obligated to levy ad valorem taxes, for the payment of the interest and principal of the Bonds, upon property subject to taxation by the District. Such taxes, when collected, will be placed by the County in the District's Debt Service Fund, which is required to be maintained by the County and used solely for the payment of the Bonds and interest thereon when due.

b) General Obligation Bonds – Proposition 39

Proposition 39, which was approved by California voters in November 2000, provides an alternative method for passage of school facilities bond measures by lowering the constitutional voting requirement from two-thirds to 55% of voters and allowing property taxes to exceed the current 1% limit in order to repay such bonds. This 55% lower threshold of voters approved applies only for bond issues to be used for construction, rehabilitation, and equipping of school facilities. Additional legislation also placed certain limitations on this lowered threshold, requiring that 1) two-thirds of the governing board of a school district approve placing a bond issue on the ballot, 2) the bond proposal is to be included on the ballot of a statewide or primary election, a regularly scheduled local election, or a statewide special election (rather than a school board election held at any time during the year), 3) the tax rate levied as a result of any single election cannot exceed \$25 for a community college district, \$60 for a unified school district, or \$30 for an elementary school or high school district per \$100,000 of taxable property value, 4) the governing board of the school district appoint a citizens' oversight committee to inform the public concerning the spending of the bond proceeds (the Blue Ribbon Citizens' Oversight Committee serves this role), and 5) an annual, independent financial and performance audit be required until all bond funds have been spent to ensure that the funds have been used only for the projects listed in the measure. The District is in full compliance with all Proposition 39 requirements. The District's Measure K, Measure R, Measure Y and Measure Q bond programs were authorized pursuant to Proposition 39.

- On the November 5, 2002 ballot, Measure K was approved and authorized the District to issue up to \$3.35 billion of General Obligation Bonds (Bonds). These funds would be used to: build new neighborhood schools, repair aging and deteriorating classrooms, improve early childhood programs, upgrade safety and technology, expand public charter schools, develop joint use projects in collaboration with city, state, federal, and private agencies, and provide for library books at new schools and improve library technology.

- Measure R or the Safe and Healthy Neighborhood Schools Improvement Act of 2004 was passed on March 2, 2004. The District was authorized to issue and sell up to \$3.87 billion in General Obligation Bonds to provide financing for specific school facilities projects subject to all of the accountability safeguards such as annual performance audits. All Bond expenditures are subject to review and oversight of the Citizens' Bond Oversight Committee.
- Measure Y or the Safe and Healthy Neighborhood Schools Repair and Construction Act of 2005 was passed on November 8, 2005. It authorized the District to issue and sell up to \$3.985 billion in General Obligation Bonds to provide funds for the renovation, modernization, construction, and expansion of school facilities. The District has established a separate Measure Y Building Fund to account for the income and expenditures of the bond proceeds.
- Measure Q or the Safe Healthy Neighborhood Schools Measure was passed on November 7, 2008. It authorized the District to issue and sell up to \$7.0 billion in General Obligation Bonds to continue to repair/upgrade aging/deteriorating classrooms, restrooms, upgrade fire and earthquake safety, reduce asbestos, lead paint, air pollution, water quality hazards, build/upgrade specialized classrooms students need to meet job and college requirements and improve classroom internet access. As of December 14, 2010, the District has not issued any Measure Q bonds.

Financial Information

The District maintains internal accounting controls designed to provide reasonable assurance that assets are safeguarded against loss from unauthorized use and disposition and to provide reliable records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes the importance of a close evaluation of costs and benefits, which requires estimates and judgments by management. The objective is to establish effective internal controls, the cost of which should not exceed the benefits derived therefrom. We believe that the District's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

School districts in California are required by Education Code Section 41010 to follow the California School Accounting Manual in preparing reports to the State. The District, in accordance with Board election on October 28, 2008, utilizes a single-adoption budget schedule that requires Final Budget adoption by the State-mandated July 1 deadline. The District is allowed to modify its adopted budget within 45 days of the passage of the State budget.

Education Code Section (EC§) 42600 mandates that a school district's expenditures may not legally exceed budgeted appropriations by major object classification, namely certificated salaries, classified salaries, employee benefits, books and supplies, services and other operating expenditures, capital outlay, other outgo, and other financing uses. EC §42600 further specifies that districts may not spend more than the amounts authorized in the Final Budget as adjusted during the fiscal year.

Encumbrance accounting is utilized to ensure effective budgetary control and accountability. Unencumbered appropriations lapse at year end and encumbrances outstanding at that time are reported as reservations or designations of fund balance for subsequent year expenditures.

Financial Results

In 2009-10, the Statement of Changes in Net Assets shows that the District's Net Assets decreased \$497.8 million during the year. The Unrestricted Net Assets, which are negative, declined from (\$1,492.5 million) to (\$1,959.6 million). The negative Unrestricted Net Assets are largely the result of the liability due to the

District's lifetime medical benefits for certain retirees. This liability increased from \$1,653.9 million to \$2,393.8 million during the year.

In 2009-10, the fund balance of the General Fund decreased \$87.1 million from \$750.0 million to \$662.9 million. This decrease was due to higher deficit factor, combined with a one-time per ADA revenue limit reduction.

Cash Management

Cash temporarily idle during the year and not needed immediately for operations is invested. Substantially all of the District's cash is deposited in the Los Angeles County treasury. The District is limited by EC §41015 and Government Code §53601 to investing in: U.S., state, or local government securities or U.S. government guaranteed securities; banker's acceptances or negotiable certificates of deposits issued by a nationally or state-chartered bank or savings and loan association; and commercial paper of "prime quality." These guidelines are followed by the County Treasurer's Office in making pool and specific investments for the District. At June 30, 2010, the District's cash in the county pool was \$6,170.1 million.

The District also maintains some cash deposits with various banking institutions. At June 30, 2010, cash deposits, including imprest funds in schools and offices, were \$30.7 million. These deposits are either covered by federal depository insurance or collateralized at the rate of 110% of the deposits.

The District also had \$71.7 million in cash deposit accounts held by various trustees for the acquisition or construction of fixed assets, and for the repayment of long-term debt.

Income earned from all cash deposits in 2009-10 was \$82.6 million.

Risk Management

The District maintains various insurance programs, the majority of which are partially or entirely self-insured, while the smaller and/or specialized types of coverage are placed with commercial insurance carriers including excess property coverage (\$1 billion above a \$500,000 self-insurance retention for 2009-10) for loss due to i.e. fire, wind, water, and vandalism.

The District is self-insured for its Workers' Compensation Program and partially self-insured for the Liability Insurance (excess coverage of \$45 million above a \$5 million self-insurance retention for 2009-10) and Health and Welfare Insurance Programs. Separate Funds are used to account for amounts set aside to pay claims incurred and related expenditures under the respective insurance programs.

Liabilities for loss and loss adjustment expenses under each workers' compensation and general liability program include the accumulation of estimates for losses reported prior to the balance sheet date, estimates of losses incurred but not reported, and estimates of expenses for investigating and adjusting reported and unreported losses.

Such liabilities are estimates of the future expected settlements and are based upon analysis of historical patterns of the number of incurred claims and their values. Individual reserves are continually monitored and reviewed, and as settlements are made or reserves adjusted, the differences are reflected in current operations. (See Note 9 on pages 50 and 51 for a further discussion of Risk Management).

The District has implemented an Owner Controlled Insurance Program (OCIP) covering new construction and renovation projects funded by school bonds. Under an OCIP, the District provides general liability and workers' compensation insurance coverage for construction contractors. Because contractors remove insurance costs from their bids, savings accrue to the District. Under the District's OCIP program, workers' compensation coverage with statutory limits, and primary general liability and excess liability

coverage with limits of \$100 million have been underwritten by three major insurance carriers. Savings to the District over the life of the construction program are estimated to be approximately \$72 million under OCIP I (05/01/1999 – 05/01/2006) and \$117 million under OCIP II (05/01/2006 – 05/01/2013).

The District also has purchased pollution liability insurance coverage for the construction program. Two policies protect contractors and the District from losses resulting from pollution-related incidents occurring during construction. One policy provides coverage to ensure that site clean-up cost overruns are not borne by the District. The limits of coverage on the clean-up cost-cap policy are variable by specific project. The total limit available on the other policies is \$50 million.

Other Post Employment Benefits

The District offers lifetime medical benefits to retirees who meet certain conditions. The latest actuarial report estimates the present value of this liability for the benefits to be \$10 billion. Generally Accepted Accounting Principles require the District to recognize this liability on the District's financial statements over a 30 year period. As mentioned above, the District recognized an additional liability of \$740 million in the current year.

The recognition of this liability has caused the District's Unrestricted Net Assets to become negative. This trend is expected to continue. Unless the District begins to fund its OPEB liability, the District's Total Liabilities will eventually exceed its Total Assets.

Office of the Inspector General

In addition to the independent audit, the District has an Office of the Inspector General (OIG). The OIG reports directly to the Board of Education and is comprised of both auditors and investigators who are authorized to examine any and all functions within the District as well as those entities that do business with the District. The OIG is responsible for detecting and preventing waste, fraud, and abuse, performing contract audits, and for conducting performance audits of District operations in accordance with Government Auditing Standards.

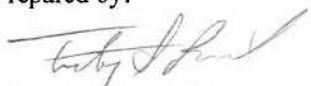
Acknowledgments

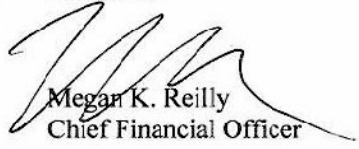
We wish to express our appreciation to the Division of Accounting and Disbursements team, the various District divisions who assisted in the preparation of this report, and acknowledge the effort of our independent auditors.

Respectfully submitted,

Ramon C. Cortines
Superintendent of Schools

Prepared by:


Timothy S. Rosnick
Controller


Megan K. Reilly
Chief Financial Officer

BOARD OF EDUCATION

Mónica García
PRESIDENT

Marguerite Poindexter LaMotte

Yolie Flores

Tamar Galatzan

Nury Martinez

Steve Zimmer

Richard Vladovic

PRINCIPAL SCHOOL DISTRICT OFFICIALS

Ramon C. Cortines
Superintendent of Schools

John Deasy
Deputy Superintendent of Schools
(Effective August 1, 2010)

Megan K. Reilly
Chief Financial Officer

Timothy S. Rosnick
Controller

LOCAL DISTRICT (LD) SUPERINTENDENTS

Linda Del Cueto – LD 1
(Effective July 1, 2010)

Robert A. Martinez – LD 5

Jean Brown – LD 1
(Retired effective June 30, 2010)

Rowena Lagrosa – LD 6
(Interim – Effective July 26, 2010)

Alma Pena-Sanchez – LD 2

Martin Galindo – LD 6
(July 1, 2006 – July 25, 2010)

Gay Havard – LD3
(Interim – Effective July 1, 2010)

George McKenna – LD 7
(Effective September 1, 2009)

Michelle King – LD 3
(February 19, 2008 – June 30, 2010)

Liza Scruggs – LD 7
(Interim – July 1, 2009 – August 31, 2009)

Dale Vigil – LD 4
(Interim – Effective July 1, 2010)

Michael Romero – LD 8
(Interim – Effective July 1, 2010)

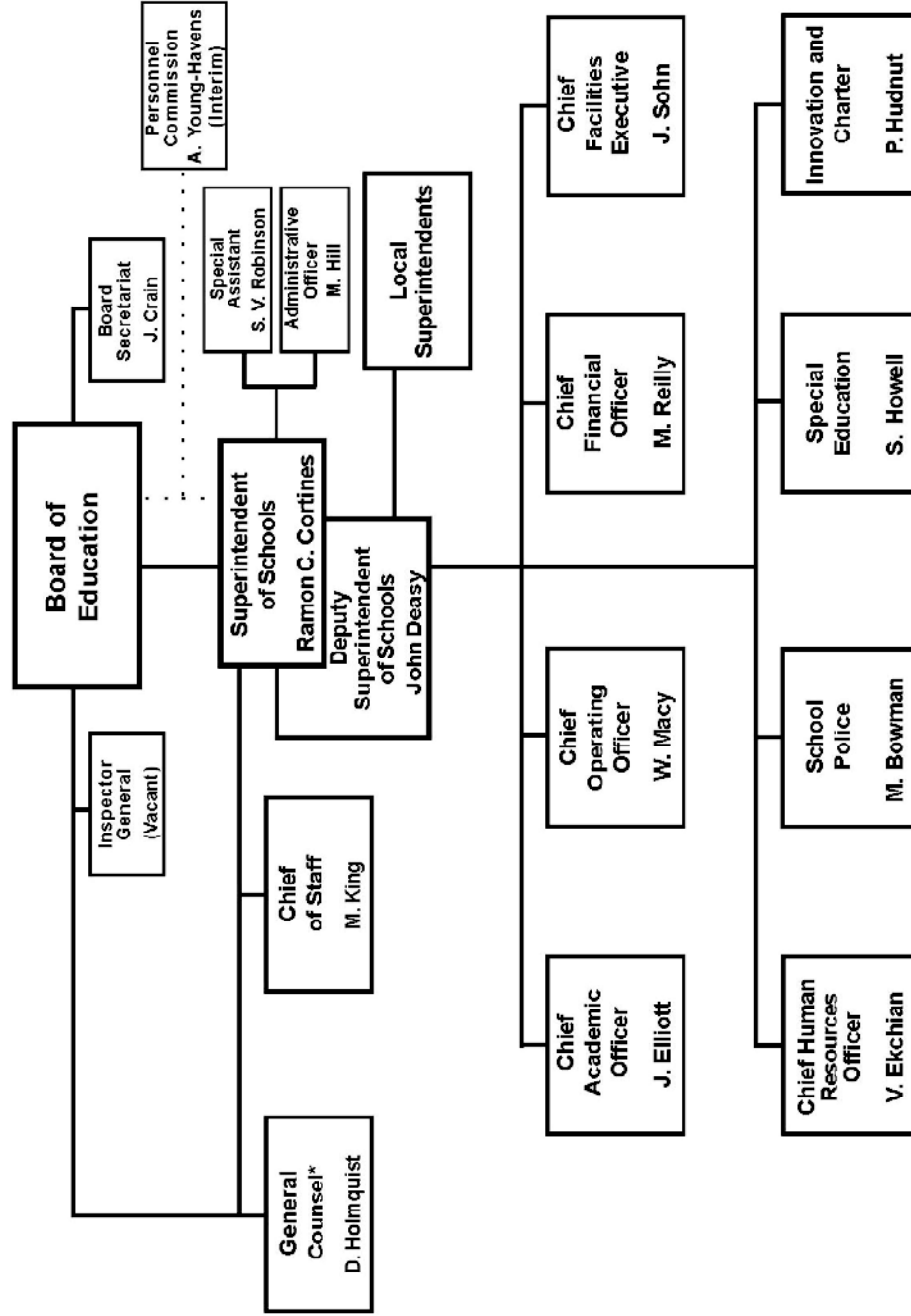
Byron Maltez – LD 4
(Interim – July 1, 2009 – June 30, 2010)

Linda Del Cueto – LD 8
(July 1, 2007 – June 30, 2010)

Los Angeles Unified School District

Organization of Central Support System

Los Angeles Unified School District
2010-2011 Organization Chart
7-1-2010



* General Counsel reports directly to the Board of Education and Superintendent





3600 WILSHIRE BOULEVARD, SUITE 1710
LOS ANGELES, CA 90010
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRANARD C. SIMPSON, CPA
CARL P. SIMPSON, CPA

Independent Auditor's Report

The Honorable Board of Education
Los Angeles Unified School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Los Angeles Unified School District** (the District), as of and for the year ended June 30, 2010, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the Education Audit Appeals Panel's *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2009-10*. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. 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 the 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 each major fund, and the aggregate remaining fund information of the Los Angeles Unified School District as of June 30, 2010, and the respective changes in financial position, and where applicable, cash flows, , thereof and respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the Los Angeles Unified School District adopted the provisions of GASB Statement No. 51, *Accounting and Financial Reporting of Intangible Assets*, for the year ended June 30, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2010 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



CPA. Never Underestimate The Value.™



Management's discussion and analysis on pages 3 to 13, and the required supplementary information on page 66 are not required parts of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. 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 introductory section, the supplementary information section, the statistical section, and the state and federal compliance information section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The supplementary information section on pages 67 to 122, the schedule of expenditures of federal awards and the information on pages 208 to 213, pages 189 to 203 and page 207 in the state and federal compliance information section have 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 as a whole. The information in the introductory and statistical sections, the information on pages 171 to 188, and pages 204 to 206 in the state and federal compliance information section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in cursive script, reading 'Simpson & Simpson'. The signature is written in dark ink and is positioned above the typed name and date.

Los Angeles, California
December 14, 2010

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2010

As management of the Los Angeles Unified School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-viii of this report.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$4.2 billion (net assets). This amount is net of a \$2.0 billion deficit in unrestricted net assets resulting from the recognition of unfunded liabilities for other postemployment benefits (OPEB).
- The District's total net assets decreased by \$497.8 million from prior year total, primarily due to the recognition of OPEB expense as stated above.
- As of the close of the 2010 fiscal year, the District's governmental funds reported combined ending fund balances of \$5.7 billion, an increase of \$2.6 billion from June 30, 2009.
- At the end of the current fiscal year, unreserved fund balance for the General Fund, including designated for economic uncertainties, was \$358.1 million, or 5.8% of total General Fund expenditures.
- The District's total long-term obligations increased by \$4.6 billion (41.3%) during the current fiscal year. The increase resulted primarily from new issues of general obligation bonds.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Each of the government-wide financial statements relates to functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the District are all related to public education.

The government-wide financial statements can be found on pages 14-15 of this report.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2010

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains 23 individual governmental funds. In the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances, separate columns are presented for General fund, District bonds fund, and all others. Individual account data for each of the District bonds and all other nonmajor governmental funds are provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget.

The governmental fund financial statements can be found on pages 16 and 18 of this report.

Proprietary funds. The District maintains Internal Service Funds as the only type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses internal service funds to account for Health and Welfare Benefits, Workers' Compensation Self-Insurance, and Liability Self-Insurance. Because all of these services benefit governmental functions, they have been included within governmental activities in the government-wide financial statements.

It is the District's practice to record estimated claim liabilities at the present value of the claims, in conformity with the accrual basis of accounting, for all its internal service funds.

The proprietary fund financial statements can be found on pages 21-23 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements can be found on pages 24-25 of this report.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2010

Notes to basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-65 of this report.

Combining and individual fund schedules and statements. The combining schedules and statements showing the individual accounts within the District bonds and nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund schedules and statements can be found on pages 67-111 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets over time may serve as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$4.2 billion at the close of the most recent year.

By far the largest portion of the District's net assets (\$4.9 billion) reflects its investments in capital assets (e.g., land, buildings, and equipment), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investments in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's restricted net assets (\$1.3 billion) represent resources that are subject to external restrictions on how they may be used. The remaining negative balance in unrestricted net assets (\$2.0 billion) resulted from the recognition of \$2.4 billion of net OPEB obligation.

At the end of the 2010 fiscal year, the District is able to report positive balances in all categories of net assets except for unrestricted net assets.

The \$1.4 billion increase in capital assets primarily relates to the continuing school construction and modernization projects throughout the District.

Long-term liabilities increased by \$4.6 billion primarily due to issuance of general obligation bonds.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2010

Summary Statement of Net Assets (in thousands)

As of June 30, 2010 and 2009:

	Governmental Activities	
	2010	2009 (restated)
Current Assets	\$ 8,148,995	\$ 5,419,997
Capital Assets, net	13,735,339	12,330,406
Total Assets	21,884,334	17,750,403
Current Liabilities	1,898,322	1,698,459
Long-term Liabilities	15,752,067	11,320,187
Total Liabilities	17,650,389	13,018,646
Net Assets:		
Invested in capital assets, net of related debt	4,910,954	4,584,300
Restricted for:		
Debt service	354,884	319,085
Program activities	927,669	1,320,877
Unrestricted	(1,959,562)	(1,492,505)
Total Net Assets	\$ 4,233,945	\$ 4,731,757

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2010

Summary Statement of Changes in Net Assets (in thousands)

As of June 30, 2010 and 2009:

	Governmental Activities	
	2010	2009 (restated)
Revenues:		
Program Revenues:		
Charges for services	\$ 69,125	\$ 62,409
Operating grants and contributions	3,177,683	3,278,482
Capital grants and contributions	300,172	924,952
Total Program Revenues	<u>3,546,980</u>	<u>4,265,843</u>
General Revenues:		
Property taxes levied for general purposes	938,189	927,441
Property taxes levied for debt service	740,719	598,980
Property taxes levied for community redevelopment	6,054	1,295
State aid – formula grants	2,039,028	2,517,499
Grants, entitlements, and contributions not restricted to specific programs	393,192	453,643
Unrestricted investment earnings	58,323	74,859
Miscellaneous	27,470	87,949
Total General Revenues	<u>4,202,975</u>	<u>4,661,666</u>
Total Revenues	<u>7,749,955</u>	<u>8,927,509</u>
Expenses:		
Instruction	3,900,813	4,291,864
Support services:		
Support services – students	317,859	359,087
Support services – instructional staff	428,734	623,621
Support services – general administration	43,561	60,395
Support services – school administration	466,481	518,838
Support services – business	204,002	134,008
Operation and maintenance of plant services	660,647	758,813
Student transportation services	155,813	168,837
Data processing services	68,949	98,013
Operation of noninstructional services	403,956	370,016
Facilities acquisition and construction services	115,474	119,137
Other uses	615	240
Interest expense	495,266	551,163
Depreciation – unallocated	245,712	302,298
Unfunded OPEB Expense – unallocated	739,885	821,261
Total Expenses	<u>8,247,767</u>	<u>9,177,591</u>
Changes in Net Assets	<u>(497,812)</u>	<u>(250,082)</u>
Net assets – beginning, restated	<u>4,731,757</u>	<u>4,981,839</u>
Net assets – ending	<u><u>\$ 4,233,945</u></u>	<u><u>\$ 4,731,757</u></u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

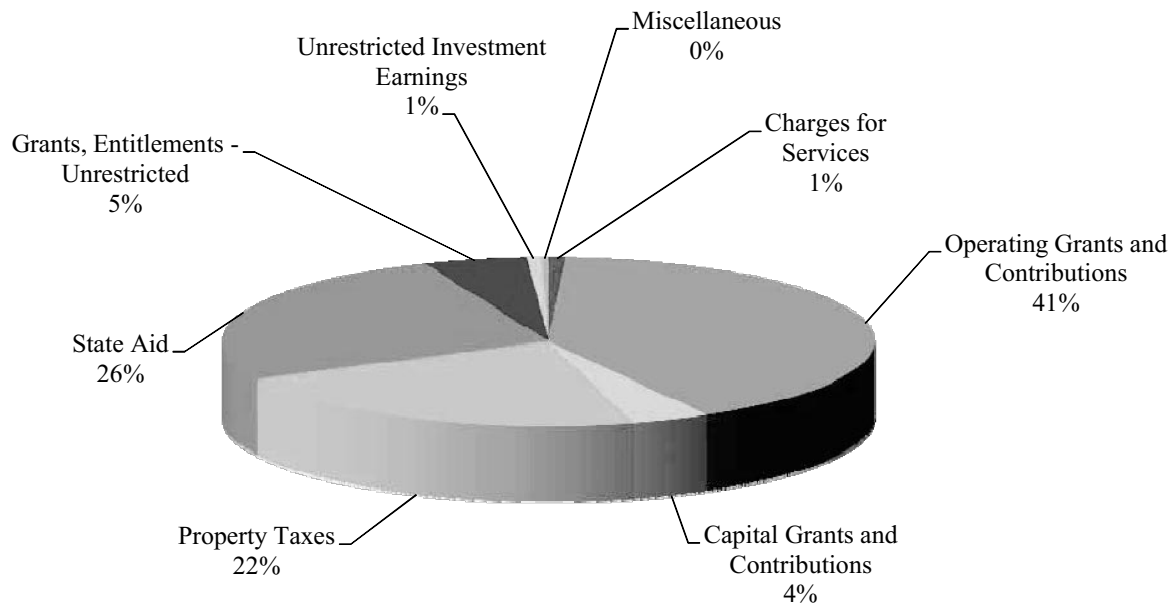
Management's Discussion and Analysis

June 30, 2010

The District's net assets decreased by \$497.8 million in the current fiscal year. The major components of this decrease are in capital grants and contributions (\$624.8 million) due to decreased funding from the State bond funds, and in total general revenues (\$458.7 million) due to higher deficit factor on revenue limit sources.

The following graph shows that operating grants and contributions and state aid are the main revenue sources of the District.

**Revenues by Source
Year ended June 30, 2010**

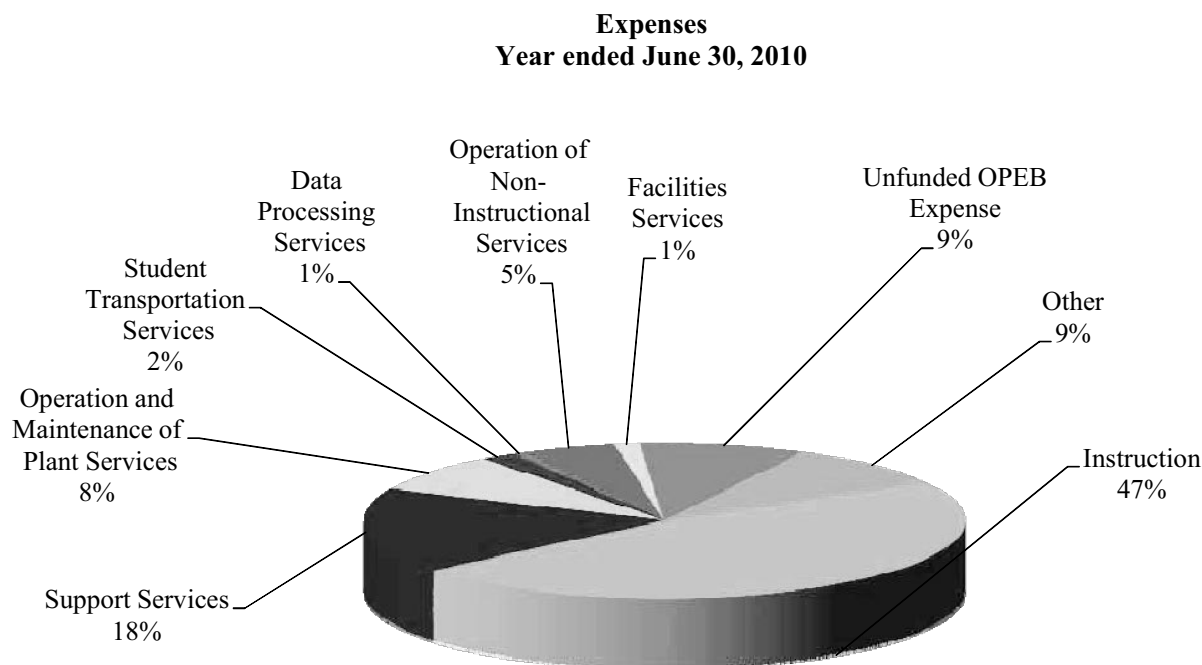


LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2010

The following graph shows that instruction and support services are the main expenditures of the District.



Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to facilitate compliance with finance-related requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$5.7 billion, an increase of \$2.6 billion in comparison with the prior year. Approximately 94.5% (\$5.3 billion) of this total combined ending fund balance constitutes unreserved fund balance, which is available for spending at the District's discretion. The remaining 5.5% is reserved to indicate that it is not available for new spending because it has already been committed for: legally restricted balances (\$294.0 million), inventories and prepaid expenses (\$13.2 million), and revolving cash (\$6.7 million).

The General Fund is the primary operating fund of the District. At the end of the 2010 fiscal year, the unreserved fund balance of the General Fund was \$358.1 million, while the total fund balance is \$662.9 million. As a measure of the General Fund's liquidity, it may be useful to compare both the unreserved fund balance and the total fund balance to the total fund expenditures. The unreserved fund balance represents 5.8% of the total General Fund expenditures, while the total fund balance represents 10.8% of that same amount.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2010

The fund balance of the District's General Fund decreased by \$87.1 million during the current fiscal year as a result of lower revenues. Revenues are \$441.1 million lower compared to last fiscal year, and although expenditures are also lower, the savings was not enough to offset the decline in revenue.

Other changes in fund balances in the governmental funds are detailed as follows (in thousands):

	Other Governmental Funds					Total
	District Bonds	Special Revenue	Debt Service	Other Capital Projects	County School Facilities Bond	
Fund balance, June 30, 2010:						
Reserved for:						
Revolving cash and imprest funds	\$ 3,800	\$ 114	\$ –	\$ –	\$ –	\$ 114
Inventories	–	5,195	–	–	–	5,195
Unreserved	3,488,803	122,508	703,453	166,949	501,615	1,494,525
Total	3,492,603	127,817	703,453	166,949	501,615	1,499,834
Fund balance, July 1, 2009	733,084	166,000	554,753	268,577	534,745	1,524,075
Increase (decrease) in fund balance	\$ 2,759,519	\$ (38,183)	\$ 148,700	\$ (101,628)	\$ (33,130)	\$ (24,241)

The fund balance increased during the current year: for the District Bonds, due to the issuance of over \$4 billion of general obligation bonds; and for the Debt Service, due to increased debt service requirements in the Bond Interest and Redemption Fund as a result of higher outstanding debt. The fund balance decreased for the Special Revenue, primarily due to redirection of deferred maintenance apportionments to the General Fund in accordance with the State flexibility provision while program spending continues from available fund balance; for Other Capital Projects, due to spending down of project funds obtained from Certificate of Participation financing; and for County School Facilities Bonds, as a result of lower apportionments from the State bond proceeds.

Proprietary funds. The District's proprietary funds provide the same type of information found in the government-wide financial statements.

At the end of the year, the District's proprietary funds have unrestricted net assets of \$164.8 million. The net increase of \$123.9 million in the current year can be attributed to lower premiums and claims expense due to changes in health and medical plans and continuing loss control measures in the workers' compensation program.

General Fund Budgetary Highlights

The District closely reviews its revenue and expenditure data to ensure that a sufficient ending balance is maintained. This review occurs throughout the fiscal year, utilizing the State-mandated first and second interim financial reports, and at year end, utilizing the actual revenue and expenditure data.

Differences between the 2009-10 General Fund original budget (the 2009-10 Final Budget adopted by the Board of Education in June 2009) and the amended final budget resulted in an overall decrease in the ending balance by \$620.7 million. Technical adjustments to the adopted budget were necessary to reflect additional revenues in the General Fund and a corresponding increase in related expenditures, in conformity with categorical flexibility

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2010

provisions and recommended accounting treatment. After eliminating the effects of these adjustments, the decrease in ending balance is primarily due to decreased budgeted revenue based on additional State budget information and changes known subsequent to adoption of the June 30 budget. These include increase in the Revenue Limit deficit rate from 17.967% to 18.355%, additional revenue limit reduction of \$252.83 per ADA, and retraction of \$359 million of Federal ARRA State Fiscal Stabilization Funds originally estimated to be received in 2009-10 but actually received in late 2008-09.

The General Fund ending balance increased by \$378.8 million compared to the Final Budget due to lower expenditures, offset by lower revenues. The \$220.4 million unfavorable variance in revenues and other financing sources between the final budget and actual occurred primarily because multi-year categorical program revenues were budgeted in their entirety but earned only to the extent that expenditures occurred.

The \$599.2 million favorable variance in expenditures and other financing uses between the final budget and actual occurred primarily due to under-expenditure in all objects of expenditure in both unrestricted and restricted programs, but mainly in salaries (\$325.9 million) and books and supplies (\$135.6 million). The under-expenditure is due to budget reductions, furlough, and expenditure freeze implemented during the year and also because expenditures in categorical (specially-funded) programs were less than the budget. A significant portion of the categorical variances resulted from the factor described in the revenue variance – the full budgeting of expenditures in the first year of multi-year grants.

Capital Assets and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2010 amounts to \$13.7 billion (net of accumulated depreciation), a 11.4% increase from the prior year. The investment in capital assets includes sites, improvement of sites, buildings and improvements, equipment and construction in progress, net of any related accumulated depreciation.

Major capital asset events during the current fiscal year included the following:

- Continuing construction of additional school buildings as well as school modernization projects throughout the District. Construction in progress as of the close of the fiscal year was \$3.6 billion.
- Various building additions and modernizations were completed at a cost of \$0.8 billion.
- A total of 11 new schools were completed and opened in the 2009-10 school year.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2010

Capital Assets (net of accumulated depreciation)

As of June 30, 2010 and 2009 (in thousands):

	Governmental Activities	
	2010	2009
Sites	\$ 3,069,920	\$ 2,969,404
Improvement of sites	215,635	215,420
Buildings and improvements	6,724,488	6,196,847
Equipment	145,397	133,217
Construction in progress	3,579,899	2,815,518
Total	<u>\$ 13,735,339</u>	<u>\$ 12,330,406</u>

Additional information on the District's capital assets can be found in Note 7 on pages 41-42 of this report.

Long-term obligations. At the end of the current fiscal year, the District had total long-term obligations of \$15.8 billion. Of this amount, \$12.1 billion comprises debt to be repaid by voter-approved property taxes and not by the General Fund of the District.

Outstanding Obligations

Summary of long-term obligations is as follows (in thousands):

	Governmental Activities	
	2010	2009
General Obligation Bonds	\$ 12,114,504	\$ 8,223,575
Certificates of Participation (COPs)	459,019	442,655
Capital Lease Obligations	2,628	3,008
Children's Center Facilities Revolving Loan	792	792
California Energy Commission Loan	439	663
Liability for Employee Benefits	224,884	234,586
Self-insurance Claims	528,345	551,769
Other Postemployment Benefits (OPEB)	2,393,811	1,653,926
Arbitrage Payable	12,445	11,967
Legal Settlements	15,200	25,378
Total	<u>\$ 15,752,067</u>	<u>\$ 11,148,319</u>

The District's total long-term obligations increased by \$4.6 billion (41.3%) during the current fiscal year. The key factors in this increase were the issuance of general obligation bonds during the year and the recognition of additional net OPEB obligation.

Long-Term Credit Ratings

Moody's Investor Service ("Moody's") and Standard and Poor's ("S&P") currently rate the District's General Obligation Bonds and Certificates of Participation (COPs). The District requested withdrawal of all Fitch ratings in September 2009. The District's current underlying ratings on its general obligation bonds are "Aa2" and "AA-" from Moody's and S&P, respectively. The District's current underlying ratings on its nonabatable leases (COPs) are "Aa3" and "A+" from Moody's and S&P, respectively; for abatable leases (COPs), the underlying ratings are "A1" and "A+" from Moody's and S&P, respectively. The District purchased municipal bond insurance and/or reserve surety bond policies at the time of issuance for some of its COPs and bonds. Moody's, S&P and Fitch assigned insured ratings of "Aaa", "AAA" and "AAA", respectively, on said COPs and bonds at the time of issuance. Subsequent to February 1, 2008, the rating agencies downgraded the ratings of certain bond insurers, including all of those who had issued bond insurance policies and/or surety bonds on District issues.

State statutes limit the issuance of general obligation bond debt by a unified school district if the outstanding general obligation bonds are more than 2.5% of its total taxable property. The debt limitation for the District as of June 30, 2010 is \$11.9 billion, which is in excess of the District's outstanding general obligation bond debt after reflecting assets available in the Bond Interest and Redemption Fund for payment of principal.

Additional information on the District's long-term obligations can be found in Notes 10 and 11 on pages 51-59 of this report.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. This report is available on the District's website (www.lausd.net). Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Chief Financial Officer, Los Angeles Unified School District, P.O. Box 513307-1307, Los Angeles, California 90051-1307.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Net Assets
June 30, 2010
(in thousands)

	Governmental Activities
Assets:	
Cash and cash equivalents	\$ 6,231,489
Investments	785,256
Property taxes receivable	86,802
Accounts receivable, net	928,327
Accrued interest receivable	24,247
Prepaid expense	12,866
Deferred charges	66,845
Inventories	13,163
Capital assets:	
Sites	3,069,920
Improvement of sites	523,083
Buildings and improvements	8,992,789
Equipment	1,169,506
Construction in progress	3,579,899
Less accumulated depreciation	<u>(3,599,858)</u>
Total Capital Assets, Net of Depreciation	<u>13,735,339</u>
Total Assets	<u>21,884,334</u>
Liabilities:	
Vouchers and accounts payable	439,134
Contracts payable	92,473
Accrued payroll	207,437
Accrued interest	254,828
Other payables	74,677
Unearned revenue	65,418
Tax and revenue anticipation notes and related interest payable	764,355
Long-term liabilities:	
Portion due within one year	485,669
Portion due after one year	<u>15,266,398</u>
Total Liabilities	<u>17,650,389</u>
Net Assets:	
Invested in capital assets, net of related debt	4,910,954
Restricted for:	
Debt service	354,884
Program activities	927,669
Unrestricted	<u>(1,959,562)</u>
Total Net Assets	<u><u>\$ 4,233,945</u></u>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Activities
Year Ended June 30, 2010
(in thousands)

Functions/programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Instruction	\$ 3,900,813	\$ 6,440	\$ 1,705,758	\$ —
Support Services – students	317,859	—	240,346	—
Support Services – instructional staff	428,734	211	348,196	—
Support Services – general administration	43,561	—	852	—
Support Services – school administration	466,481	—	143,125	—
Support Services – business	204,002	18,002	70,894	—
Operation and maintenance of plant services	660,647	13,496	168,318	4,293
Student transportation services	155,813	—	154,069	—
Data processing services	68,949	—	3,369	—
Operation of non-instructional services	403,956	12,229	342,381	—
Facilities acquisition and construction services*	115,474	18,747	375	295,879
Other Uses	615	—	—	—
Interest expense	495,266	—	—	—
Depreciation – unallocated**	245,712	—	—	—
Unfunded OPEB Expense – unallocated	739,885	—	—	—
Total Governmental Activities	<u>\$ 8,247,767</u>	<u>\$ 69,125</u>	<u>\$ 3,177,683</u>	<u>\$ 300,172</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				938,189
Property taxes, levied for debt service				740,719
Property taxes, levied for community redevelopment				6,054
State aid – formula grants				2,039,028
Grants, entitlements, and contributions not restricted to specific programs				393,192
Unrestricted investment earnings				58,323
Miscellaneous				27,470
Total General Revenues				<u>4,202,975</u>
Change in Net Assets				(497,812)
Net Assets – Beginning of Year, restated				<u>4,731,757</u>
Net Assets – End of Year				<u>\$ 4,233,945</u>

* This amount represents expenses incurred in connection with activities related to capital projects that are not otherwise capitalized and included as part of capital assets (for example, project manager fees).

** This amount excludes the depreciation that is included in the direct expenses of the various programs.

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2010
(in thousands)

	General	District Bonds	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash in county treasury, in banks, and on hand	\$ 299,711	\$ 3,648,357	\$ 1,483,709	\$ 5,431,777
Cash held by trustee	23,964	300	47,444	71,708
Investments	764,958	—	20,298	785,256
Taxes receivable	—	—	86,802	86,802
Accounts receivable – net	878,838	6,405	40,934	926,177
Accrued interest receivable	6,724	12,030	2,790	21,544
Due from other funds	25,300	—	—	25,300
Inventories	7,968	—	5,195	13,163
Total Assets	\$ 2,007,463	\$ 3,667,092	\$ 1,687,172	\$ 7,361,727
Liabilities and Fund Balances:				
Vouchers and accounts payable	\$ 256,293	\$ 104,252	\$ 27,553	\$ 388,098
Contracts payable	3,785	70,224	18,464	92,473
Accrued payroll	210,310	13	—	210,323
Other payables	53,983	—	19,631	73,614
Due to other funds	—	—	25,300	25,300
Deferred revenue	55,830	—	96,390	152,220
Tax and revenue anticipation notes and related interest payable	764,355	—	—	764,355
Total Liabilities	1,344,556	174,489	187,338	1,706,383
Fund Balances:				
Reserved	304,762	3,800	5,309	313,871
Unreserved:				
Designated	238,603	3,488,803	—	3,727,406
Designated, reported in:				
Special revenue funds	—	—	122,508	122,508
Capital projects funds	—	—	666,273	666,273
Undesignated	119,542	—	—	119,542
Undesignated, reported in:				
Debt Service	—	—	703,453	703,453
Capital projects funds	—	—	2,291	2,291
Total Fund Balances	662,907	3,492,603	1,499,834	5,655,344
Total Liabilities and Fund Balances	\$ 2,007,463	\$ 3,667,092	\$ 1,687,172	\$ 7,361,727

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2010
(in thousands)

Total Fund Balances – Governmental Funds	\$ 5,655,344
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$17,335,197 and the accumulated depreciation is \$3,599,858.	13,735,339
Property taxes receivable will be collected this year, but are not available soon enough to pay the current period's expenditures and therefore are deferred in the funds.	86,802
An internal service fund is used by the District's management to charge the costs of health and welfare, workers' compensation and liability self-insurance premiums and claims to the individual funds. The assets and liabilities of the internal service funds are included in the governmental activities.	164,774
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(15,475,159)
Other assets – deferred charges are not reflected in the fund financials.	<u>66,845</u>
Total Net Assets – Governmental Activities	<u><u>\$ 4,233,945</u></u>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2010
(in thousands)

	General	District Bonds	Other Governmental Funds	Total Governmental Funds
Revenues:				
Revenue limit sources	\$ 2,977,215	\$ —	\$ —	\$ 2,977,215
Federal revenues	963,978	—	325,565	1,289,543
Other state revenues	2,159,371	—	407,163	2,566,534
Other local revenues	108,061	31,779	778,598	918,438
Total Revenues	<u>6,208,625</u>	<u>31,779</u>	<u>1,511,326</u>	<u>7,751,730</u>
Expenditures:				
Current:				
Certificated salaries	2,807,932	—	121,938	2,929,870
Classified salaries	908,079	51,563	166,835	1,126,477
Employee benefits	1,407,416	24,794	149,029	1,581,239
Books and supplies	260,122	3,259	132,505	395,886
Services and other operating expenditures	760,731	29,302	77,449	867,482
Capital outlay	18,206	1,267,005	392,647	1,677,858
Debt service – principal	1,520	—	288,160	289,680
Debt service – bond, COPs, and capital leases interest	188	—	437,394	437,582
Other outgo	615	—	—	615
Total Expenditures	<u>6,164,809</u>	<u>1,375,923</u>	<u>1,765,957</u>	<u>9,306,689</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>43,816</u>	<u>(1,344,144)</u>	<u>(254,631)</u>	<u>(1,554,959)</u>
Other Financing Sources (Uses):				
Transfers in	78,873	106,166	354,602	539,641
Transfers – support costs	11,630	—	(11,630)	—
Transfers out	(224,362)	(85,148)	(242,760)	(552,270)
Issuance of bonds	—	4,082,645	—	4,082,645
Premium on bonds issued	—	—	92,908	92,908
Issuance of refunding bonds	—	—	149,760	149,760
Payment to refunded bond escrow agent	—	—	(163,199)	(163,199)
Issuance of COPs	—	—	40,728	40,728
Issuance of refunding COPs	—	—	69,685	69,685
Payment to refunded COPs escrow agent	—	—	(65,328)	(65,328)
Premium on COPs issued	—	—	3,771	3,771
Insurance proceeds – fire damage	2,057	—	—	2,057
Capital leases	931	—	—	931
Land and building sale/lease	—	—	2,371	2,371
Facilities revolving funds	—	—	(518)	(518)
Total Other Financing Sources (Uses)	<u>(130,871)</u>	<u>4,103,663</u>	<u>230,390</u>	<u>4,203,182</u>
Net Changes in Fund Balances	<u>(87,055)</u>	<u>2,759,519</u>	<u>(24,241)</u>	<u>2,648,223</u>
Fund Balances, July 1, 2009	<u>749,962</u>	<u>733,084</u>	<u>1,524,075</u>	<u>3,007,121</u>
Fund balances, June 30, 2010	<u>\$ 662,907</u>	<u>\$ 3,492,603</u>	<u>\$ 1,499,834</u>	<u>\$ 5,655,344</u>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities
June 30, 2010
(in thousands)

Total Net Changes in Fund Balances – Governmental Funds	\$ 2,648,223
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$1,677,858) and gain on exchange of capital assets (\$79) exceed depreciation (\$264,176) in the period.	1,413,761
Some of the capital assets acquired this year were financed with capital leases. The amount financed is reported in the governmental funds as a source of financing. On the other hand, the proceeds are not revenues in the statement of activities, but rather, constitute long-term liabilities in the statement of net assets.	(931)
Proceeds of new debt and repayment of debt principal are reported as other financing sources and uses in the governmental funds, but constitute additions and reductions to liabilities in the statement of net assets.	(3,842,600)
Premiums, discounts, refunding charges and issuance costs are reported as other financing sources and uses in the governmental funds, but presented as liabilities or deferred charges, net of amortization in the statement of net assets.	(52,229)
Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues for this year.	6,349
In the statement of activities, compensated absences and other retirement benefits are measured by the amounts the employees 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).	11,701
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of financial resources. In the statement of activities, however, interest expense is recognized as interest accrues, regardless of when it is due.	(67,005)
Some expenses, including legal settlements and rebatable arbitrage, are recognized in the government wide statements as soon as the underlying event has occurred but not until due and payable in the governmental funds.	872
OPEB expenditures are recorded in the governmental funds to the extent of amounts actually funded. In the statement of activities, however, the expense is recorded for the full amount of the accrual-basis annual OPEB cost.	(739,885)
An internal service fund is used by the District's management to charge the costs of health and welfare, workers' compensation and liability self-insurance premiums and claims to the individual funds. The net revenue of the internal service fund is reported with governmental activities.	123,932
Changes in Net Assets of Governmental Activities	<u>\$ (497,812)</u>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
General Fund
Year Ended June 30, 2010
(in thousands)

	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
	Original	Final		
Revenues:				
Revenue limit sources	\$ 3,154,009	\$ 2,973,733	\$ 2,977,215	\$ 3,482
Federal revenues	1,355,080	1,099,697	963,978	(135,719)
Other state revenues	1,872,334	2,189,195	2,159,371	(29,824)
Other local revenues	106,676	113,449	108,061	(5,388)
Total Revenues	6,488,099	6,376,074	6,208,625	(167,449)
Expenditures:				
Current:				
Certificated salaries	2,939,220	3,083,045	2,807,932	275,113
Classified salaries	888,032	958,879	908,079	50,800
Employee benefits	1,411,769	1,432,870	1,407,416	25,454
Books and supplies	334,585	395,742	260,122	135,620
Services and other operating expenditures	716,748	816,827	760,731	56,096
Capital outlay	44,423	78,125	18,206	59,919
Debt service – principal	1,946	2,213	1,520	693
Debt service – bond, COPs, and capital leases interest	1,969	1,969	188	1,781
Other outgo	650	650	615	35
Total Expenditures	6,339,342	6,770,320	6,164,809	605,511
Excess (Deficiency) of Revenues Over (Under) Expenditures	148,757	(394,246)	43,816	438,062
Other Financing Sources (Uses):				
Transfers in	16,722	107,717	78,873	(28,844)
Transfers – support costs	6,199	18,299	11,630	(6,669)
Transfers out	(43,934)	(224,718)	(224,362)	356
Issuance of COPs	20,114	20,114	—	(20,114)
Insurance proceeds – fire damage	5,000	5,000	2,057	(2,943)
Capital leases	1,999	1,999	931	(1,068)
Total Other Financing Sources (Uses)	6,100	(71,589)	(130,871)	(59,282)
Net Changes in Fund Balances	\$ 154,857	\$ (465,835)	(87,055)	\$ 378,780
Fund Balances, July 1, 2009			749,962	
Fund Balances, June 30, 2010			\$ 662,907	

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Net Assets
Proprietary Funds
Governmental Activities – Internal Service Funds
June 30, 2010
(in thousands)

Assets:	
Cash in county treasury, in banks, and on hand	\$ 728,004
Accounts receivable – net	2,150
Accrued interest and dividends receivable	2,703
Prepaid expenses	12,866
Total Assets	745,723
Liabilities:	
Current:	
Vouchers and accounts payable	51,036
Accrued payroll	505
Other payables	1,063
Estimated liability for self-insurance claims	159,720
Total Current Liabilities	212,324
Noncurrent:	
Estimated liability for self-insurance claims	368,625
Total Liabilities	580,949
Total Net Assets – Unrestricted	\$ 164,774

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Governmental Activities – Internal Service Funds
Year Ended June 30, 2010
(in thousands)

Operating Revenues:	
In-district premiums	\$ 1,086,733
Total Operating Revenues	<u>1,086,733</u>
Operating Expenses:	
Certificated salaries	154
Classified salaries	6,446
Employee benefits	3,370
Supplies	226
Premiums and claims expenses	960,256
Claims administration	14,414
Other contracted services	<u>1,235</u>
Total Operating Expenses	<u>986,101</u>
Operating Income	<u>100,632</u>
Nonoperating Revenues (Expenses):	
Interest income	10,689
Transfers in	12,629
Miscellaneous expense	<u>(18)</u>
Total Nonoperating Revenues	<u>23,300</u>
Change in Net Assets	123,932
Total Net Assets, July 1, 2009	<u>40,842</u>
Total Net Assets June 30, 2010	<u><u>\$ 164,774</u></u>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
Governmental Activities – Internal Service Funds
Year Ended June 30, 2010
(in thousands)

Cash Flows From Operating Activities:	
Cash payments to employees for services	\$ (10,040)
Cash payments for goods and services	(972,386)
Receipts from assessment to other funds	<u>1,086,603</u>
Net Cash Provided By Operating Activities	<u>104,177</u>
Cash Flows From Investing Activities:	
Earnings on investments	12,030
Purchase of investments	59,981
Transfers in	<u>12,629</u>
Net Cash Provided By Investing Activities	<u>84,640</u>
Net Increase in Cash and Cash Equivalents	188,817
Cash and cash equivalents, July 1	<u>539,187</u>
Cash and cash equivalents, June 30	<u><u>\$ 728,004</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	<u>\$ 100,632</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in operating assets and liabilities:	
Increase in accounts receivable	(145)
Decrease in prepaid expense	488
Increase in vouchers and accounts payable	30,424
Decrease in accrued payroll	(60)
Decrease in other payables	(3,736)
Decrease in estimated liability for self-insurance claims – current	(14,799)
Decrease in estimated liability for self-insurance claims – noncurrent	<u>(8,627)</u>
Total Adjustments	<u>3,545</u>
Net Cash Provided By Operating Activities	<u><u>\$ 104,177</u></u>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010
(in thousands)

	Pension Trust Funds	Agency Fund
Assets:		
Cash in county treasury, in banks, and on hand	\$ 20,558	\$ 20,532
Accrued interest receivable	70	—
Total Assets	<u>20,628</u>	<u>20,532</u>
Liabilities:		
Other payables	20,229	20,532
Total Liabilities	<u>20,229</u>	<u>20,532</u>
Total Net Assets – Held in Trust	<u>\$ 399</u>	<u>\$ —</u>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds – Pension Trust Funds
Year Ended June 30, 2010
(in thousands)

Additions:		
Investment income	\$	400
Total Additions		<u>400</u>
Deductions:		
Other transfers		<u>1</u>
Total Deductions		<u>1</u>
Change in Net Assets		399
Total Net Assets, July 1, 2009		<u>—</u>
Total Net Assets, June 30, 2010	\$	<u><u>399</u></u>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2010

(1) Summary of Significant Accounting Policies

The Los Angeles Unified School District accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

The following summary of the more significant accounting policies of the District is provided to assist the reader in interpreting the basic financial statements presented in this section. These policies, as presented, should be viewed as an integral part of the accompanying basic financial statements.

(a) Reporting Entity

The District is primarily responsible for all activities related to K-12 public education in most of the western section of Los Angeles County, State of California. The governing authority, as designated by the State Legislature, consists of seven elected officials who together constitute the Board of Education (Board). Those organizations, functions, and activities (component units) for which the Board has accountability comprise the District's reporting entity.

The District's Comprehensive Annual Financial Report includes all Funds of the District and its component units with the exception of the fiscally independent charter schools, which are required to submit audited financial statements individually to the State, and the Auxiliary Services Trust Fund, which is not significant in relation to District operations. This fund was established in 1935 to receive and disburse funds for insurance premiums on student body activities and property, "all city" athletic and musical events, and grants restricted for student-related activities. The District has certain oversight responsibilities for these operations but there is no financial interdependency between the financial activities of the District and the fiscally independent charter schools or the Auxiliary Services Trust Fund.

Blended Component Units

The District Finance Corporation and the District Administration Building Finance Corporation (the Corporations) were formed in 2000 and 2001, respectively, to finance properties leased by the District. The Corporations have a financial and operational relationship which meets the reporting entity definition criteria of GASB for inclusion of the Corporations as blended component units of the District. These Corporations are nonprofit public benefit corporations, and they were formed to provide financing assistance to the District for construction and acquisition of major capital facilities. The District currently occupies all completed Corporation facilities and, upon completion, intends to occupy all Corporation facilities under construction under lease purchase agreements. At the end of the lease terms, or pursuant to relevant transaction documents with the District, or upon dissolution of the Corporations, title to all Corporations property passes to the District.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2010

(b) *Government-Wide and Fund Financial Statements*

The District's basic financial statements consist of fund financial statements and government-wide statements which are intended to provide an overall viewpoint of the District's finances. The government-wide financial statements, which are the statement of net assets and the statement of activities, report information on all nonfiduciary District funds excluding the effect of interfund activities. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which are primarily supported by fees and service charges. The District does not conduct any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements on pages 16 and 18. Nonmajor funds are aggregated in a single column.

(c) *Measurement Focus and Basis of Accounting*

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. The same measurement focus and basis of accounting also apply to trust funds. The agency fund, however, reports only assets and liabilities and therefore has no measurement focus.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when susceptible to accrual, i.e., both measurable and available to finance expenditures of the fiscal period. "Available" means collectible within the current period or soon enough thereafter to pay current liabilities. Application of the "susceptibility to accrual" criteria requires consideration of the materiality of the item in question and due regard for the practicality of accrual, as well as consistency in application.

Federal revenues and State apportionments and allowances are determined to be available and measurable when entitlement occurs or related eligible expenditures are incurred. Secured and unsecured property taxes related to debt service and community redevelopment purposes that are estimated to be collectible and receivable within 60 days of the current period are recorded as revenue. Investment income is accrued when earned. All other revenues are not considered susceptible to accrual.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2010

Expenditures for the governmental funds are generally recognized when the related fund liability is incurred, except debt service expenditures and expenditures related to compensated absences which are recognized when payment is due.

(d) Financial Statement Presentation

The District's comprehensive annual financial report includes the following:

- Management's Discussion and Analysis is a narrative introduction and analytical overview of the District's financial activities as required by GASB Statement No. 34. This narrative overview is in a format similar to that in the private sector's corporate annual reports.
- Government-wide financial statements are prepared using full accrual accounting for all of the District's activities. Therefore, current assets and liabilities, capital and other long-term assets, and long-term liabilities are included in the financial statements.
- Statement of net assets displays the financial position of the District including all capital assets and related accumulated depreciation and long-term liabilities.
- Statement of activities focuses on the cost of functions and programs and the effect of these on the District's net assets. This financial report is also prepared using the full accrual basis and shows depreciation expense and unfunded OPEB expense.

(e) Fund Accounting

The District's accounting system is organized and operated on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A description of the activities of the various funds is provided below:

Major Governmental Funds

The District has the following major governmental funds for the fiscal year 2009-10:

General Fund – The General Fund is used to account for all financial resources relating to educational activities and the general business operations of the District, including educational programs funded by other governmental agencies. The General Fund consists of unrestricted and restricted funds.

District Bonds Fund – This category represents the total of the following building accounts: Building Account – Bond Proceeds (BB Bonds), established to account for bond proceeds received as a result of the passage of Proposition BB; Building Account – Measure K, established to account for bond proceeds received as a result of the issuance of General Obligation Bonds (G.O. Bonds) authorized pursuant to ballot measure "Measure K"; Building Account – Measure R, established to account for bond proceeds received by the passage of Measure R; and Building Account – Measure Y, established to account for bond proceeds received by the passage of Measure Y.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2010

Other Governmental Funds

The District has the following nonmajor governmental funds:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than for Capital Projects) that are legally restricted to expenditures for specified purposes. The District maintains the following Special Revenue Funds: Adult Education, Cafeteria, Child Development, and Deferred Maintenance.

Debt Service Funds – Debt Service Funds are used to account for all financial resources intended for the repayment of general long-term debt principal and interest. The District maintains the following Debt Service Funds: Bond Interest and Redemption, Tax Override, and Capital Services.

Capital Projects Funds – Capital Projects Funds are used to account for all financial resources related to the acquisition or construction of major capital facilities and equipment other than those financed by the General and Special Revenue Funds. The District maintains the following nonmajor Capital Projects Funds: Building, State School Building Lease-Purchase, Special Reserve, Special Reserve – FEMA-Earthquake, Special Reserve – FEMA-Hazard Mitigation, Special Reserve – Community Redevelopment Agency, Capital Facilities Account, County School Facilities – Prop 1A, County School Facilities – Prop 47, County School Facilities – Prop 55, and County School Facilities – Prop 1D. The District Bonds Fund (BB Bonds, Measure K, Measure R, and Measure Y) is reported separately as a major fund in fiscal year 2009-10.

Proprietary Funds

The District has the following Proprietary Funds:

Internal Service Funds – Internal Service Funds are used to account for all financial resources intended to provide self-insurance services to other operating funds of the District on a cost-reimbursement basis. The District maintains the following Internal Service Funds: Health and Welfare Benefits, Workers' Compensation Self-Insurance, and Liability Self-Insurance. The Health and Welfare Benefits Fund was established to pay for claims, administrative costs, insurance premiums, and related expenditures; the Workers' Compensation Self-Insurance Fund and the Liability Self-Insurance Fund were established to pay for claims, excess insurance coverage, administrative costs, and related expenditures.

Under the full accrual basis of accounting that is generally accepted for Internal Service Funds, total estimated liabilities for self-insurance are recorded based on estimated claims liabilities, including the estimated liability for incurred but not reported claims. For the Workers' Compensation and Liability Self-Insurance Funds, the estimates are determined by applying an appropriate discount rate to estimated future claim payments. No discount is applied to estimated Health and Welfare Benefits Fund claims because they are generally paid within a short period of time after the claims are filed.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2010

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal service funds are charges to other operating funds for self-insurance services. Operating expenses include the cost of services including insurance premiums, claims, and administrative costs. All revenues and expenses not meeting this definition are nonoperating revenues and expenses.

Fiduciary Funds

The District has the following Fiduciary Funds:

Pension Trust Funds – Pension Trust Funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, postemployment benefit plans or other employee benefit plans. The District maintains two types of pension trust funds:

Annuity Reserve Fund – The Annuity Reserve Fund accounts for all financial resources used to provide additional retirement benefits to employees who were members of the District Retirement System on June 30, 1972. On November 18, 2003, participant members voted to dissolve the fund and distribute its net assets to the members. As of June 30, 2009, the fund's remaining equity of \$489,509 has been transferred to the General Fund. Transactions during the year relate to the receipt and transfer of additional interest earnings.

Attendance Incentive Reserve Fund – The Attendance Incentive Reserve Fund is used to account for 50% of funds from salary savings as a result of reduced costs of absenteeism of the United Teachers of Los Angeles (UTLA) represented employees.

Agency Fund - The Student Body Fund accounts for cash held by the District on behalf of student bodies at various school sites.

(f) Budgetary Control and Encumbrances

School districts in California are required by Education Code Section 41010 to follow the California School Accounting Manual in preparing reports to the State. The District, in accordance with Board election on October 28, 2008, utilizes a single-adoption budget schedule that requires Final Budget adoption by the State-mandated July 1 deadline. The District is allowed to modify its adopted budget within 45 days of the passage of the State budget. In addition, the District revises the budget during the year to give consideration to unanticipated revenues and expenditures (see Note 4 – Budgetary Appropriation Amendments).

In accordance with the District's Board policy, management has the authority to make routine transfers of budget appropriations among major categories within a fund. Routine budget transfers are summarized and periodically reported to the Board for ratification. Nonroutine transfers may not be processed without prior Board approval.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2010

During the year, several supplementary appropriations were necessary. The original and final revised budgets are presented in the financial statements. Budgets for all governmental fund types are adopted on a basis consistent with generally accepted accounting principles. Budgets are adopted for the General, Special Revenue, Debt Service, Capital Projects, Internal Service, and Pension Trust Funds.

Formal budgetary integration is employed as a management control device during the year for all budgeted funds. The District employs budgetary control by minor (sub) object and by individual program accounts. Expenditures may not legally exceed budgeted appropriations by major object level as follows: Certificated Salaries, Classified Salaries, Employee Benefits, Books and Supplies, Services and Other Operating Expenditures, Capital Outlay, Other Outgo, and Other Financing Uses.

The District utilizes an encumbrance system for all budgeted funds, except Proprietary and Fiduciary Funds, to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid or liabilities are incurred. All encumbrances expire at June 30; however, a reserve representing incomplete contracts is provided for at year end. Appropriation authority lapses at the end of the fiscal year.

(g) *Cash and Investments*

Cash includes amounts in demand deposits with the Los Angeles County Treasury and various financial institutions, imprest funds in schools and offices, and cafeteria change funds. The District maintains some cash deposits with various banking institutions for collection clearing, check clearing, or revolving fund purposes. The District also maintains deposit accounts held by various trustees for the acquisition or construction of capital assets, for the repayment of long-term debt, and for the repayment of tax and revenue anticipation notes.

In accordance with State Education Code Section 41001, the District deposits virtually all of its cash with the Treasurer of the County of Los Angeles. The District's deposits, along with funds from other local agencies such as the county government, other school districts, and special districts, make up a pool, which the County Treasurer manages for investment purposes. Earnings from the pooled investments are allocated to participating funds based on average investment in the pool during the allocation period.

All District-directed investments are governed by Government Code Section 53601 and Treasury investment guidelines. The guidelines limit specific investments to government securities, domestic chartered financial securities, domestic corporate issues, and California municipal securities. The District's securities portfolio is held by the County Treasurer. Interest earned on investments is recorded as revenue of the fund from which the investment was made. All District's investments are stated at fair value based on quoted market prices.

(h) *Short-term Interfund Receivables/Payables*

Occasionally, a fund will not have sufficient cash to meet its financial obligations, and a cash transfer will be required to enable that fund to pay its outstanding invoices and other obligations.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2010

These temporary borrowings between funds are classified as “due from other funds” or “due to other funds” on the governmental funds balance sheet. Interfund balances within governmental activities are eliminated on the government-wide statement of net assets.

(i) Inventories

Inventories consist of expendable materials and supplies held for consumption, which are valued at cost, using the average-cost method. Except for food and cafeteria supplies, which are expended when received, inventories are recorded as expenditures when shipped to schools and offices. Balances of inventory accounts are offset by corresponding reservations of fund balance, which indicate that these amounts are not available for appropriation and expenditure.

(j) Capital Assets

Capital assets, which include sites, improvement of sites, buildings and improvements, equipment, and construction in progress, are reported in the government-wide financial statements. Such assets are valued at historical cost or estimated historical cost unless obtained by annexation or donation, in which case they are recorded at estimated market value at the date of receipt. The District utilizes a capitalization threshold of \$25,000.

Projects under construction are recorded at cost as construction in progress and transferred to the appropriate asset account when substantially complete. Costs of major improvements and rehabilitation of buildings are capitalized. Repair and maintenance costs are charged to expense when incurred. Equipment disposed of, or no longer required for its existing use, is removed from the records at actual or estimated historical cost, net of accumulated depreciation.

All capital assets, except land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Improvement of sites	20
Buildings	50
Portable buildings	20
Building improvements	20
Furniture and fixtures	20
Playground equipment	20
Food services equipment	15
Transportation equipment	15
Telephone system	10
Reprographics equipment	10
Broadcasting equipment	10
Vehicles	8
Computer system and equipment	5
Office equipment	5

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2010

(k) Contracts Payable

Contracts payable includes only the portion applicable to work completed and unpaid as of June 30, 2010. All significant incomplete portions of contracts are reported as reserved fund balance.

(l) Compensated Absences

All vacation leaves are accrued in the government-wide statements when they are incurred. A liability is reported in the governmental funds only for vested or accumulated vacation leave of employees who have separated from the District as of June 30 and whose vacation benefits are payable within 60 days from the end of the fiscal year. The District, as a practice, does not accrue a liability for unused sick leave since accumulated sick leave is not a vested benefit. Employees who retire after January 1, 1999 who are members of the Public Employees' Retirement System (PERS) may use accumulated sick leave to increase their service years in the calculation of retirement benefits.

In 1995, pursuant to the District/UTLA Agreement (Article XIV, Section 1.2), the District agreed to compensate eligible employees for furlough days taken during the 1992-93 fiscal year to be paid in a lump-sum bonus upon retirement. The amount of bonus corresponds to the percentage that the employee's compensation was reduced in the 1992-93 school year based on the employee's salary band for that year.

An attendance incentive plan was developed and adopted as part of the collective bargaining agreement between the District and UTLA in fiscal year 1992-93. The objective of the plan is to reduce the cost of absenteeism by rewarding deserving teachers with cash bonuses based on their unused sick leave at the end of the fiscal year. Funding for the plan comes from the undisbursed balance of certain day-to-day substitute teacher accounts.

Annually, 50% of the savings in the account is disbursed as cash payments to eligible teachers and the remaining 50% is deposited in the Attendance Incentive Reserve Fund, to be disbursed in a lump-sum distribution as employees retire or terminate their employment with the District.

(m) Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective-interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt using straight-line method. Gains and losses on refunding related to bonds redeemed by proceeds from the issuance of new bonds are amortized to debt expense using the effective-interest method over the shorter of the life of the new bonds or the remaining term of the bonds refunded.

In the fund financial statements, debt issuances including any related premiums or discounts as well as bond issuance costs are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2010

sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

(n) *Revenue Limit Sources/Property Taxes*

The revenue limit is the basic financial support for District activities. The District's revenue limit is received from a combination of local property taxes and state apportionments. For the fiscal year 2009-10, the District received local property taxes amounting to \$938.2 million and State aid amounting to \$2,039.0 million.

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding March 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (March 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distributions prescribed by Section 4705 of the California Revenue and Taxation Code. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll, approximately on October 1 of each year. The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District.

The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the State General Fund, and is known as the State Apportionment. As a result, a receivable has not been recorded for the related property taxes in the general fund as any receivable is offset by a payable on the state apportionment.

The District's base revenue limit is the amount of general purpose revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

(o) *New Accounting Pronouncement*

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, became effective for the year ended June 30, 2010. However, the District has already adopted its provisions with the implementation of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, effective July 1, 2001. Accordingly, computer software is capitalized in the government wide statements, as of June 30, 2010. The District does not have any other intangible assets.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2010

(p) *Restatement*

In the past, the District did not record accrued interest on General Obligation Bonds. This practice had very minimal effect on net assets as the amount did not vary much from year to year. In fiscal year 2009-10, an acceleration in bond issuance resulted in a substantial increase in accrued interest. An adjustment was made to recognize the liability in the government-wide financial statements, in conformity with generally accepted accounting principles. As a result of the adjustment, the net assets as of June 30, 2009 have been restated as follows (in thousands):

Net Assets at June 30, 2009, as previously reported	\$ 4,903,625
Accrued Interest on General Obligation Bonds	<u>171,868</u>
Net Assets at June 30, 2009, as restated	<u>\$ 4,731,757</u>

(q) *Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses in the accompanying basic financial statements. Actual results may differ from those estimates.

(2) **Tax and Revenue Anticipation Notes**

Tax and Revenue Anticipation Notes (TRANs) are short-term debt instruments used to finance temporary cash flow deficits in anticipation of receiving taxes and other revenues. On July 31, 2008, the District issued \$500.0 million of 2008-09 Tax and Revenue Anticipation Notes (TRANs) with an overall weighted true interest cost of 1.5% and total premium of \$7.1 million. These notes were retired on their due date of July 30, 2009.

On August 13, 2009, the District issued a total of \$750.0 million of 2009-10 TRANs with an overall weighted true interest cost of 0.62% and total premium of \$9.8 million. The principal and interest on the notes were retired on their due date of August 12, 2010.

TRANs – Short-Term Notes Payable

(in thousands)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Beginning balance, July 1, 2009	\$ 500,000	\$ 14,343	\$ 514,343
Additions	750,000	23,010	773,010
Deductions	<u>(500,000)</u>	<u>(22,998)</u>	<u>(522,998)</u>
Ending balance, June 30, 2010	<u>\$ 750,000</u>	<u>\$ 14,355</u>	<u>\$ 764,355</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2010

(3) Reconciliation of Government-Wide And Fund Financial Statements

(a) *Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets*

The accompanying governmental fund balance sheet includes reconciliation between *total fund balances – governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.” The details of the \$15,475,159 difference are as follows (in thousands):

Bonds payable and related accrued interest	\$ (12,366,776)
Certificates of participation (COPs)	(461,575)
Capital lease obligations	(2,628)
Children center facilities revolving loan	(792)
California energy commission loan	(439)
Liability for employee benefits	(221,493)
Other Post Employment Benefits (OPEB)	(2,393,811)
Arbitrage payable	(12,445)
Legal settlements	(15,200)
Net adjustment to reduce <i>total fund balances – governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$ (15,475,159)</u>

(b) *Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities*

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *total net changes in fund balances – governmental funds* and *changes in net assets of governmental activities* as reported in the accompanying government-wide statement of activities. One element of that reconciliation explains that “Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.” The details of this \$1,413,761 difference are as follows (in thousands):

Capital related expenditures	\$ 1,677,858
Depreciation expense	(264,176)
Gain on exchange of capital assets	79
Net adjustment to increase net changes in <i>total fund balances – governmental funds</i> to arrive at <i>changes in net assets – governmental activities</i>	<u>\$ 1,413,761</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2010

Another element of that reconciliation states that “Proceeds of new debt and repayment of debt principal are reported as other financing sources and uses in the governmental funds, but constitute additions and reductions to liabilities in the statement of net assets.” The details of this \$3,842,600 difference are as follows (in thousands):

Debt issued or incurred:	
General obligation bonds	\$ (4,232,405)
Certificates of participation	(110,413)
Principal repayments:	
General obligation bonds	404,195
Certificates of participation	93,985
Capital leases	1,311
California energy commission loan	224
Other	503
Net adjustment to decrease net changes in <i>total fund balances – governmental funds</i> to arrive at <i>changes in net assets – governmental activities</i>	<u><u>\$ (3,842,600)</u></u>

(4) Budgetary Appropriation Amendments

During the fiscal year, modifications were necessary to increase appropriations for expenditures and other financing uses for the General Fund by \$599.7 million. The additional expenditure appropriations were funded by higher other financing sources and from beginning fund balance.

(5) Cash and Investments

Cash and investments as of June 30, 2010 are classified in the accompanying basic financial statements as follows (in thousands):

Statement of net assets:	
Cash and investments	\$ 6,945,037
Cash and investments held by trustee	<u>71,708</u>
Subtotal	7,016,745
Fiduciary funds:	
Cash and investments	<u>41,090</u>
Total cash and investments	<u><u>\$ 7,057,835</u></u>

Cash and investments as of June 30, 2010 consist of the following (in thousands):

Cash on hand (cafeteria change funds)	\$ 26
Deposits with financial institutions and LA County Pool (a)	6,272,553
Investments (b)	<u>785,256</u>
Total cash and investments	<u><u>\$ 7,057,835</u></u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2010

- (a) Deposits with financial institutions include cash in the Los Angeles County Pooled Surplus Investment Fund (\$6,170,105), cash held by fiscal agents or trustees (\$71,708), and cash deposited with various other financial institutions, including imprest funds in schools and offices (\$30,740).

School districts are required by Education Code Section 41001 to deposit their funds with the county treasury. Cash in county treasury refers to the fair value of the District's share of the Los Angeles County (County) Pooled Surplus Investment (PSI) Fund.

- (b) Investments include funds set aside in a county repayment account for TRANs (\$764,958) and sinking funds invested by trustees of COPs (\$20,298).

Except for investments by trustees of COPs proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from the web site at <http://ttax.co.la.ca.us/>. The table below identifies some of the investment types permitted in the investment policy:

	Authorized Investment Type	Maximum Maturity	Maximum Total Par Value	Maximum Par Value per Issuer
A.	Obligations of the U.S. government, its agencies and instrumentalities.	None	None	None
B.	Approved Municipal Obligations	5 to 30 years	10% of PSI portfolio	None
C.	Asset-Backed Securities with highest ratings	5 years	20% of PSI portfolio	with credit rating limits
D.	Bankers' Acceptances Domestic and Foreign	180 days	40% of PSI portfolio	with credit rating limits
E.	Negotiable Certificates of Deposits – Domestic & Euro	1 to 3 years	30% of PSI portfolio	with credit rating limits
	Negotiable Certificates of Deposits – Euro	1 year	10% of PSI portfolio	with credit rating limits
F.	Corporate and Depository Notes	3 years	30% of PSI portfolio	with credit rating limits
G.	Floating Rate Notes	7 years	10% of PSI portfolio	with credit rating limits
H.	Commercial Paper (CP) rated "A-1" (S&P) and "P-1" (Moody's)	270 days	40% of PSI portfolio	Lesser of 10% of PSI portfolio or credit rating limits
I.	Shares of Beneficial Interest – U.S. government obligations		15% of PSI portfolio	
J.	Repurchase Agreement	30 days	\$1.0 billion	\$500 million/dealer
K.	Reverse Repurchase Agreement	1 year	\$500 million	\$250 million/broker
L.	Forwards, Futures and Options	90 days	\$100 million	\$50 million/counterparty
M.	Interest-Rate Swaps in conjunction with approved bonds and limited to highest credit rating categories.			
N.	Securities Lending Agreement	180 days	20% of base portfolio value	
O.	Investment of Bond Proceeds in accordance with Gov. Code 53601(m)	None	None	None

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2010

Debt proceeds held by trustees are governed by provisions of debt agreements. The table below identifies the investment types that are authorized for such funds:

	Authorized Investment Type	Maximum Maturity	Maximum Total Par Value	Maximum Par Value per Issuer
A.	Obligations of the U.S. government, its agencies and instrumentalities.	None	None	None
B.	Commercial Paper (CP) rated "A-1" (S&P) and "P-1" (Moody's)	270 days	None	None
C.	Investment agreements, the provider of which is rated at one of the two highest rating categories	None	None	None
D.	Money market funds	None	None	None

Interest-rate risk is the risk involved with fluctuations of interest rates that may adversely affect the fair value of the investments. The County's investment guidelines target the weighted average maturity of its portfolio to less than 18 months. As of June 30, 2010, 61.2% of district funds in the County PSI Fund does not exceed one year. In addition, variable-rate notes that comprised 1.18% of the County PSI Fund and other investments portfolio are tied to periodic coupon resets eliminating interest-rate risk by repricing back to par value at each reset date.

Credit risk means the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment, as measured by assignment of a rating by a nationally recognized statistical rating organization. This County's investment guidelines establish minimum acceptable credit ratings issued by any two nationally recognized statistical rating organizations. For a short term debt issuer, the rating must be no less than A-1 from Standard & Poor's or P1 from Moody's, while for a long-term debt issuer, the rating must be no less than A from Standard & Poor's or P from Moody's. The County PSI Fund is not rated.

Concentration of credit risk means the risk of loss attributed to the magnitude of an investment in a single issuer. For District funds in the County pool, the County's investment policy states that no more than 5% of total market value of the pooled funds may be invested in securities of any one issuer, except for obligations of the United States government, and its agencies and instrumentalities. In addition, no more than 10% may be invested in one money market mutual fund. As of June 30, 2010, the County did not exceed these limitations.

Custodial credit risk for deposits is the risk that in the event of failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Cash in the county treasury is not exposed to custodial credit risk since all county deposits are either covered by federal depository insurance or collateralized with securities held by the County. Deposits other than those with the County are also covered by federal depository insurance or collateralized at the rate of 110% of the deposits, although the collateral may not be held specifically in the District's name.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2010

(6) Receivables/Payables

Receivables by Fund at June 30, 2010 consist of the following (in thousands):

	<u>General</u>	<u>District Bonds</u>	<u>Other Governmental</u>	<u>Internal Service Funds</u>	<u>Total</u>
Taxes	\$ —	\$ —	\$ 86,802	\$ —	\$ 86,802
Accrued grants and entitlements	840,894	—	37,404	—	878,298
Other	37,944	6,405	3,530	2,150	50,029
Interest and dividend	6,724	12,030	2,790	2,703	24,247
Total Receivables	<u>\$ 885,562</u>	<u>\$ 18,435</u>	<u>\$ 130,526</u>	<u>\$ 4,853</u>	<u>\$ 1,039,376</u>

Payables by Fund at June 30, 2010 consist of the following (in thousands):

	<u>General</u>	<u>District Bonds</u>	<u>Other Governmental</u>	<u>Internal Service Funds</u>	<u>Total</u>
Vouchers and accounts	\$ 256,293	\$ 104,252	\$ 27,553	\$ 51,036	\$ 439,134
Contracts	3,785	70,224	18,464	—	92,473
Accrued payroll	210,310	13	—	505	210,828
Other	53,983	—	19,631	1,063	74,677
Total payables	<u>\$ 524,371</u>	<u>\$ 174,489</u>	<u>\$ 65,648</u>	<u>\$ 52,604</u>	<u>\$ 817,112</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2010

(7) Capital Assets

A summary of changes in capital asset activities follows (in thousands):

	Balance, June 30, 2009	Increases	Decreases	Balance, June 30, 2010
Governmental activities:				
Capital assets, not being depreciated:				
Sites	\$ 2,969,404	\$ 100,516	\$ —	\$ 3,069,920
Construction in progress	<u>2,815,518</u>	<u>1,537,506</u>	<u>(773,125)</u>	<u>3,579,899</u>
Total capital assets, not being depreciated	<u>5,784,922</u>	<u>1,638,022</u>	<u>(773,125)</u>	<u>6,649,819</u>
Capital assets, being depreciated:				
Improvement of sites	507,963	15,120	—	523,083
Buildings and improvements	8,243,000	749,789	—	8,992,789
Equipment	<u>1,156,042</u>	<u>39,307</u>	<u>(25,843)</u>	<u>1,169,506</u>
Total capital assets, being depreciated	<u>9,907,005</u>	<u>804,216</u>	<u>(25,843)</u>	<u>10,685,378</u>
Less accumulated depreciation for:				
Improvement of sites	(292,543)	(14,905)	—	(307,448)
Buildings and improvements	(2,046,153)	(222,148)	—	(2,268,301)
Equipment	<u>(1,022,825)</u>	<u>(27,123)</u>	<u>25,839</u>	<u>(1,024,109)</u>
Total accumulated depreciation	<u>(3,361,521)</u>	<u>(264,176)</u>	<u>25,839</u>	<u>(3,599,858)</u>
Total capital assets, being depreciated, net	<u>6,545,484</u>	<u>540,040</u>	<u>(4)</u>	<u>7,085,520</u>
Governmental activities capital assets, net	<u>\$ 12,330,406</u>	<u>\$ 2,178,062</u>	<u>\$ (773,129)</u>	<u>\$ 13,735,339</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2010

Depreciation expense was charged to the following functions (in thousands):

Governmental activities:

Instruction	\$ 3,165
Support services – students	137
Support services – instructional staff	2,827
Support services – general administration	219
Support services – school administration	2,730
Support services – business	1,351
Operation and maintenance of plant services	4,641
Student transportation services	547
Data processing services	2,085
Operation of noninstructional services	762
Depreciation – unallocated	245,712
Total depreciation expense – governmental activities	<u>\$ 264,176</u>

(8) Retirement, Termination and Other Postemployment Benefit Plans

The District provides a number of benefits to its employees including, retirement, termination, and postemployment health care benefits.

Retirement Plans

Qualified District employees are covered under either multiple-employer defined benefit retirement plans maintained by agencies of the State of California, or a multiple-employer defined contribution retirement benefit plan administered under a Trust. The retirement plans maintained by the State are 1) the California Public Employees' Retirement System (CalPERS), 2) the State Teachers' Retirement System (STRS), and 3) the Public Agency Retirement (PARS) which is administered under a Trust. In general, certificated employees are members of STRS and classified employees are members of CalPERS. Part-time, seasonal, temporary and other employees who are not members of CalPERS or STRS are members of PARS.

(a) California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to a cost-sharing multiple-employer plan for Miscellaneous, and an agent multiple-employer plan for Safety, to the Public Employees' Retirement Fund (PERF), defined benefit pension plans administered by CalPERS. The plans provide 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 Law. CalPERS issues 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 Fiscal Services Division, P.O. Box 942703, Sacramento, CA 94229-2703, or by calling (888) CalPERS (225-7377).

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2010

Funding Policy

Active plan members are required to contribute 7% (miscellaneous) or 9% (safety) of their monthly salary and the District is required to contribute based on 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 rates for fiscal year 2009-10 were 9.709% for miscellaneous and 30.262% for safety members. The District paid the employee's contribution of 9% for most of the safety members, and certain percentages for employees covered under other collective bargaining units. The contribution requirements of the plan members are established by state statute. The following table shows employer and employee contributions for all members for the fiscal years ended June 30, 2010, 2009, and 2008.

Schedule of Employer Contributions:

	2010		2009	2008
	Safety	Miscellaneous	Safety and Miscellaneous	Safety and Miscellaneous
District contributions:				
Regular	\$ 7,729,915	\$ 105,854,552	\$ 114,068,905	\$ 109,517,246
Annual Savings Recapture – AB 702 Credits	<u>(4,209,073)</u>	<u>23,565,644</u>	<u>24,377,960</u>	<u>25,192,277</u>
Total district contributions	<u>3,520,842</u>	<u>129,420,196</u>	<u>138,446,865</u>	<u>134,709,523</u>
Employee contributions:				
Paid by Employees	367,377	53,564,712	56,282,794	52,009,454
Paid by District	<u>1,911,738</u>	<u>21,128,593</u>	<u>25,176,871</u>	<u>25,856,150</u>
Total employee contributions	<u>2,279,115</u>	<u>74,693,305</u>	<u>81,459,665</u>	<u>77,865,604</u>
Total CalPERS contributions	<u>\$ 5,799,957</u>	<u>\$ 204,113,501</u>	<u>\$ 219,906,530</u>	<u>\$ 212,575,127</u>
Percentage of required contributions made	100%	100%	100%	100%

The District's contributions for all members for the fiscal years ended June 30, 2010, 2009, and 2008 were in accordance with the required contribution rates calculated by the CalPERS actuary for each year. Therefore, annual pension costs for these years were equal to the annual required contributions. There was no net pension obligation for the years ended June 30, 2010, 2009, and 2008.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2010

A summary of principal assumptions and methods used to determine the ARC for the Safety plan is shown below:

Valuation Date	June 30, 2007
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	32 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate Return	7.75 % (net of administrative expenses)
Projected Salary Increases	3.25% to 13.15% depending on Age, Service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00 % and an annual production growth of 0.25%

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30 year rolling period, which results in an amortization of about 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

Schedule of Funding Progress – Safety

As of June 30, 2009, the most recent actuarial valuation date, the actuarial value of plan assets was \$190,718,449 and the actuarial accrued liability for benefits was \$240,158,247. The unfunded actuarial liability was \$49,439,798. The actuarial value of assets as a percentage of the actuarial accrued liability was 79.4% (funded ratio). The covered payroll (annual payroll of active employees covered by the plan) was \$23,714,632, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 208.5%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The Schedule of Funding Progress presented as Required Supplementary Information on page 66 following the Notes to the Basic Financial Statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial liability of the benefits.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2010

(b) *California State Teachers' Retirement System (STRS)*

Plan Description

The District contributes to the STRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan and a tax-deferred supplemental program established and administered by the State Teachers' Retirement Law (Section 22000 et seq.) of the California Education Code. The Teachers' Retirement Fund (TRF) is a defined benefit pension plan under the STRS. At June 30, 2009, there were approximately 1,745 contributing employers (school districts, community college districts, county offices of education and regional occupational programs). The State of California is a nonemployer contributor to the TRF.

The Plan provides defined retirement benefits based on members' final compensation, age, and years of credited service. In addition, the retirement program provides benefits to members upon disability and to survivors upon the death of eligible members. 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 a ten-year trend information showing the progress in accumulating sufficient assets to pay benefits when due. Copies of the STRS annual financial report may be obtained from California State Teachers' Retirement System, P.O. Box 15275, Sacramento, CA 95851-0275.

Funding Policy

Active plan members are required to contribute 8% of their salary (6% to the Defined Benefit (DB) Program and 2% to the Defined Benefit Supplement (DBS) Program). The District is required to contribute based on an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2009-10 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. Required contributions to STRS for fiscal years ended June 30, 2010, 2009, and 2008 are as follows:

	Percentage of applicable member earnings	2010	2009	2008
District contributions	8.25%	\$ 233,091,634	\$ 270,178,492	\$ 264,383,052
Employee contributions (including adjustments)	8.00%	239,430,919	278,131,825	268,377,194
Total STRS contributions	16.25%	\$ 472,522,553	\$ 548,310,317	\$ 532,760,246
Percentage of required contributions made		100%	100%	100%

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2010

The District's contributions for all members for the fiscal years ended June 30, 2010, 2009, and 2008 were in accordance with the required contribution rates calculated by the STRS actuary for each year.

Beginning July 1, 2003, the State's contribution to the system is 2.017% of the previous calendar year's teachers' payroll. Subsequent to achieving a fully funded System, the State expects to contribute only the amount necessary to help fund the normal cost of the current benefit program unless a subsequent unfunded obligation occurs.

(c) *Public Agency Retirement System (PARS)*

Plan Description

The Omnibus Budget Reconciliation Act of 1990 requires state and local public agencies to provide a retirement plan for all employees not covered under existing employer pension plans and/or Social Security. These employees are primarily part-time, seasonal, and temporary employees (PSTs). This Act also requires that contributions for PSTs be vested immediately and permits any split of the minimum contributions between employee and employer.

On July 1, 1992, the District joined the PARS, a multiple-employer retirement trust established by a coalition of public employers. The plan covers the District's part-time, seasonal, temporary, and other employees not covered under CalPERS or STRS, but whose salaries would otherwise be subject to Social Security tax. Benefit provisions and other requirements are established by District management based on agreements with various bargaining units. PARS is a defined contribution qualified retirement plan under Section 401 (a) of the Internal Revenue Code.

Funding Policy

The minimum total contribution is 7.5% of employees' salaries, of which the District and the employees contribute 3.75% each. The District paid the employee's contribution for certain collective bargaining units. Employees are vested 100% in both employer and employee contributions from the date of membership. When separated from employment, all employees can choose to receive their funds in lump sum or leave it on deposit until the mandatory age of 70 ½ when they must get a distribution.

District employees covered under PARS total 43,544 as of June 30, 2010. District and employee contributions to the plan for the last three fiscal years are as follows: 2009-10 – \$11,476,230, 2008-09 – \$10,191,238, and 2007-08 – \$17,127,502.

The District's contributions for all members for the fiscal years ended June 30, 2010, 2009, and 2008 were in accordance with the required contribution rates calculated by the STRS actuary for each year.

Termination Benefits

In fiscal year 2008-09, and again in 2009-10, the District offered early retirement incentive program to certificated and classified employees. The program was offered to lessen the impact of an anticipated

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2010

reduction in work force in the 2009-10 and 2010-11 school years. The retirement incentive was equal to 40% of basic salary in effect on February 24, 2009 for certificated employees, May 1, 2009 for school-based classified employees, and September 8, 2009 for central office classified employees. The basic benefit is paid in the form of an annuity with lifetime monthly payment options or fixed term monthly payments ranging from 5 to 15 years. It was purchased from Pacific Life Insurance Company and is administered by the Public Agency Retirement System (PARS). The benefits are to be funded in five (5) annual District contributions starting in 2009-10. After discounting the expected future payments to their present value, the total cost of this early retirement incentive is \$62.2 million.

The District also purchased 2 years of additional service credits for certain organizational unit or division identified employees covered by the California Public Employees' Retirement System (CalPERS). The cost of this incentive is estimated at \$1.5 million.

Postemployment Benefits – Health and Welfare for Retirees

Plan Description

The District administers a single-employer defined benefit healthcare plan. The plan provides other post-employment (health care) benefits, in accordance with collective bargaining unit agreements and Board rules. Certificated and classified employees who retire from the District receiving a STRS/CalPERS retirement allowance (for either age or disability) are eligible to continue coverage under the District-paid hospital/medical, dental and vision plans which cover both active and retired members. The following are the eligibility requirements:

- a. Those hired prior to March 11, 1984 must have served a minimum of five consecutive qualifying years immediately prior to retirement;
- b. Those hired from March 11, 1984 through June 30, 1987 must have served a minimum of ten consecutive qualifying years immediately prior to retirement;
- c. Those hired from July 1, 1987 through May 31, 1992 must have served a minimum of 15 consecutive qualifying years immediately prior to retirement, or served ten consecutive qualifying years immediately prior to retirement plus an additional previous ten years which are not consecutive.
- d. Those hired from June 1, 1992 through February 28, 2007 must have at least 80 years combined total of consecutive qualifying service and age.
- e. Those hired from March 1, 2007 through March 31, 2009 must have at least 80 years combined total of consecutive qualifying service and age. In addition, the employee must have 15 consecutive years of qualifying service immediately prior to retirement.
- f. Those hired on or after April 1, 2009 must have at least 85 years combined total of consecutive qualifying service and age. In addition, the employee must have a minimum of 25 consecutive years of qualifying service immediately prior to retirement.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2010

School Police (sworn personnel) hired on or after April 1, 2009 must have at least 80 years combined total of consecutive qualifying service and age. In addition, the employee must have a minimum of 20 consecutive years of qualifying service immediately prior to retirement. In order to maintain coverage, the retirees must continue to receive a STRS/CalPERS retirement allowance and must enroll in those parts of Medicare for which they are eligible. As of July 1, 2010, approximately 36,000 retirees now meet these eligibility requirements. The plan does not issue a separate financial report.

Funding Policy

The District's contribution obligation for the fiscal year for the health and welfare benefits of District personnel, including the cost of term life insurance coverage and employee assistance for active employees and coverage under health plans for dependents and retirees, generally is subject to an aggregate contribution limit. Determination of this fiscal year contribution obligation limit occurs through discussions with the relevant collective bargaining units and recommendation by the District-wide Health and Welfare Committee, and is subject to approval by the Board of Education.

For fiscal year 2010, the District contributed \$237,265,355 to the plan for the cost of total District expenditures for health and medical benefits for retired employees. These expenditures consist of retirees' current-year insurance premiums already paid to the Health Maintenance Organizations, retirees' claims reported to the District but not yet paid, and an estimate for claims incurred but not yet reported to the District.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan (in thousands):

Annual required contribution	\$ 1,006,755
Interest on net OPEB obligation	123,832
Adjustment to annual required contribution	<u>(153,437)</u>
Annual OPEB cost (expense)	977,150
Contributions made	<u>(237,265)</u>
Increase in net OPEB obligation	739,885
Net OPEB obligation – beginning of year	<u>1,653,926</u>
Net OPEB obligation – end of year	<u>\$ 2,393,811</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2010

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2010, 2009, and 2008 were as follows (in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$ 977,150	24 %	\$ 2,393,811
6/30/2009	1,088,523	25	1,653,926
6/30/2008	1,088,523	24	832,665

Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the plan was substantially unfunded. The actuarial accrued liability for benefits was \$9.9 billion, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$9.9 billion. The covered payroll (annual payroll of active employees covered by the plan) was \$4.6 billion, and the ratio of the UAAL to the covered payroll was 214%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about the future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information for the most recent actuarial valuation and in future years, multi-year trend information about whether the actuarial value of plan assets, if any, is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs, as applicable, between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, if any, consistent with the long-term perspective of the calculations.

In the June 30, 2009 actuarial valuation, the actuarial method used in estimating the liability is the entry age normal, level dollar, open cost method which is based on the assumption that the Actuarial Present Value (APV) of employees' expected postretirement benefits accrue on a level basis over their expected working careers, from hire until the date of full eligibility for postretirement medical benefits. The significant assumptions used in the computation include a 5% discount rate and a healthcare cost trend of 9.25% for Kaiser/HealthNet and 9% for Anthem HMO/EPO in 2010, ultimately declining to 5% in 2019 and 2018 respectively and remaining at that level thereafter. A healthcare cost trend rate of 5% is assumed

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2010

for dental and vision. The UAAL is being amortized as a level dollar closed of projected payroll over a 30-year period. The remaining amortization period at June 30, 2010 was twenty-nine years.

(9) Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; job-related illness or injury to employees; and natural disasters. The District has established several self-insurance funds (Internal Service Funds) as follows: the Workers' Compensation Self-Insurance Fund, the Liability Self-Insurance Fund, and the Health and Welfare Benefits Fund. These funds account for the uninsured risk of loss and pay for insurance premiums, management fees, and related expenses. The District is self-insured for its Workers' Compensation Insurance Program and partially self-insured for the Health and Welfare and Liability Insurance Programs. Premium payments to Health Maintenance Organizations for medical benefits and to outside carriers for vision services, dental services, and optional life insurance are paid out of the Health and Welfare Benefits Fund.

Excess insurance has been purchased for fire loss damages, which currently provides \$1 billion coverage above a \$500,000 self-insurance retention and for general liability, which currently provides \$45 million coverage above a \$5 million self-insurance retention. No settlements exceeded insurance coverage in the last four fiscal years ended June 30, 2010.

The District has implemented an Owner Controlled Insurance Program (OCIP) covering new construction and renovation projects funded by school bonds. Under an OCIP, the District provides general liability and workers' compensation insurance coverage for construction contractors. Because contractors remove insurance costs from their bids, potential savings accrue to the District. Under the District's OCIP program, workers' compensation coverage with statutory limits and primary general liability and excess liability coverage with limits of \$100 million have been underwritten by three major insurance carriers.

The District has also purchased pollution liability insurance coverage for the construction program. Two policies protect contractors and the District from losses resulting from pollution liability related incidents occurring during construction. One policy provides optional coverage to ensure that site cleanup cost overruns are not borne by the District. The limits of coverage on the cleanup cost-cap policy are variable by specific project. The total limit available on the other policies is \$50 million.

Liabilities for loss and loss adjustment expenses under school operations workers' compensation and general liability are based on the estimated present value of the ultimate cost of settling the claims including the accumulation of estimates for losses reported prior to the balance sheet date, estimates of losses incurred but not reported, and estimates of expenses for investigating and adjusting reported and unreported losses. Such liabilities are estimates of the future expected settlements and are based upon analysis of historical patterns of the number of incurred claims and their values. Individual reserves are continuously monitored and reviewed and as settlements are made, or reserves adjusted, differences are reflected in current operations.

As of June 30, 2010, the amount of the total claims liabilities recorded for health and welfare, liability self-insurance, and workers' compensation was \$528.3 million. During the fiscal year, the District recorded workers' compensation claims liability at reduced levels as a result of a continued decline in the number of new claims filed and the effective management of claims. A number of large claims were paid from the

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2010

Liability Self-Insurance Fund, causing its estimated liability to be higher. Health and welfare claims paid in the second half of the fiscal year were lower, resulting in a lower estimated liability. Changes in the reported liabilities since July 1, 2008 are summarized as follows:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
2009-2010				
Health and welfare benefits	\$ 53,059,000	\$ 293,134,830	\$ (308,366,830)	\$ 37,827,000
Workers' compensation	471,168,828	59,726,132	(78,496,457)	452,398,503
Liability self-insurance	<u>27,542,480</u>	<u>33,194,847</u>	<u>(22,618,556)</u>	<u>38,118,771</u>
Total	<u>\$ 551,770,308</u>	<u>\$ 386,055,809</u>	<u>\$ (409,481,843)</u>	<u>\$ 528,344,274</u>
2008-2009				
Health and welfare benefits	\$ 46,390,000	\$ 361,681,219	\$ (355,012,219)	\$ 53,059,000
Workers' compensation	479,561,962	72,195,742	(80,588,876)	471,168,828
Liability self-insurance	<u>22,749,679</u>	<u>14,665,168</u>	<u>(9,872,367)</u>	<u>27,542,480</u>
Total	<u>\$ 548,701,641</u>	<u>\$ 448,542,129</u>	<u>\$ (445,473,462)</u>	<u>\$ 551,770,308</u>

(10) Certificates of Participation, Long-Term Capital Leases, and Operating Leases

The District has entered into Certificates of Participation (COPs) for the acquisition of school sites, relocatable classroom buildings, a new administration building, furniture and equipment, and for various other construction projects as follows:

On December 9, 1997, the District issued variable rate COPs 1997 Series A in the amount of \$91,400,000. Interest is payable monthly and has ranged from 0.10% to 8.75% over the life of the COPs. Principal payments are due annually through 2017. The proceeds are to fund the construction of the Vista Hermosa (formerly known as the Belmont Learning Complex). This issue was refinanced by COPs 2010 Series A on January 27, 2010.

On June 10, 1998, the District issued COPs 1998 Series A (1993 Ambassador Refunding) in the amount of \$60,805,000. Interest is due semiannually ranging from 4.00% to 5.25%. Principal payments are due annually through 2013. The proceeds from the issuance are to finance an escrow fund to prepay the District's 1993 Refunding COPs, to fund a reserve fund, and to pay the costs associated with the issuance of the certificates. The refunding resulted in a reduction to the District's total debt service payments over the next 15 years by \$3.1 million and an economic gain of \$2.0 million. This issue was refinanced by COPs 2010 Series A on January 27, 2010.

On May 23, 2000, the District issued COPs 2000 Series A (Qualified Zone Academy Bonds Project) in the amount of \$30,446,700, a first-of-its-kind bond under a federal program that offers investors tax credits rather than interest payments. Of this amount, \$3,800,000 was issued on behalf of Fenton Avenue Charter

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2010

School and \$3,800,000 for Vaughn Next Century Learning Center. Scheduled payments to a sinking fund are to be made annually through maturity in 2012. The proceeds from the issuance are to pay for the rehabilitation or repair of facilities and the acquisition and installation of equipment at School to Career Academy Programs school sites and at the two charter schools. This issue was partially refunded by COPs 2004 Series B in July 2004. A portion of this issue is being repaid from Measure Y funds.

On October 4, 2000, the District issued COPs 2000 Series B (Multiple Properties Project) in the amount of \$172,715,000. Interest is payable semiannually ranging from 4.00% to 5.50% with annual principal payments through 2010. The proceeds are to pay for internet connectivity, portable classrooms, air-conditioning projects, sports facility improvements, and construction at adult schools.

On November 6, 2001, the District issued COPs 2001 Series B (Administration Building Project I) in the amount of \$68,890,000. Interest is paid semiannually at 5.00%. Principal payments are due annually beginning 2024 through 2031. The proceeds are to pay for improvements at the District's new administration building. This issue was partially refunded by COPs 2004 Series A in July 2004.

On December 19, 2002, the District issued COPs 2002 Series C (Administration Building Project II) in the amount of \$9,490,000. Interest is payable semiannually ranging from 2.00% to 5.00%. Principal payments are due annually through 2031. The proceeds are to fund tenant improvements and Heating, Ventilation and Air Conditioning (HVAC) upgrades for the 12th floor and painting and lighting upgrades of the garage of the Administration Building. This issue was partially refunded by COPs 2004 Series A in July 2004.

On June 26, 2003, the District issued COPs 2003 Series B (Capital Project I) in the amount of \$31,620,000. Interest is payable semiannually ranging from 2.00% to 5.00%. Principal payments are due annually through 2028. The proceeds are used to purchase and equip a turn-key warehouse in the City of Pico Rivera. This issue was partially refunded by COPs 2004 Series A in July 2004.

On July 28, 2004, the District issued COPs 2004 Series A (Refinancing and Refunding Project I) in the amount of \$50,700,000. Interest is payable semiannually ranging from 3.00% to 5.00%. Principal payments are due annually through 2014. Proceeds are to refinance certain prior debt service payments and to refund portions of the District COPs. This advance refunding was undertaken to reduce General Fund debt service payments in fiscal years 2004-05 and 2005-06 by \$45.0 million with an increase to total debt service payments of \$17.8 million over the next ten years. This issue was partially refunded by Measure Y Series D Bonds in February 2006.

On December 13, 2005, the District issued COPs 2005 (2004-05 Qualified Zone Academy Bonds) in the amount of \$10,000,000. The zero interest tax credit bonds are used for modernizing nine schools to accommodate existing or planned academy programs that address student career pathway/higher education interests. Scheduled payments to a sinking fund are to be made annually through maturity in 2020. A portion of this issue is being repaid from Measure Y funds.

On November 15, 2007, the District issued COPs 2007 Series A (Information Technology Projects) in the amount of \$99,660,000. Interest is payable semiannually ranging from 4.00% to 5.00%. Principal payments are due annually through 2017. The proceeds are used to finance acquisition, development and

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2010

installation of the information technology systems of the District. A portion of this issue will be repaid from Measure Y funds.

On August 6, 2008, the District issued variable rate refunding COPs 2008 Series A (Administration Building Project) in the amount of \$97,530,000. Interest is payable monthly and has ranged from 0.12% to 7.30% over the life of the COPs. The interest rate on June 30, 2010 was 0.22%. Principal payments are due annually through 2024. The proceeds are to prepay all of the outstanding Series 2005A Certificates, fund a reserve account for the Series 2008A Certificates, and fund portions of reserve accounts for the 2001B and 2002C Certificates.

On August 6, 2008, the District issued variable rate refunding COPs 2008 Series B (Administration Building Project III) in the amount of \$23,420,000. Interest is payable monthly and has ranged from 0.13% to 8.00% over the life of the COPs. The interest rate on June 30, 2010 was 0.22%. Principal payments are due annually through 2031. The proceeds are to prepay all of the outstanding Series 2005B Certificates, fund a reserve account for the Series 2008B Certificates, and fund portions of reserve accounts for the 2001B and 2002C Certificates. The 2008 Series A and the 2008 Series B refunding resulted in a reduction of debt service payment of about \$10.7 million over 23 years and an economic gain of \$11.8 million.

On September 29, 2009, the District issued COPs 2009 Series A (Food Services Project) in the amount of \$40,728,200. Interest is payable semiannually at 3.92%. Principal payments are due semiannually through 2019. The proceeds are used to fund the implementation of the Cafeteria Management System (CMS) and the purchase of new equipment at the Newman Nutrition Center (NNC). A portion of this issue will be repaid from Measure Y funds.

On January 27, 2010, the District issued Refunding COPs 2010 Series A (Multiple Properties Project) in the amount of \$69,685,000. Interest is payable semiannually ranging from 1.00% to 5.00%. Principal payments are due annually through 2017. The proceeds are used to refinance the 1997 Series A Certificates and the 1998 Series A Certificates and to fund a reserve account for the Series 2010A Certificates. The refunding resulted in a reduction of debt service payments of \$1.2 million over 8 years and an economic gain of \$0.8 million.

In prior years, the District defeased certain principal amounts of its certificates of participation by placing proceeds of general obligation bonds in an irrevocable escrow fund to provide for all future debt service payments on the prior certificates of participation through the call date or maturity, as applicable. Accordingly, the escrow account assets and the liability for the defeased certificates of participation are not included in the District's financial statements. At June 30, 2010, \$118.84 million of outstanding certificates of participation are considered legally defeased.

In prior years, the District defeased certain sinking fund payments for its 2000 Certificates of Participation (Qualified Zone Academy Bonds) and its 2005 Certificates of Participation (Qualified Zone Academy Bonds) by placing general fund monies, payments from charter schools that received proceeds of the 2000 Certificates of Participation (Qualified Zone Academy Bonds), proceeds of general obligation bonds and interest earnings on all said deposits into the respective sinking fund accounts held by the respective trustees to provide for the payment of the 2000 Certificates of Participation (Qualified Zone Academy Bonds) and the 2005 Certificates of Participation (Qualified Zone Academy Bonds) at maturity. While the

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2010

District's financial statements indicate that the full principal amount of each of the 2000 Certificates of Participation (Qualified Zone Academy Bonds) and the 2005 Certificates of Participation (Qualified Zone Academy Bonds) are outstanding as of June 30, 2010, a total of \$28.04 million of accumulated sinking fund payments have been made, which amount reflects the portion of the respective certificates of participation that are considered economically defeased.

Other Leasing Arrangements

The District has entered into various lease agreements ranging from three to five years to finance the acquisition of office equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The future minimum lease payments (principal plus interest) and the net present value of these minimum lease payments (principal only) are detailed in Note 11 – Long-Term Obligations.

The District's operating leases consist of various leased facilities and office equipment (primarily copiers). The leased facilities have varying terms ranging from less than a year to 30 years. Some leases are month to month and a few are year to year. The leases expire over the next 10 years subject to renewal option provisions.

The office equipment lease (primarily copiers) is also under various lease terms that range from less than a year to 5 years. The leases expire during the next 5 years.

The total expenditure for all operating leases amounted to \$30,646,564 in 2009-10. The future minimum commitments for noncancelable operating lease of the District as of June 30, 2010 are as follows (in thousands):

	Amount (in thousands)
Fiscal year ending:	
2011	\$ 26,161
2012	9,737
2013	6,453
2014	2,804
2015	1,910
2016-2020	8,583
2021-2025	477
	\$ 56,125

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2010

(11) Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2010 (in thousands):

	Balance, July 1, 2009	Additions	Deductions	Balance, June 30, 2010	Due Within One Year	Interest Expense
General Obligation Bonds*	\$ 8,223,575	\$ 4,331,262	\$ 440,333	\$ 12,114,504	\$ 278,180	\$ 477,454
Certificates of Participation (Note 10)**	442,655	114,184	97,820	459,019	29,356	13,387
Capital Lease Obligations	3,008	931	1,311	2,628	1,164	160
Children Center Facilities Revolving Loan	792	—	—	792	—	—
California Energy Commission Loan	663	—	224	439	222	25
Liability for Employee Benefits	234,586	88,718	98,420	224,884	17,027	—
Self-Insurance Claims (Note 9)	551,769	386,058	409,482	528,345	159,720	—
Other Postemployment Benefits (OPEB)	1,653,926	977,150	237,265	2,393,811	—	—
Arbitrage Payable	11,967	2,780	2,302	12,445	—	—
Legal Settlements	25,378	—	10,178	15,200	—	—
Total	<u>\$11,148,319</u>	<u>\$ 5,901,083</u>	<u>\$ 1,297,335</u>	<u>\$ 15,752,067</u>	<u>\$ 485,669</u>	<u>\$ 491,026</u>

* Net of unamortized premiums and discounts.

** Including unamortized premium.

Future annual payments on long-term debt obligations are as follows (in thousands):

Year Ending June 30	General Obligation Bonds			Capital Lease Obligations/ Certificates of Participation			Other Loans		Total		
	Principal	Amortization	Interest	Principal	Amortization	Interest	Principal	Interest	Principal	Amortization	Interest
2011	\$ 278,180	\$ 20,359	\$ 567,673	\$ 30,520	\$ 1,217	\$ 19,077	\$ 222	\$ 15	\$ 308,922	\$ 21,576	\$ 586,765
2012	285,200	20,392	583,847	55,256	1,279	15,502	296	6	340,752	21,671	599,355
2013	326,910	20,134	569,831	30,655	1,237	14,354	79	—	357,644	21,371	584,185
2014	326,440	17,746	554,778	31,635	1,134	13,114	79	—	358,154	18,880	567,892
2015	335,245	16,703	539,080	32,736	992	11,827	79	—	368,060	17,695	550,907
2016-2020	1,849,695	77,058	2,435,239	131,956	1,455	39,068	397	—	1,982,048	78,513	2,474,307
2021-2025	2,351,830	40,670	1,921,638	59,830	—	24,033	79	—	2,411,739	40,670	1,945,671
2026-2030	3,183,140	20,072	1,242,056	58,080	—	12,586	—	—	3,241,220	20,072	1,254,642
2031-2035	2,937,790	6,940	470,252	23,665	—	1,127	—	—	2,961,455	6,940	471,379
	<u>\$ 11,874,430</u>	<u>\$ 240,074</u>	<u>\$ 8,884,394</u>	<u>\$ 454,333</u>	<u>\$ 7,314</u>	<u>\$ 150,688</u>	<u>\$ 1,231</u>	<u>\$ 21</u>	<u>\$ 12,329,994</u>	<u>\$ 247,388</u>	<u>\$ 9,035,103</u>

The General Obligation Bonds balance of \$12,114.5 million, which includes unamortized bond premiums (net of unamortized charges) of \$240.1 million, consists of:

(a) six issuances of Proposition BB bonds:

1. Series "A" bonds, sold in July 1997 at \$356.00 million par value, of which \$18.53 million and \$133.18 million were refunded in December 2004 and July 2005, respectively. As of June 30, 2010, outstanding obligation was \$90.85 million after payment of \$12.28 million on July 1, 2009;

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2010

2. Series “B” bonds, sold in August 1998 at \$350.00 million par value, of which \$90.93 million, \$151.50 million, and \$1.47 million were refunded in April 2002, July 2005, and October 2009, respectively. As of June 30, 2010, the liability was fully extinguished after payment of \$11.71 million on July 1, 2009;
3. Series “C” bonds, sold in August 1999 at \$300.00 million par value, of which \$70.85 million, \$14.22 million, \$124.27 million, and \$10.30 million were refunded in April 2002, December 2004, July 2005, and October 2009, respectively. As of June 30, 2010, the liability was fully extinguished after payment of \$9.50 million on July 1, 2009;
4. Series “D” bonds, sold in August 2000 at \$386.66 million par value, of which \$100.96 million, \$107.18 million and \$76.56 million were refunded in April 2002, December 2004 and July 2005, respectively. As of June 30, 2010, outstanding obligation was \$12.09 million after payment of \$11.50 million on July 1, 2009;
5. Series “E” bonds, sold in April 2002 at \$500.00 million par value, of which \$75.77 million, \$231.22 million, \$25.80 million, \$15.26 million, and \$19.79 million were refunded in December 2004, November 2006, February 2007, October 2009, and March 2010, respectively. As of June 30, 2010, outstanding obligation was \$44.84 million after payment of \$13.56 million on July 1, 2009; and
6. Series “F” bonds, sold in March 2003 at \$507.35 million par value of which \$129.51 million and \$23.81 million were refunded in January 2007 and October 2009. As of June 30, 2010, outstanding obligation was \$283.20 million after payment of \$15.20 million on July 1, 2009.

(b) seven issuances of Measure K bonds:

1. Series “A” bonds, sold in February 2003 at \$2.10 billion par value, of which \$131.94 million, \$330.15 million, \$1.12 billion, and \$53.06 million were refunded in February 2006, October 2006, January 2007, and March 2010, respectively. As of June 30, 2010, outstanding obligation was \$413.56 million after payment of \$19.68 million;
2. Series “B” bonds, sold in February 2007 at \$500.00 million par value. As of June 30, 2010, outstanding obligation was \$475.56 million after payment of \$12.46 million on July 1, 2009;
3. Series “C” bonds, sold in August 2007 at \$150.00 million par value. As of June 30, 2010, outstanding obligation was \$142.18 million after payment of \$3.50 million on July 1, 2009;
4. Series “D” bonds, sold in February 2009 at \$250.00 million par value. As of June 30, 2010, outstanding obligation was \$245.10 million after payment of \$4.90 million on July 1, 2009;
5. Series “KRY” Federally Taxable, sold in October 2009 at \$200.00 million par value. No payment was due as of June 30, 2010;
6. Series “KRY” Tax Exempt, sold in March 2010 at \$149.14 million par value. No payment was due as of June 30, 2010; and

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2010

7. Series "KY" bonds, sold in May 2010 at \$0.86 million par value. No payment was due as of June 30, 2010.

(c) eleven issuances of Measure R bonds:

1. Series "A" bonds at \$72.63 million par value, Series "B" bonds at \$60.48 million par value, Series "C" bonds at \$50.0 million par value and Series "D" bonds at \$16.90 million par value, all sold in September 2004 and all of which, except for Series C, were used to partially and fully refund certain certificates of participation. As of June 30, 2010, liability on Series "A", Series "B", and Series "D" bonds were fully extinguished; Series "C" bonds outstanding obligation was \$43.26 million after payment of \$1.36 million on July 1, 2009;
2. Series "E" bonds, sold in August 2005 at \$400.0 million par value. As of June 30, 2010, outstanding obligation was \$339.24 after payment of \$9.23 million on July 1, 2009;
3. Series "F" and Series "G" bonds, sold in February 2006 at \$500.0 million par value and in August 2006 at \$400.0 million par value, respectively. As of June 30, 2010, outstanding obligation for Series "F" was \$463.18 million after payment of \$12.75 million on July 1, 2009. Series "G" was refunded in October 2009 for \$6.27 million. As of June 30, 2010, outstanding obligation for Series "G" was \$353.6 million after payment of \$9.0 million on July 1, 2009;
4. Series "H" bonds, sold in August 2007 at \$550.00 million par value. This was refunded in October 2009 for \$15.17 million. As of June 30, 2010, outstanding obligation was \$502.70 million after payment of \$12.09 million on July 1, 2009; and
5. Series "I" bonds, sold in February 2009 at \$550.00 million par value. As of June 30, 2010, outstanding obligation was \$539.95 million after payment of \$10.05 on July 1, 2009.
6. Series "KRY" Tax Exempt, sold in October 2009 at \$36.99 million par value and Taxable Build America bonds for \$363.01 million par value. No payment was due as of June 30, 2010.
7. Series "KRY" Tax Exempt and Series "RY" Federally Taxable Build America bonds, sold in March 2010 at \$157.17 million par value and \$477.63 million par value, respectively. No payment was due as of June 30, 2010.

(d) ten issuances of Measure Y bonds:

1. Four issuances of Measure Y bonds sold in February 2006: Series "A" bonds at \$56.79 million par value, Series "B" bonds at \$80.20 million par value, Series "C" bonds at \$210.00 million par value and Series "D" bonds at \$47.40 million par value, all of which, except for Series C and \$5.70 million of Series D, were used to partially or fully refund certain certificates of participation. As of June 30, 2010, outstanding obligations for Series "A", Series "B", Series "C", and Series "D" were \$41.50 million, \$55.50 million, \$194.54 million, and \$35.10 million after payments of \$9.90 million, \$12.60 million, \$7.90 million, and \$8.90 million, respectively, on July 1, 2009;

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2010

2. Series "E", sold in August 2007 for \$300.00 million par value. As of June 30, 2010, outstanding obligation was \$285.27 million after payment of \$6.66 million on July 1, 2009;
3. Series "F", sold in February 2009 at \$150.00 million par value. As of June 30, 2010, outstanding obligation was \$147.20 million after payment of \$2.78 million on July 1, 2009;
4. Two issuances of Measure Y bonds sold in October 2009: Series "G" at \$5.61 million par value and Series "H" at \$318.80 million par value. Series "KRY" Taxable Build America bonds at \$806.80 million par value and Series "KRY" Tax Exempt at \$168.79 million par value. No payment was due as of June 30, 2010;
5. Series "I" Federally Taxable, Series "RY" Federally Taxable Build America, and Series "KRY" Tax Exempt, sold in March 2010 at \$3.80 million par value, \$772.96 million par value, and \$172.27 million par value. No payment was due as of June 30, 2010; and
6. Series "KY" Tax Exempt bonds and Series "J-1" and Series "J-2" Qualified School Construction Federally Taxable Direct Subsidy bonds, sold in May 2010 at \$158.64 million par value, \$190.20 million par value, and \$100.00 million par value, respectively. No payment was due as of June 30, 2010.

(e) general obligation refunding bonds:

1. 2002 General Obligation Refunding issued on April 17, 2002 which refunded Proposition BB Series B, C, and D for \$258.38 million. As of June 30, 2010, outstanding balance was \$254.09 million. The refunding resulted in a reduction of debt service payments of \$12.80 million over 17 years and an economic gain of \$8.0 million;
2. 2004 Series "A-1" and "A-2" sold in December 2004 at \$219.12 million par value. As of June 30, 2010, outstanding obligation was \$217.91 million after payment of \$0.32 million on July 1, 2009. The refunding resulted in a reduction to debt service payments of \$10.60 million over 18 years and an economic gain of \$7.79 million;
3. 2005 Series "A-1" and "A-2" sold in July 2005 at \$467.68 million par value, 2006 Series "A" sold in February 2006 at \$132.33 million par value, which are still outstanding as of June 30, 2010. The 2005 Series "A-1" and "A-2" refunding resulted in a reduction to debt service payments of \$38.40 million over 20 years and an economic gain of \$24.16 million. The 2006 Series "A" refunding resulted in a reduction to debt service payments of \$6.35 million over 13 years and an economic gain of \$4.20 million;
4. 2006 Series "B" sold in November 2006 at \$574.91 million par value. As of June 30, 2010, outstanding obligation was \$560.80 million after payment of \$1.17 million on July 1, 2009. The refunding resulted in a reduction to debt service payments of \$29.33 million over 21 years and an economic gain of \$18.97 million;
5. 2007 Series "A-1" and "A-2" sold in January 2007 at \$1.29 billion par value. As of June 30, 2010, outstanding obligation was \$1.28 billion after payment of \$3.09 million on July 1,

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2010

2009. The refunding resulted in a reduction to debt service payments of \$82.11 million over 21 years and an economic gain of \$46.23 million;

6. 2007 Series "B" sold in February 2007 at \$24.85 million par value, all of which were used to partially refund certain general obligation bonds. As of June 30, 2010, outstanding obligation was \$24.65 million. The refunding resulted in a reduction to debt service payments of \$1.80 million over 12 years and an economic gain of \$1.20 million;
7. 2009 New Refunding Bonds Series "A" sold in October 2009 for \$74.77 million par value. No principal payment was due as of June 30, 2010. The refunding resulted in a reduction to debt service payments of \$2.10 million over 9 years and an economic gain of \$1.36 million.
8. 2010 New Refunding Bonds Series "A" sold in March 2010 for \$74.99 million par value. No principal payment due as of June 30, 2010. The refunding resulted in a reduction to debt service payments of \$2.43 million over 5 years and an economic gain of \$2.24 million.

In prior years, the District defeased certain principal amounts of its general obligation bonds by placing proceeds of the new bonds in an irrevocable escrow fund to provide for all future debt service payments on the old bonds. Accordingly, the escrow account assets and the liability for the defeased general obligation bonds are not included in the District's financial statements. At June 30, 2010, \$2.46 billion of outstanding certificates of participation are considered legally defeased.

The Children Center Facilities revolving loan represents loan proceeds from the State Child Development Revolving Fund for the purchase of relocatable buildings, sites and site improvements for child care facilities. The loan, which does not incur interest charges, must be repaid in ten years. Annual repayment will begin when the full amount of the loan is received.

The California Energy Commission has agreed to provide the District with State funding of up to \$8 million (at a 3.95% annual interest rate) of which \$1.32 million was received in fiscal year 2004-05 and \$0.06 million, in fiscal year 2005-06. The principal and interest will be repaid in its entirety through energy cost avoidance that the District intends to achieve from its energy project. The project involves use of energy efficient equipment, certain building shell components and improved methods of lighting and lighting controls.

The Arbitrage Payable balance reflects amounts due to the United States Treasury in order to comply with Internal Revenue Code Section 148(f). When the District issues tax-exempt debt, IRS regulations limit the yield that the District can earn on the bond proceeds. If the District earns an amount in excess of the bond yield and does not qualify for a spending exception, the District must remit the excess earnings to the US Treasury. Payments equal to 90% of the calculated excess earnings are due on each fifth anniversary of a bond's issuance date. When a bond issue is retired, all of the remaining excess earnings must be remitted.

The Legal Settlements balance of \$15.2 million represents estimated liabilities on projected settlement of legal cases that are pending at the end of the fiscal year.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2010

(12) Interfund Transactions

(a) Interfund Receivables/Payables (Due to/from Other Funds)

Interfund receivables/payables are eliminated on the government-wide statement of net assets but are reported on the fund financial statements. These consist of borrowings between funds to cover temporary cash insufficiencies and permit payment of obligations. Interfund receivables and payables at June 30, 2010 (in thousands) are as follows:

<u>Fund Group</u>	<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General:	Unrestricted	\$ 25,300	\$ —
	Total General	25,300	—
Special Revenue:	Cafeteria	—	15,300
	Child development	—	10,000
	Total Special Revenue	—	25,300
	Total Interfund Receivables/Payables	<u>\$ 25,300</u>	<u>\$ 25,300</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2010

(b) Interfund Transfers

Interfund transfers are eliminated on the government-wide statement of activities but are reported on the fund financial statements. These consist of transfers for exchange of services or reimbursement of expenditures. In addition, interfund transactions are also made to move revenue collected in one fund to another fund where the resources are spent or accounted for, in accordance with budgetary authorization, including amounts provided as matching funds or for debt service. Transfers between funds for the year ended June 30, 2010 were as follows (in thousands):

From	To	Purpose	
General	Child Development	Child development support	\$ 165
General	Health & Welfare	Medicare Part D subsidy	12,629
General	Adult Education	Adult education apportionment	168,282
General	Capital Services	Debt service	30,993
General	Cafeteria	Cafeteria subsidy	12,210
General	Capital Facilities	Capital facilities support	83
Special Reserve	Capital Services	Debt service	73,100
Special Reserve	General	Funding for new financial system	5,028
Special Reserve	General	Funding for capital expenditures	57,409
Special Reserve	Building – Bond Proceeds	Reimbursement of capital expenditures	1,557
Special Reserve	Building – Measure R	Reimbursement of capital expenditures	14,298
Special Reserve	Building – Measure K	Reimbursement of capital expenditures	629
Special Reserve	County School Facilities	Reimbursement of capital expenditures	100
Special Reserve	CSF – Prop 55	Reimbursement of capital expenditures	2,232
Special Reserve	Cafeteria	Funding for capital expenditures	11,803
Special Reserve – CRA	General	Reimbursement of major maintenance expenditures	4,003
Special Reserve – CRA	Capital Services	Debt service	325
Capital Facilities	Capital Services	Debt service	12,158
Capital Facilities	Building – Measure K	Reimbursement of capital expenditures	4
SSBldg Lease/Purchase	Building – Bond Proceeds	Reimbursement of capital expenditures	118
SSBldg Lease/Purchase	County School Facilities	Reimbursement of capital expenditures	104
SSBldg Lease/Purchase	CSF – Prop 55	Reimbursement of capital expenditures	7
SSBldg Lease/Purchase	SSBldg Lease/Purchase	Reimbursement of capital expenditures	(29)
County School Facilities	Deferred Maintenance	Reimbursement of capital expenditures	857
County School Facilities	Special Reserve	Reimbursement of capital expenditures	129
County School Facilities	Building – Measure R	Reimbursement of capital expenditures	3,086
County School Facilities	Building – Measure K	Reimbursement of capital expenditures	1,691
County School Facilities	Building – Bond Proceeds	Reimbursement of capital expenditures	4,998
County School Facilities	CSF – Prop 47	Reimbursement of capital expenditures	734
County School Facilities	CSF – Prop 55	Reimbursement of capital expenditures	419
County School Facilities	Capital Facilities	Reimbursement of capital expenditures	53
County School Facilities	SSBldg Lease/Purchase	Reimbursement of capital expenditures	45
CSF – Prop 47	Building – Bond Proceeds	Reimbursement of capital expenditures	261
CSF – Prop 47	Building – Measure K	Reimbursement of capital expenditures	1,126
CSF – Prop 55	Building – Bond Proceeds	Reimbursement of capital expenditures	1,753
CSF – Prop 55	Building – Measure K	Reimbursement of capital expenditures	4,637
CSF – Prop 55	Building – Measure R	Reimbursement of capital expenditures	4,753
CSF – Prop 55	County School Facilities	Reimbursement of capital expenditures	293
CSF – Prop 1D	Building – Bond Proceeds	Reimbursement of capital expenditures	6,277
CSF – Prop 1D	Building – Measure R	Reimbursement of capital expenditures	4,524
CSF – Prop 1D	Building – Measure K	Reimbursement of capital expenditures	551
CSF – Prop 1D	County School Facilities	Reimbursement of capital expenditures	526
CSF – Prop 1D	CSF – Prop 55	Reimbursement of capital expenditures	370
Adult Education	General	ROC subsidy	10,600
Child Development	General	Fund balance transfer	853
Cafeteria	Capital Services	Debt service	2,482
Building – Measure R	Building – Bond Proceeds	Reimbursement of capital expenditures	4,714
Building – Measure R	County School Facilities	Reimbursement of capital expenditures	7,229
Building – Measure R	CSF – Prop 55	Reimbursement of capital expenditures	520

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2010

Transfers between funds for the year ended June 30, 2010 (continued) (in thousands):

From	To	Purpose	
Building – Measure R	CSF – Prop 1D	Reimbursement of capital expenditures	\$ 2,480
Building – Measure R	Building – Measure K	Reimbursement of capital expenditures	158
Building – Measure R	Building – Measure Y	Reimbursement of capital expenditures	787
Building – Measure R	Special Reserve	Reimbursement of capital expenditures	1,587
Building – Measure R	SSBldg Lease/Purchase	Reimbursement of capital expenditures	33
Building – Measure Y	Adult Education	Reimbursement of capital expenditures	2
Building – Measure Y	Capital Services	Debt service	4,073
Building – Measure Y	Building – Measure R	Reimbursement of capital expenditures	1,675
Building – Measure Y	Building – Measure K	Reimbursement of capital expenditures	3,798
Building – Measure Y	Building – Bond Proceeds	Reimbursement of capital expenditures	1,452
Building – Measure Y	County School Facilities	Reimbursement of capital expenditures	512
Building – Measure Y	CSF – Prop 1D	Reimbursement of capital expenditures	807
Building – Measure K	County School Facilities	Reimbursement of capital expenditures	50
Building – Measure K	Special Reserve	Reimbursement of capital expenditures	94
Building – Measure K	Building – Measure R	Reimbursement of capital expenditures	175
Building – Measure K	Building – Measure Y	Reimbursement of capital expenditures	415
Building – Measure K	Building – Bond Proceeds	Reimbursement of capital expenditures	751
Building – Bond Proceeds	General	Reimbursement of capital expenditures	76
Building – Bond Proceeds	Deferred Maintenance	Reimbursement of capital expenditures	84
Building – Bond Proceeds	Building – Measure R	Reimbursement of capital expenditures	36,480
Building – Bond Proceeds	Building – Measure K	Reimbursement of capital expenditures	5,484
Building – Bond Proceeds	Building – Measure Y	Reimbursement of capital expenditures	15
Building – Bond Proceeds	County School Facilities	Reimbursement of capital expenditures	7,689
Building – Bond Proceeds	CSF – Prop 47	Reimbursement of capital expenditures	814
Building – Bond Proceeds	CSF – Prop 55	Reimbursement of capital expenditures	2,432
Building – Bond Proceeds	CSF – Prop 1D	Reimbursement of capital expenditures	417
Building – Bond Proceeds	SSBldg Lease/Purchase	Reimbursement of capital expenditures	82
Building – Bond Proceeds	Special Reserve	Reimbursement of capital expenditures	68
Building – Bond Proceeds	Capital Facilities	Reimbursement of capital expenditures	195
Capital Services	General	Unused funds	904
Capital Services	Special Reserve	Unused funds	1,424
Capital Services	County School Facilities	Unused funds	3,593
Capital Services	SSBldg Lease/Purchase	Unused funds	2,975
Sub-total			552,270
Adult Education	General	Transfer of support costs	3,599
Cafeteria	General	Transfer of support costs	7,687
Child Development	General	Transfer of support costs	344
Total			<u>\$ 563,900</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2010

(13) Fund Equity

The following is a summary of reserved, designated and undesignated fund balances at June 30, 2010 (in thousands):

	General Fund	District Bonds	Other Governmental Funds
Reserved for:			
Revolving and imprest funds	\$ 2,802	\$ 3,800	\$ 114
Inventories	7,968	—	5,195
State fiscal stabilization fund	48,904	—	—
Medi-Cal billing option	15,462	—	—
Cops More program	35	—	—
School Mental Health-Medi-Cal Rehabilitation	4,217	—	—
English language acquisition program, teacher training and student assistance	4,304	—	—
Special education	5,803	—	—
Quality education investment act (QEIA)	98,814	—	—
California energy comission loan expenditures	397	—	—
Ongoing & major Maintenance Account	15,962	—	—
Certificates of participation – (acquisition accounts) proceeds	23,413	—	—
Cognitive behavioral intervention therapy	470	—	—
Specially funded programs	76,211	—	—
Total reserved fund balances	304,762	3,800	5,309
Designated for			
Subsequent year expenditures	173,227	3,488,803	788,781
Economic uncertainties	65,376	—	—
Total designated fund balances	238,603	3,488,803	788,781
Undesignated fund balances	119,542	—	705,744
Total fund balances	\$ 662,907	\$ 3,492,603	\$ 1,499,834

Reserved fund balances represent those portions not available for expenditure or those portions legally segregated for a specific future use.

Designated fund balances represent those portions segregated to indicate tentative plans for financial resource utilization in a future period.

Undesignated fund balances represent the portion available for appropriation in the next fiscal year.

(14) Contingencies

(a) General

The District has been named as a defendant in numerous lawsuits. These seek, among other things, to require the District to reinstate terminated and laid-off employees, to remedy alleged noncompliance regarding special education schools, and to change existing instructional programs, pupil integration methods, and employment and administration procedures. In certain instances, monetary damages are sought including claims for retroactive pay. Based on the opinion of counsel, management

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2010

believes that the ultimate outcome of such lawsuits will not have a material effect on the District's financial condition.

(b) Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under the terms of the grants, management believes that any required reimbursement will not be material to the financial statements.

(c) Construction Contracts

The District has entered into various contracts for the construction of facilities throughout the campuses. During fiscal year 2009-10 the District entered into approximately 192 contracts with a combined value of \$819.2 million. The durations of the contracts range from four weeks to three years.

(15) Subsequent Events

On July 1, 2010 the District issued \$540 million of Tax and Revenue Anticipation Notes. The District will make the required deposits of \$189.0 million on January 31, 2011, \$189.0 million on March 31, 2011, and \$172.8 million on April 30, 2011 in anticipation of repayment of TRANS on June 30, 2011. The TRANS carried a coupon of 2.00% and had an arbitrage yield of 0.67%.

Cafeteria Fund

In June 2010, the District received a letter from the CDE (the "June 2010 CDE Cafeteria Letter") which stated that, among other things, certain expenditures relating to administrative support were inappropriately charged to the District's Cafeteria Fund (the "Cafeteria Fund") in Fiscal Years 2004-05 and 2007-08 and directed the District to immediately transfer \$54.9 million to the Cafeteria Fund to correct these alleged unallowable expenditures for those fiscal years. Further, the CDE directed the District's Office of the Inspector General (the "OIG") to quantify the amount of similar expenditures in Fiscal Years 2005-06, 2006-07, and 2009-10. The CDE indicated their findings were based upon audits performed by the OIG for Fiscal Years 2004-05 and 2007-08.

Subsequently, CDE sent an addendum to the District in July 2010 requesting that the District, among other things, provide written verification of the District's transfer of \$54.9 million from the General Fund to the Cafeteria Fund, direct the OIG to quantify the amount of money that the District is alleged to owe the Cafeteria Fund from Fiscal Years 2005-06 through 2009-10, implement appropriate cost allocation methods for Fiscal Year 2010-11, as outlined in reports of the OIG, and provide verification that the District's corrective actions to the Cafeteria Fund have been implemented permanently. In November 2010, the OIG sent a letter to CDE stating that, due to the OIG's statutory duty to report to the District Board, the CDE could not direct the OIG to undertake additional audits of the Cafeteria Fund. In addition, the OIG believes that the methodology used by the CDE to calculate the amount of \$54.9 million mischaracterized the findings of the OIG's audit and inappropriately reached conclusions concerning the amount of money owed to the Cafeteria Fund in the subject years.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2010

The District informed the CDE that any required reimbursement to the Cafeteria Fund should take into account the District's prior years' General Fund subsidy to the Cafeteria Fund and prior years' indirect cost allocations to the program. Nevertheless, on December 7, 2010, the District received a letter from CDE (the "December 2010 CDE Cafeteria Letter") indicating that the District had not submitted acceptable corrective action documents to the CDE regarding the CDE's requests. The CDE contends that the amount and timing of the District's prior transfers and the District's proposed cost allocation methodology do not satisfy the CDE's requests. In addition, the December 2010 CDE Cafeteria Letter stated that the CDE disagreed with the OIG's contention that additional involvement by the OIG with respect to verification of the District's corrective actions for the Fiscal Year 2004-05 and 2007-08 OIG audit financings is beyond CDE's authority. The December 2010 CDE Cafeteria Letter requests that the District submit acceptable corrective action documents to it by January 6, 2011 and states that the CDE will withhold the District's meal reimbursement payments if the District fails to satisfy such request. The District is presently unable to determine the financial impact on the District which may occur as a result of the CDE's actions, particularly as a result of the duration of any withholding of reimbursements due to the District.

The District continues to contest the CDE's contention that the Cafeteria Fund was overcharged \$54.9 million. Further, the District does not believe the CDE has taken into account the full amount of the General Fund subsidy. The District is currently in discussions with CDE about this matter. The District expects to submit additional documents to provide additional responses and clarification as requested in the December 2010 CDE Cafeteria Letter. The District is unable to determine the financial impact which may occur upon final resolution of this matter. Accordingly, the \$54.9 million potential liability or any potential liability resulting from an audit of fiscal years 2005-06, 2006-07, and 2009-10 have not been reflected in the financial statements as of June 30, 2010.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Required Supplementary Information
Year Ended June 30, 2010
(in thousands)

1. Schedule of Funding Progress for California Public Employees' Retirement System (CalPERS) - Safety:

Valuation Date	Accrued Liability	Actuarial Value of Assets (AVA)	Market Value of Assets (MVA)	Unfunded Liability (UL)	Funded Ratio		Annual Covered Payroll	UL as a percentage of Payroll
					AVA	MVA		
06/30/07	\$ 201,054	\$ 166,134	\$ 193,132	\$ 34,921	82.6%	96.1%	\$ 19,913	175.4%
06/30/08	219,066	181,002	184,911	38,064	82.6	84.4	22,832	166.7
06/30/09	240,158	190,718	139,579	49,440	79.4	58.1	23,715	208.5

2. Schedule of Funding Progress for Postemployment Healthcare Benefits:

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Liability (Entry Age Normal) (AAL)	Unfunded Actuarial Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2007	\$ —	\$ 10,563,623	\$ 10,563,623	0%	\$ 4,609,494	229 %
6/30/2009	—	9,925,788	9,925,788	0	4,628,914	214

Note: The District elected for prospective implementation of GASB Statement No. 45 which became effective in Fiscal Year 2007-2008. Accordingly, comparative data for prior years is not available. Three-year trend information will be presented in future years.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT

District Bonds Fund

The Building Account – Bond Proceeds was established on April 4, 1997 to account for proceeds from bond issues as a result of the passage of Proposition BB in April 1997.

The Building Account – Measure K was established on February 26, 2003 to account for proceeds from bond issues as a result of the passage of Measure K in November 2002.

The Building Account – Measure R was established on July 19, 2004 to account for proceeds from bond issues as a result of the passage of Measure R in March 2004.

The Building Account – Measure Y was established on January 31, 2006 to account for proceeds from bond issues as a result of the passage of Measure Y in November 2005.

[THIS PAGE INTENTIONALLY LEFT BLANK]

LOS ANGELES UNIFIED SCHOOL DISTRICT
District Bonds Fund
Combining Balance Sheet
June 30, 2010
(in thousands)

	Building Account – Bond Proceeds	Building Account – Measure K	Building Account – Measure R	Building Account – Measure Y	Total
Assets:					
Cash in county treasury, in banks, and on hand	\$ 30,815	\$ 384,081	\$ 935,030	\$ 2,298,431	\$ 3,648,357
Cash held by trustee	—	300	—	—	300
Accounts receivable – net	4,924	1,481	—	—	6,405
Accrued interest and dividends receivable	93	1,388	3,346	7,203	12,030
Total Assets	\$ 35,832	\$ 387,250	\$ 938,376	\$ 2,305,634	\$ 3,667,092
Liabilities and Fund Balances:					
Vouchers and accounts payable	\$ 583	\$ 22,263	\$ 35,678	\$ 45,728	\$ 104,252
Contracts payable	382	11,194	22,301	36,347	70,224
Accrued payroll	—	—	11	2	13
Total Liabilities	965	33,457	57,990	82,077	174,489
Fund Balances:					
Reserved for:					
Revolving and imprest funds	3,000	—	300	500	3,800
Total Reserved Fund Balances	3,000	—	300	500	3,800
Unreserved:					
Designated for:					
Subsequent year expenditures	31,867	353,793	880,086	2,223,057	3,488,803
Total Designated	31,867	353,793	880,086	2,223,057	3,488,803
Total Unreserved Fund Balances	31,867	353,793	880,086	2,223,057	3,488,803
Total Fund Balances	34,867	353,793	880,386	2,223,557	3,492,603
Total Liabilities and Fund Balances	\$ 35,832	\$ 387,250	\$ 938,376	\$ 2,305,634	\$ 3,667,092

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
District Bonds Fund
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2010
(in thousands)

	Building Account – Bond Proceeds	Building Account – Measure K	Building Account – Measure R	Building Account – Measure Y	Total
Revenues:					
Other local revenues	\$ 1,074	\$ 4,635	\$ 9,001	\$ 17,069	\$ 31,779
Total Revenues	<u>1,074</u>	<u>4,635</u>	<u>9,001</u>	<u>17,069</u>	<u>31,779</u>
Expenditures:					
Current:					
Classified salaries	73	5,966	21,342	24,182	51,563
Employee benefits	29	2,687	8,741	13,337	24,794
Books and supplies	20	769	900	1,570	3,259
Services and other operating expenditures	(874)	2,126	17,046	11,004	29,302
Capital outlay	<u>11,228</u>	<u>203,378</u>	<u>530,631</u>	<u>521,768</u>	<u>1,267,005</u>
Total Expenditures	<u>10,476</u>	<u>214,926</u>	<u>578,660</u>	<u>571,861</u>	<u>1,375,923</u>
Deficiency of revenues under expenditures	<u>(9,402)</u>	<u>(210,291)</u>	<u>(569,659)</u>	<u>(554,792)</u>	<u>(1,344,144)</u>
Other Financing Sources (Uses):					
Transfers in	21,881	17,527	64,990	1,768	106,166
Transfers out	(53,836)	(1,485)	(17,508)	(12,319)	(85,148)
Issuance of bonds	<u>—</u>	<u>350,000</u>	<u>1,034,795</u>	<u>2,697,850</u>	<u>4,082,645</u>
Total Other Financing Sources (Uses)	<u>(31,955)</u>	<u>366,042</u>	<u>1,082,277</u>	<u>2,687,299</u>	<u>4,103,663</u>
Net Changes in Fund Balances	<u>(41,357)</u>	<u>155,751</u>	<u>512,618</u>	<u>2,132,507</u>	<u>2,759,519</u>
Fund Balances, July 1, 2009	<u>76,224</u>	<u>198,042</u>	<u>367,768</u>	<u>91,050</u>	<u>733,084</u>
Fund Balances, June 30, 2010	<u><u>\$ 34,867</u></u>	<u><u>\$ 353,793</u></u>	<u><u>\$ 880,386</u></u>	<u><u>\$ 2,223,557</u></u>	<u><u>\$ 3,492,603</u></u>

See accompanying independent auditor's report.



LOS ANGELES UNIFIED SCHOOL DISTRICT
District Bonds Fund
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
Year Ended June 30, 2010
(in thousands)

Building Account – Bond Proceeds			
	Budget		Variance with Final Budget – Favorable (Unfavorable)
	Original	Final	
Revenues:			
Other local revenues	\$ 1,010	\$ 1,010	\$ 1,074
Total Revenues	1,010	1,010	1,074
Expenditures:			
Current:			
Classified salaries	79	80	73
Employee benefits	9	35	29
Books and supplies	—	25	20
Services and other operating expenditures	52,577	(378)	(874)
Capital outlay	(13,550)	11,517	11,228
Total Expenditures	39,115	11,279	10,476
Deficiency of Revenues Under Expenditures	(38,105)	(10,269)	(9,402)
Other Financing Sources (Uses):			
Transfers in	—	21,881	21,881
Transfers out	—	(53,836)	(53,836)
Issuance of bonds	—	—	—
Total Other Financing Sources (Uses)	—	(31,955)	(31,955)
Net Changes in Fund Balances	\$ (38,105)	\$ (42,224)	(41,357)
Fund Balances, July 1, 2009			76,224
Fund Balances, June 30, 2010			\$ 34,867

See accompanying independent auditor's report.

Building Account – Measure K				Building Account – Measure R			
Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
Original	Final			Original	Final		
\$ 3,990	\$ 3,990	\$ 4,635	\$ 645	\$ 5,110	\$ 5,110	\$ 9,001	\$ 3,891
3,990	3,990	4,635	645	5,110	5,110	9,001	3,891
6,893	6,001	5,966	35	38,329	30,687	21,342	9,345
2,987	2,725	2,687	38	15,156	11,113	8,741	2,372
4,914	803	769	34	1,368	1,396	900	496
1,280	2,304	2,126	178	9,975	17,281	17,046	235
600,829	371,902	203,378	168,524	1,552,498	775,035	530,631	244,404
616,903	383,735	214,926	168,809	1,617,326	835,512	578,660	256,852
(612,913)	(379,745)	(210,291)	169,454	(1,612,216)	(830,402)	(569,659)	260,743
—	17,527	17,527	—	—	64,990	64,990	—
—	(1,485)	(1,485)	—	—	(17,508)	(17,508)	—
320,394	320,394	350,000	29,606	1,160,888	1,160,888	1,034,795	(126,093)
320,394	336,436	366,042	29,606	1,160,888	1,208,370	1,082,277	(126,093)
\$ (292,519)	\$ (43,309)	155,751	\$ 199,060	\$ (451,328)	\$ 377,968	512,618	\$ 134,650
		198,042				367,768	
		\$ 353,793				\$ 880,386	

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
District Bonds Fund
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Continued)
Year Ended June 30, 2010
(in thousands)

Building Account – Measure Y			
	Budget		Variance with Final Budget – Favorable (Unfavorable)
	Original	Final	Actual
Revenues:			
Other local revenues	\$ 4,540	\$ 4,540	\$ 17,069
Total Revenues	4,540	4,540	17,069
Expenditures:			
Current:			
Classified salaries	40,514	39,729	24,182
Employee benefits	16,898	16,313	13,337
Books and supplies	40,661	12,396	1,570
Services and other operating expenditures	2,008	11,189	11,004
Capital outlay	1,646,655	996,695	521,768
Total Expenditures	1,746,736	1,076,322	571,861
Deficiency of Revenues Under Expenditures	(1,742,196)	(1,071,782)	(554,792)
Other Financing Sources (Uses):			
Transfers in	—	1,768	1,768
Transfers out	—	(12,319)	(12,319)
Issuance of bonds	2,330,000	2,330,000	2,697,850
Total Other Financing Sources (Uses)	2,330,000	2,319,449	2,687,299
Net Changes in Fund Balances	\$ 587,804	\$ 1,247,667	2,132,507
Fund Balances, July 1, 2009			91,050
Fund Balances, June 30, 2010			\$ 2,223,557

See accompanying independent auditor's report.

Total			
Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
Original	Final		
\$ 14,650	\$ 14,650	\$ 31,779	\$ 17,129
14,650	14,650	31,779	17,129
85,815	76,497	51,563	24,934
35,050	30,186	24,794	5,392
46,943	14,620	3,259	11,361
65,840	30,396	29,302	1,094
3,786,432	2,155,149	1,267,005	888,144
4,020,080	2,306,848	1,375,923	930,925
(4,005,430)	(2,292,198)	(1,344,144)	948,054
—	106,166	106,166	—
—	(85,148)	(85,148)	—
3,811,282	3,811,282	4,082,645	271,363
3,811,282	3,832,300	4,103,663	271,363
\$ (194,148)	\$ 1,540,102	2,759,519	\$ 1,219,417
		733,084	
		\$ 3,492,603	



LOS ANGELES UNIFIED SCHOOL DISTRICT

Nonmajor Governmental Funds

Special Revenue Funds

The Adult Education Fund is used to account for resources committed to the operation of Community Adult Schools including educational programs funded by other government agencies. This Fund was established as authorized by State Education Code Section 42238. Revenues are primarily derived from State apportionments, federal subventions, investment income, and adult education fees.

The Cafeteria Fund is used to account for resources designated for the operation of the District's food services programs. Revenues are primarily derived from federal and state subsidies, food sales, and investment income. Since the primary source of revenues is from federal and state subsidies rather than food sales, this fund is classified as a Special Revenue Fund rather than as an Enterprise Fund.

The Child Development Fund is used to account for resources committed to the operation of the District's child development programs. Revenues are primarily derived from federal and state grants and apportionments, early education center fees, and investment income.

The Deferred Maintenance Fund is used to account for resources designated for the major repair or replacement of District property under the plan approved by the State Allocation Board. Revenues are derived from State apportionments, District matching funds, and investment income.

Debt Service Funds

The Bond Interest and Redemption Fund is used to account for the payment of the principal and interest on the Proposition BB, Measure K, Measure R, and Measure Y bond issues. Revenues are derived from ad valorem taxes levied upon all property subject to tax by the District. Such taxes, when collected, are placed and maintained by the County of Los Angeles in a Debt Service Fund under the District's name.

The Tax Override Fund is used to account for the accumulation of resources from ad valorem tax levies for the repayment of State School Building Aid Fund apportionments. The loan was paid in full in May 2010.

The Capital Services Fund is used to account for the accumulation of resources for the repayment of principal and interest on Certificates of Participation and long-term capital lease agreements. Revenues are derived primarily from operating transfers from user funds and investment income.

Capital Projects Funds

The Building Fund is used to account for revenue from rentals and leases of real property and other resources designated for facility expansion.

The State School Building Lease - Purchase Fund is used to account for State apportionments received in accordance with State Education Code Sections 17700-17780. Projects are funded by the State subject to appropriation of funds in the State Budget. The District may be required to transfer to this fund any available moneys from other funds as the District's contribution to a particular project.

The Special Reserve Fund is used to account for District resources designated for capital outlay purposes such as land purchases, ground improvements, facilities construction and improvements, new acquisitions, and related expenditures.

The Special Reserve Fund – FEMA-Earthquake is used to account for funds received from the Federal Emergency Management Agency (FEMA) for capital outlay projects resulting from the January 17, 1994 Northridge Earthquake.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Nonmajor Governmental Funds

The Special Reserve Fund – FEMA-Hazard Mitigation was established on April 15, 1996 to account for funds received from FEMA and for the 25% District-matching funds for the retrofit/replacement of pendant lighting and suspended ceilings in selected buildings at schools, offices, and children's centers.

The Special Reserve Fund – Community Redevelopment Agency is used to account for reimbursements of tax increment revenues from certain community redevelopment agencies based on agreements between the District and the agencies. These reimbursements are to be used for capital projects within the respective redevelopment areas covered in the agreements.

The Capital Facilities Account Fund was established on January 1, 1987 in accordance with Section 53080 of the California Government Code and is used to account for resources received from fees levied upon new residential, commercial, or industrial development projects within the District's boundaries in order to obtain funds for the construction or acquisition of school facilities to relieve overcrowding.

The County School Facilities Fund was established on March 9, 1999 in accordance with Education Code Section 17070 and is used to account for funds received from the State's Proposition 1A bond proceeds.

The County School Facilities Fund – Proposition 47 was established on March 25, 2003 in accordance with Education Code Section 17070.43 and is used to account for apportionments received from the State School Facilities Fund. The passage of Proposition 47 in November 2002 authorizes the sale of bonds, which provides funding for new school facility construction, modernization projects, and facility hardship grants.

The County School Facilities Fund – Proposition 55 was established on July 19, 2004 to account for the matching funds received as a result of the passage of Measure R. Proposition 55 was passed by the voters in March 2004.

The County School Facilities Fund – Proposition 1D was established on December 12, 2006. The passage of Proposition 1D in November 2006 provides State bond funds to repair and renovate old and outdated classrooms and to build new schools and classrooms to relieve overcrowding. Proposition 1D provides matching State funds for locally approved school bond measures.



LOS ANGELES UNIFIED SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet
Year Ended June 30, 2010
(in thousands)

	Special Revenue			
	Adult Education	Cafeteria	Child Development	Deferred Maintenance
Assets:				
Cash in county treasury, in banks, and on hand	\$ 73,929	\$ 220	\$ 4,110	\$ 48,201
Cash held by trustee	—	—	—	—
Investments	—	—	—	—
Taxes receivable	—	—	—	—
Accounts receivable – net	6,397	20,320	9,381	—
Accrued interest receivable	129	39	20	194
Inventories	—	5,195	—	—
Total Assets	\$ 80,455	\$ 25,774	\$ 13,511	\$ 48,395
Liabilities and Fund Balances:				
Vouchers and accounts payable	\$ 3,135	\$ 5,141	\$ 1,163	\$ 2,756
Contracts payable	1	—	—	—
Other payables	278	138	1,417	—
Due to other funds	—	15,300	10,000	—
Deferred revenue	116	—	873	—
Total Liabilities	3,530	20,579	13,453	2,756
Fund Balances:				
Reserved for:				
Revolving and imprest funds	92	—	22	—
Inventories	—	5,195	—	—
Total Reserved Fund Balances	92	5,195	22	—
Unreserved:				
Designated for:				
Subsequent year expenditures	76,833	—	36	45,639
Total Designated	76,833	—	36	45,639
Undesignated	—	—	—	—
Total Unreserved Fund Balances	76,833	—	36	45,639
Total Fund Balances	76,925	5,195	58	45,639
Total Liabilities and Fund Balances	\$ 80,455	\$ 25,774	\$ 13,511	\$ 48,395

See accompanying independent auditors' report.

Debt Service				
Total	Bond Interest and Redemption	Tax Override	Capital Services	Total
\$ 126,460	\$ 630,810	\$ 274	\$ 17,002	\$ 648,086
—	—	—	33,653	33,653
—	—	—	20,298	20,298
—	86,802	—	—	86,802
36,098	—	—	1,593	1,593
382	—	1	55	56
5,195	—	—	—	—
<u>\$ 168,135</u>	<u>\$ 717,612</u>	<u>\$ 275</u>	<u>\$ 72,601</u>	<u>\$ 790,488</u>
\$ 12,195	\$ —	\$ —	\$ 208	\$ 208
1	—	—	—	—
1,833	—	—	25	25
25,300	—	—	—	—
989	86,802	—	—	86,802
<u>40,318</u>	<u>86,802</u>	<u>—</u>	<u>233</u>	<u>87,035</u>
114	—	—	—	—
5,195	—	—	—	—
<u>5,309</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
122,508	—	—	—	—
122,508	—	—	—	—
—	630,810	275	72,368	703,453
<u>122,508</u>	<u>630,810</u>	<u>275</u>	<u>72,368</u>	<u>703,453</u>
<u>127,817</u>	<u>630,810</u>	<u>275</u>	<u>72,368</u>	<u>703,453</u>
<u>\$ 168,135</u>	<u>\$ 717,612</u>	<u>\$ 275</u>	<u>\$ 72,601</u>	<u>\$ 790,488</u>

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet (Continued)
Year Ended June 30, 2010
(in thousands)

	Capital			
	Building	State School Building Lease – Purchase	Special Reserve	Special Reserve – FEMA – Earthquake
Assets:				
Cash in county treasury, in banks, and on hand	\$ 2,219	\$ 14,244	\$ 99,743	\$ 232
Cash held by trustee	—	—	13,791	—
Investments	—	—	—	—
Taxes receivable	—	—	—	—
Accounts receivable – net	—	—	—	1,931
Accrued interest receivable	8	42	417	1
Inventories	—	—	—	—
Total Assets	\$ 2,227	\$ 14,286	\$ 113,951	\$ 2,164
Liabilities and Fund Balances:				
Vouchers and accounts payable	\$ 61	\$ 140	\$ 1,067	\$ —
Contracts payable	—	174	1,917	—
Other payables	171	11,001	1,979	1,916
Due to other funds	—	—	—	—
Deferred revenue	—	—	8,599	—
Total Liabilities	232	11,315	13,562	1,916
Fund Balances:				
Reserved for:				
Revolving and imprest funds	—	—	—	—
Inventories	—	—	—	—
Total Reserved Fund Balances	—	—	—	—
Unreserved:				
Designated for:				
Subsequent year expenditures	1,995	2,971	100,389	—
Total Designated	1,995	2,971	100,389	—
Undesignated	—	—	—	248
Total Unreserved Fund Balances	1,995	2,971	100,389	248
Total Fund Balances	1,995	2,971	100,389	248
Total Liabilities and Fund Balances	\$ 2,227	\$ 14,286	\$ 113,951	\$ 2,164

See accompanying independent auditors' report.

Projects

Special Reserve – FEMA- Hazard Mitigation	Special Reserve – Community Redevelopment Agency	Capital Facilities Account	County School Facilities Bonds				Total
			County School Facilities	County School Facilities – Prop 47	County School Facilities – Prop 55	County School Facilities – Prop 1D	
\$ 3,520	\$ 10,464	\$ 53,070	\$ 24,864	\$ 151,365	\$ 243,806	\$ 105,636	\$ 525,671
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	1,312	—	—	—	—	—
12	46	—	64	216	883	663	1,826
—	—	—	—	—	—	—	—
<u>\$ 3,532</u>	<u>\$ 10,510</u>	<u>\$ 54,382</u>	<u>\$ 24,928</u>	<u>\$ 151,581</u>	<u>\$ 244,689</u>	<u>\$ 106,299</u>	<u>\$ 527,497</u>
\$ —	\$ 201	\$ 3,949	\$ 31	\$ 852	\$ 5,778	\$ 3,071	\$ 9,732
—	—	222	49	882	5,786	9,433	16,150
1,489	—	1,217	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
<u>1,489</u>	<u>201</u>	<u>5,388</u>	<u>80</u>	<u>1,734</u>	<u>11,564</u>	<u>12,504</u>	<u>25,882</u>
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	10,309	48,994	24,848	149,847	233,125	93,795	501,615
—	10,309	48,994	24,848	149,847	233,125	93,795	501,615
2,043	—	—	—	—	—	—	—
<u>2,043</u>	<u>10,309</u>	<u>48,994</u>	<u>24,848</u>	<u>149,847</u>	<u>233,125</u>	<u>93,795</u>	<u>501,615</u>
<u>2,043</u>	<u>10,309</u>	<u>48,994</u>	<u>24,848</u>	<u>149,847</u>	<u>233,125</u>	<u>93,795</u>	<u>501,615</u>
<u>\$ 3,532</u>	<u>\$ 10,510</u>	<u>\$ 54,382</u>	<u>\$ 24,928</u>	<u>\$ 151,581</u>	<u>\$ 244,689</u>	<u>\$ 106,299</u>	<u>\$ 527,497</u>

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet (Continued)
Year Ended June 30, 2010
(in thousands)

	Total	Total Nonmajor Governmental Funds
Assets:		
Cash in county treasury, in banks, and on hand	\$ 709,163	\$ 1,483,709
Cash held by trustee	13,791	47,444
Investments	—	20,298
Taxes receivable	—	86,802
Accounts receivable – net	3,243	40,934
Accrued interest receivable	2,352	2,790
Inventories	—	5,195
Total Assets	\$ 728,549	\$ 1,687,172
Liabilities and Fund Balances:		
Vouchers and accounts payable	\$ 15,150	\$ 27,553
Contracts payable	18,463	18,464
Other payables	17,773	19,631
Due to other funds	—	25,300
Deferred revenue	8,599	96,390
Total Liabilities	59,985	187,338
Fund Balances:		
Reserved for:		
Revolving and imprest funds	—	114
Inventories	—	5,195
Total Reserved Fund Balances	—	5,309
Unreserved:		
Designated for:		
Subsequent year expenditures	666,273	788,781
Total Designated	666,273	788,781
Undesignated	2,291	705,744
Total Unreserved Fund Balances	668,564	1,494,525
Total Fund Balances	668,564	1,499,834
Total Liabilities and Fund Balances	\$ 728,549	\$ 1,687,172

See accompanying independent auditors' report.



LOS ANGELES UNIFIED SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2010
(in thousands)

	Special		
	Adult Education	Cafeteria	Child Development
Revenues:			
Federal revenues	\$ 17,455	\$ 245,475	\$ 33,414
Other state revenues	17,468	19,307	83,694
Other local revenues	1,992	12,319	11,365
Total Revenues	<u>36,915</u>	<u>277,101</u>	<u>128,473</u>
Expenditures:			
Current:			
Certificated salaries	78,080	—	43,858
Classified salaries	21,195	96,548	41,343
Employee benefits	38,123	71,187	36,244
Books and supplies	9,427	117,011	2,813
Services and other operating expenditures	4,300	6,754	5,622
Capital outlay	3,680	296	122
Debt service – principal	—	—	—
Debt service – bond and COPs interest	—	—	—
Total Expenditures	<u>154,805</u>	<u>291,796</u>	<u>130,002</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(117,890)</u>	<u>(14,695)</u>	<u>(1,529)</u>
Other Financing Sources (Uses):			
Transfers in	168,284	24,013	165
Transfers – support costs	(3,599)	(7,687)	(344)
Transfers out	(10,600)	(2,482)	(853)
Premium on bonds issued	—	—	—
Issuance of refunding bonds	—	—	—
Payment to refunded bond escrow agent	—	—	—
Issuance of COPs	—	—	—
Issuance of refunding COPs	—	—	—
Premium on COPs issued	—	—	—
Payment to refunded COPs escrow agent	—	—	—
Land and building sale/lease	—	—	—
Facilities revolving funds	—	—	(518)
Total Other Financing Sources (Uses)	<u>154,085</u>	<u>13,844</u>	<u>(1,550)</u>
Net Changes in Fund Balances	<u>36,195</u>	<u>(851)</u>	<u>(3,079)</u>
Fund Balances, July 1, 2009	<u>40,730</u>	<u>6,046</u>	<u>3,137</u>
Fund Balances, June 30, 2010	<u>\$ 76,925</u>	<u>\$ 5,195</u>	<u>\$ 58</u>

See accompanying independent auditor's report.

Revenue		Debt Service			
Deferred Maintenance	Total	Bond Interest and Redemption	Tax Override	Capital Services	Total
\$ —	\$ 296,344	\$ 29,221	\$ —	\$ —	\$ 29,221
—	120,469	4,853	5	—	4,858
1,209	26,885	710,620	41	1,138	711,799
1,209	443,698	744,694	46	1,138	745,878
—	121,938	—	—	—	—
6,420	165,506	—	—	—	—
2,970	148,524	—	—	—	—
2,695	131,946	—	—	—	—
56,991	73,667	—	—	—	—
3,522	7,620	—	—	—	—
—	—	259,080	—	29,080	288,160
—	—	423,654	—	13,740	437,394
72,598	649,201	682,734	—	42,820	725,554
(71,389)	(205,503)	61,960	46	(41,682)	20,324
941	193,403	—	—	123,131	123,131
—	(11,630)	—	—	—	—
—	(13,935)	—	—	(8,896)	(8,896)
—	—	92,908	—	—	92,908
—	—	149,760	—	—	149,760
—	—	(163,199)	—	—	(163,199)
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	(65,328)	(65,328)
—	—	—	—	—	—
—	(518)	—	—	—	—
941	167,320	79,469	—	48,907	128,376
(70,448)	(38,183)	141,429	46	7,225	148,700
116,087	166,000	489,381	229	65,143	554,753
\$ 45,639	\$ 127,817	\$ 630,810	\$ 275	\$ 72,368	\$ 703,453

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Year Ended June 30, 2010
(in thousands)

	Capital			
	Building	State School Building Lease – Purchase	Special Reserve	Special Reserve – FEMA – Earthquake
Revenues:				
Federal revenues	\$ —	\$ —	\$ —	\$ —
Other state revenues	—	—	(7,161)	—
Other local revenues	195	306	4,281	—
Total Revenues	195	306	(2,880)	—
Expenditures:				
Current:				
Certificated salaries	—	—	—	—
Classified salaries	11	3	753	—
Employee benefits	5	1	318	—
Books and supplies	2	—	384	—
Services and other operating expenditures	296	—	2,558	—
Capital outlay	341	241	30,237	—
Debt service – principal	—	—	—	—
Debt service – bond and COPs interest	—	—	—	—
Total Expenditures	655	245	34,250	—
Excess (Deficiency) of Revenues Over (Under) Expenditures	(460)	61	(37,130)	—
Other Financing Sources (Uses):				
Transfers in	—	3,107	3,302	—
Transfers – support costs	—	—	—	—
Transfers out	—	(200)	(166,156)	—
Premium on bonds issued	—	—	—	—
Issuance of refunding bonds	—	—	—	—
Payment to refunded bond escrow agent	—	—	—	—
Issuance of COPs	—	—	40,728	—
Issuance of refunding COPs	—	—	69,685	—
Premium on COPs issued	—	—	3,771	—
Payment to refunded COPs escrow agent	—	—	—	—
Land and building sale/lease	—	—	2,371	—
Facilities revolving funds	—	—	—	—
Total Other Financing Sources (Uses)	—	2,907	(46,299)	—
Net Changes in Fund Balances	(460)	2,968	(83,429)	—
Fund Balances, July 1, 2009	2,455	3	183,818	248
Fund Balances, June 30, 2010	\$ 1,995	\$ 2,971	\$ 100,389	\$ 248

See accompanying independent auditor's report.

Projects

Special Reserve – FEMA – Hazard Mitigation	Special Reserve – Community Redevelopment Agency	Capital Facilities Account	County School Facilities Bonds				Total
			County School Facilities	County School Facilities – Prop 47	County School Facilities – Prop 55	County School Facilities – Prop 1D	
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	31,453	136,347	121,197	288,997
—	6,219	19,848	230	2,947	4,573	1,315	9,065
—	6,219	19,848	230	34,400	140,920	122,512	298,062
—	—	—	—	—	—	—	—
—	—	276	27	9	91	159	286
—	1	121	10	4	(15)	60	59
—	—	13	(3)	34	39	90	160
—	324	464	1	93	18	28	140
—	135	29,281	1,564	78,015	189,661	55,552	324,792
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	460	30,155	1,599	78,155	189,794	55,889	325,437
—	5,759	(10,307)	(1,369)	(43,755)	(48,874)	66,623	(27,375)
—	—	331	20,096	1,548	5,980	3,704	31,328
—	—	—	—	—	—	—	—
—	(4,328)	(12,162)	(12,012)	(1,387)	(11,436)	(12,248)	(37,083)
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	(4,328)	(11,831)	8,084	161	(5,456)	(8,544)	(5,755)
—	1,431	(22,138)	6,715	(43,594)	(54,330)	58,079	(33,130)
2,043	8,878	71,132	18,133	193,441	287,455	35,716	534,745
\$ 2,043	\$ 10,309	\$ 48,994	\$ 24,848	\$ 149,847	\$ 233,125	\$ 93,795	\$ 501,615

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Year Ended June 30, 2010
(in thousands)

	<u>Total</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:		
Federal revenues	\$ —	\$ 325,565
Other state revenues	281,836	407,163
Other local revenues	39,914	778,598
Total Revenues	<u>321,750</u>	<u>1,511,326</u>
Expenditures:		
Current:		
Certificated salaries	—	121,938
Classified salaries	1,329	166,835
Employee benefits	505	149,029
Books and supplies	559	132,505
Services and other operating expenditures	3,782	77,449
Capital outlay	385,027	392,647
Debt service – principal	—	288,160
Debt service – bond and COPs interest	—	437,394
Total Expenditures	<u>391,202</u>	<u>1,765,957</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(69,452)</u>	<u>(254,631)</u>
Other Financing Sources (Uses):		
Transfers in	38,068	354,602
Transfers – support costs	—	(11,630)
Transfers out	(219,929)	(242,760)
Premium on bonds issued	—	92,908
Issuance of refunding bonds	—	149,760
Payment to refunded bond escrow agent	—	(163,199)
Issuance of COPs	40,728	40,728
Issuance of refunding COPs	69,685	69,685
Premium on COPs issued	3,771	3,771
Payment to refunded COPs escrow agent	—	(65,328)
Land and building sale/lease	2,371	2,371
Facilities revolving funds	—	(518)
Total Other Financing Sources (Uses)	<u>(65,306)</u>	<u>230,390</u>
Net Changes in Fund Balances	<u>(134,758)</u>	<u>(24,241)</u>
Fund Balances, July 1, 2009	<u>803,322</u>	<u>1,524,075</u>
Fund Balances, June 30, 2010	<u>\$ 668,564</u>	<u>\$ 1,499,834</u>

See accompanying independent auditor's report.



LOS ANGELES UNIFIED SCHOOL DISTRICT
Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
Year Ended June 30, 2010
(in thousands)

	Adult Education			Variance with Final Budget – Favorable (Unfavorable)
	Budget		Actual	
	Original	Final		
Revenues:				
Federal revenues	\$ 20,607	\$ 18,018	\$ 17,455	\$ (563)
Other state revenues	173,005	17,432	17,468	36
Other local revenues	2,578	1,442	1,992	550
Total Revenues	196,190	36,892	36,915	23
Expenditures:				
Current:				
Certificated salaries	93,495	102,098	78,080	24,018
Classified salaries	21,536	22,559	21,195	1,364
Employee benefits	34,294	39,103	38,123	980
Books and supplies	17,723	41,667	9,427	32,240
Services and other operating expenditures	3,978	4,833	4,300	533
Capital outlay	15,973	21,544	3,680	17,864
Total Expenditures	186,999	231,804	154,805	76,999
Excess (Deficiency) of Revenues Over (Under) Expenditures	9,191	(194,912)	(117,890)	77,022
Other Financing Sources (Uses):				
Transfers in	—	168,284	168,284	—
Transfers – support costs	(8,435)	(8,403)	(3,599)	4,804
Transfers out	(10,600)	(10,600)	(10,600)	—
Facilities revolving funds	—	—	—	—
Total Other Financing Sources (Uses)	(19,035)	149,281	154,085	4,804
Net Changes in Fund Balances	\$ (9,844)	\$ (45,631)	36,195	\$ 81,826
Fund Balances, July 1, 2009			40,730	
Fund Balances, June 30, 2010			\$ 76,925	

See accompanying independent auditor's report.

Cafeteria				Child Development			
Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
Original	Final			Original	Final		
\$ 270,767	\$ 270,767	\$ 245,475	\$ (25,292)	\$ 15,651	\$ 22,792	\$ 33,414	\$ 10,622
19,030	19,030	19,307	277	107,676	95,032	83,694	(11,338)
19,033	19,033	12,319	(6,714)	11,362	15,460	11,365	(4,095)
308,830	308,830	277,101	(31,729)	134,689	133,284	128,473	(4,811)
—	—	—	—	41,033	43,875	43,858	17
111,321	96,763	96,548	215	40,035	41,964	41,343	621
81,542	71,278	71,187	91	33,581	36,326	36,244	82
104,547	130,112	117,011	13,101	14,484	4,742	2,813	1,929
12,859	8,491	6,754	1,737	5,652	6,065	5,622	443
34	3,028	296	2,732	2,917	1,808	122	1,686
310,303	309,672	291,796	17,876	137,702	134,780	130,002	4,778
(1,473)	(842)	(14,695)	(13,853)	(3,013)	(1,496)	(1,529)	(33)
—	24,305	24,013	(292)	—	—	165	165
—	(9,179)	(7,687)	1,492	(1,045)	(717)	(344)	373
(730)	(2,482)	(2,482)	—	—	(853)	(853)	—
—	—	—	—	—	—	(518)	(518)
(730)	12,644	13,844	1,200	(1,045)	(1,570)	(1,550)	20
\$ (2,203)	\$ 11,802	(851)	\$ (12,653)	\$ (4,058)	\$ (3,066)	(3,079)	\$ (13)
		6,046				3,137	
		\$ 5,195				\$ 58	

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Continued)
Year Ended June 30, 2010
(in thousands)

	Deferred Maintenance			Variance with Final Budget – Favorable (Unfavorable)
	Budget		Actual	
	Original	Final		
Revenues:				
Federal revenues	\$ —	\$ —	\$ —	\$ —
Other state revenues	—	—	—	—
Other local revenues	3,500	3,500	1,209	(2,291)
Total Revenues	3,500	3,500	1,209	(2,291)
Expenditures:				
Current:				
Certificated salaries	—	—	—	—
Classified salaries	10,418	6,422	6,420	2
Employee benefits	3,804	3,109	2,970	139
Books and supplies	61,318	20,125	2,695	17,430
Services and other operating expenditures	7,818	74,858	56,991	17,867
Capital outlay	5,420	16,013	3,522	12,491
Total Expenditures	88,778	120,527	72,598	47,929
Excess (Deficiency) of Revenues Over (Under) Expenditures	(85,278)	(117,027)	(71,389)	45,638
Other Financing Sources (Uses):				
Transfers in	—	941	941	—
Transfers – support costs	—	—	—	—
Transfers out	—	—	—	—
Total Other Financing Sources (Uses)	—	941	941	—
Net Changes in Fund Balances	\$ (85,278)	\$ (116,086)	(70,448)	\$ 45,638
Fund Balances, July 1, 2009			116,087	
Fund Balances, June 30, 2010			\$ 45,639	

See accompanying independent auditor's report.

Total			
Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
Original	Final		
\$ 307,025	\$ 311,577	\$ 296,344	\$ (15,233)
299,711	131,494	120,469	(11,025)
36,473	39,435	26,885	(12,550)
643,209	482,506	443,698	(38,808)
134,528	145,973	121,938	24,035
183,310	167,708	165,506	2,202
153,221	149,816	148,524	1,292
198,072	196,646	131,946	64,700
30,307	94,247	73,667	20,580
24,344	42,393	7,620	34,773
723,782	796,783	649,201	147,582
(80,573)	(314,277)	(205,503)	108,774
—	193,530	193,403	(127)
(9,480)	(18,299)	(11,630)	6,669
(11,330)	(13,935)	(13,935)	—
—	—	(518)	(518)
(20,810)	161,296	167,320	6,024
\$ (101,383)	\$ (152,981)	(38,183)	\$ 114,798
		166,000	
		\$ 127,817	

LOS ANGELES UNIFIED SCHOOL DISTRICT
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
Year Ended June 30, 2010
(in thousands)

	Bond Interest and Redemption			Variance with Final Budget – Favorable (Unfavorable)
	Budget			
	Original	Final	Actual	
Revenues:				
Federal revenues	\$ —	\$ —	\$ 29,221	\$ 29,221
Other state revenues	4,992	4,992	4,853	(139)
Other local revenues	597,521	597,521	710,620	113,099
Total Revenues	602,513	602,513	744,694	142,181
Expenditures:				
Debt service – principal	593,513	303,893	259,080	44,813
Debt service – bond and COPs interest	—	424,000	423,654	346
Total Expenditures	593,513	727,893	682,734	45,159
Excess (Deficiency) of Revenues Over (Under) Expenditures	9,000	(125,380)	61,960	187,340
Other Financing Sources (Uses):				
Transfers in	—	—	—	—
Transfers out	—	—	—	—
Premium on bonds issued	—	—	92,908	92,908
Issuance of refunding bonds	—	—	149,760	149,760
Payment to refunded bond escrow agent	—	(164,000)	(163,199)	801
Payment to refunded COPs escrow agent	—	—	—	—
Total Other Financing Sources (Uses)	—	(164,000)	79,469	243,469
Net Changes in Fund Balances	\$ 9,000	\$ (289,380)	141,429	\$ 430,809
Fund Balances, July 1, 2009			489,381	
Fund Balances, June 30, 2010			\$ 630,810	

See accompanying independent auditor's report.

Tax Override				Capital Services			
Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
Original	Final			Original	Final		
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	5	5	—	—	—	—
—	—	41	41	1,028	1,028	1,138	110
—	—	46	46	1,028	1,028	1,138	110
209	229	—	229	32,389	35,326	29,080	6,246
—	—	—	—	16,526	15,063	13,740	1,323
209	229	—	229	48,915	50,389	42,820	7,569
(209)	(229)	46	275	(47,887)	(49,361)	(41,682)	7,679
—	—	—	—	55,128	134,098	123,131	(10,967)
—	—	—	—	—	(8,896)	(8,896)	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	(65,328)	(65,328)	—
—	—	—	—	55,128	59,874	48,907	(10,967)
<u>\$ (209)</u>	<u>\$ (229)</u>	46	<u>\$ 275</u>	<u>\$ 7,241</u>	<u>\$ 10,513</u>	7,225	<u>\$ (3,288)</u>
		229				65,143	
		<u>\$ 275</u>				<u>\$ 72,368</u>	

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Continued)
Year Ended June 30, 2010
(in thousands)

	Total			Variance with Final Budget – Favorable (Unfavorable)
	Budget		Actual	
	Original	Final		
Revenues:				
Federal revenues	\$ —	\$ —	\$ 29,221	\$ 29,221
Other state revenues	4,992	4,992	4,858	(134)
Other local revenues	598,549	598,549	711,799	113,250
Total Revenues	603,541	603,541	745,878	142,337
Expenditures:				
Debt service – principal	626,111	339,448	288,160	51,288
Debt service – bond and COPs interest	16,526	439,063	437,394	1,669
Total Expenditures	642,637	778,511	725,554	52,957
Excess (Deficiency) of Revenues Over (Under) Expenditures	(39,096)	(174,970)	20,324	195,294
Other Financing Sources (Uses):				
Transfers in	55,128	134,098	123,131	(10,967)
Transfers out	—	(8,896)	(8,896)	—
Premium on bonds issued	—	—	92,908	92,908
Issuance of refunding bonds	—	—	149,760	149,760
Payment to refunded bond escrow agent	—	(164,000)	(163,199)	801
Payment to refunded COPs escrow agent	—	(65,328)	(65,328)	—
Total Other Financing Sources (Uses)	55,128	(104,126)	128,376	232,502
Net Changes in Fund Balances	\$ 16,032	\$ (279,096)	148,700	\$ 427,796
Fund Balances, July 1, 2009			554,753	
Fund Balances, June 30, 2010			\$ 703,453	

See accompanying independent auditor's report.



Los Angeles Unified School District
Capital Projects Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2010
(in thousands)

	Building			Variance with Final Budget – Favorable (Unfavorable)
	Budget		Actual	
	Original	Final		
Revenues:				
Federal revenues	\$ —	\$ —	\$ —	\$ —
Other state revenues	—	—	—	—
Other local revenues	300	300	195	(105)
Total Revenues	300	300	195	(105)
Expenditures:				
Current:				
Classified salaries	—	15	11	4
Employee benefits	—	8	5	3
Books and supplies	—	5	2	3
Services and other operating expenditures	266	300	296	4
Capital outlay	(508)	427	341	86
Total Expenditures	(242)	755	655	100
Excess (Deficiency) of Revenues Over (Under) Expenditures	542	(455)	(460)	(5)
Other Financing Sources (Uses):				
Transfers in	—	—	—	—
Transfers out	—	—	—	—
Land & building sale/lease	—	—	—	—
Premium on COPs issued	—	—	—	—
Issuance of COPs	—	—	—	—
Issuance of refunding COPs	—	—	—	—
Total Other Financing Sources (Uses)	—	—	—	—
Net Changes in Fund Balances	\$ 542	\$ (455)	(460)	\$ (5)
Fund Balances, July 1, 2009			2,455	
Fund Balances, June 30, 2010			\$ 1,995	

See accompanying independent auditor's report.

State School Building – Lease Purchase				Special Reserve			
Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
Original	Final			Original	Final		
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	14,000	1,438	(7,161)	(8,599)
350	350	306	(44)	17,176	15,246	4,281	(10,965)
350	350	306	(44)	31,176	16,684	(2,880)	(19,564)
—	3	3	—	—	800	753	47
—	2	1	1	31	331	318	13
—	6	—	6	—	400	384	16
51	1	—	1	17,070	2,650	2,558	92
5,652	3,248	241	3,007	65,993	135,081	30,237	104,844
5,703	3,260	245	3,015	83,094	139,262	34,250	105,012
(5,353)	(2,910)	61	2,971	(51,918)	(122,578)	(37,130)	85,448
—	3,107	3,107	—	—	3,302	3,302	—
—	(200)	(200)	—	(9,380)	(201,977)	(166,156)	35,821
—	—	—	—	7,800	7,800	2,371	(5,429)
—	—	—	—	—	—	3,771	3,771
—	—	—	—	86,165	228,822	40,728	(188,094)
—	—	—	—	—	—	69,685	69,685
—	2,907	2,907	—	84,585	37,947	(46,299)	(84,246)
\$ (5,353)	\$ (3)	2,968	\$ 2,971	\$ 32,667	\$ (84,631)	(83,429)	\$ 1,202
		3				183,818	
		\$ 2,971				\$ 100,389	

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
 Capital Projects Funds
 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (Continued)
 Year Ended June 30, 2010
 (in thousands)

	Special Reserve – FEMA – Earthquake			
	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
	Original	Final		
Revenues:				
Federal revenues	\$ 5,708	\$ 5,708	\$ —	\$ (5,708)
Other state revenues	568	568	—	(568)
Other local revenues	—	—	—	—
Total Revenues	<u>6,276</u>	<u>6,276</u>	<u>—</u>	<u>(6,276)</u>
Expenditures:				
Current:				
Classified salaries	—	—	—	—
Employee benefits	—	—	—	—
Books and supplies	—	—	—	—
Services and other operating expenditures	—	—	—	—
Capital outlay	—	—	—	—
Total Expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,276</u>	<u>6,276</u>	<u>—</u>	<u>(6,276)</u>
Other Financing Sources (Uses):				
Transfers in	—	—	—	—
Transfers out	—	—	—	—
Land & building sale/lease	—	—	—	—
Premium on COPs issued	—	—	—	—
Issuance of COPs	—	—	—	—
Issuance of refunding COPs	—	—	—	—
Total Other Financing Sources (Uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net Changes in Fund Balances	<u>\$ 6,276</u>	<u>\$ 6,276</u>	<u>—</u>	<u>\$ (6,276)</u>
Fund Balances, July 1, 2009			248	
Fund Balances, June 30, 2010			<u>\$ 248</u>	

See accompanying independent auditors' report.

Special Reserve – FEMA – Hazard Mitigation				Special Reserve – Community Redevelopment Agency			
Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
Original	Final			Original	Final		
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—	—	—
—	—	—	—	4,384	4,384	6,219	1,835
—	—	—	—	4,384	4,384	6,219	1,835
—	—	—	—	—	—	—	—
—	—	—	—	2	2	—	2
—	—	—	—	—	2	1	1
—	—	—	—	—	—	—	—
—	—	—	—	99	326	324	2
—	—	—	—	1,435	1,303	135	1,168
—	—	—	—	1,536	1,633	460	1,173
—	—	—	—	—	—	—	—
—	—	—	—	2,848	2,751	5,759	3,008
—	—	—	—	—	—	—	—
—	—	—	—	(4,000)	(4,328)	(4,328)	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	(4,000)	(4,328)	(4,328)	—
\$ —	\$ —	—	\$ —	\$ (1,152)	\$ (1,577)	1,431	\$ 3,008
		2,043				8,878	
		\$ 2,043				\$ 10,309	

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Capital Projects Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
Year Ended June 30, 2010
(in thousands)

Capital Facilities Account			
	Budget		Variance with Final Budget – Favorable (Unfavorable)
	Original	Final	
Revenues:			
Federal revenues	\$ —	\$ —	\$ —
Other state revenues	—	—	—
Other local revenues	20,937	20,937	(1,089)
Total Revenues	20,937	20,937	(1,089)
Expenditures:			
Current:			
Classified salaries	321	321	276
Employee benefits	141	141	121
Books and supplies	27	27	13
Services and other operating expenditures	47,741	1,778	464
Capital outlay	63,743	71,117	29,281
Total Expenditures	111,973	73,384	30,155
Excess (Deficiency) of Revenues Over (Under) Expenditures	(91,036)	(52,447)	(10,307)
Other Financing Sources (Uses):			
Transfers in	—	248	331
Transfers out	(13,606)	(13,610)	(12,162)
Land & building sale/lease	—	—	—
Premium on COPs issued	—	—	—
Issuance of COPs	—	—	—
Issuance of refunding COPs	—	—	—
Total Other Financing Sources (Uses)	(13,606)	(13,362)	(11,831)
Net Changes in Fund Balances	\$ (104,642)	\$ (65,809)	\$ 43,671
Fund Balances, July 1, 2009			71,132
Fund Balances, June 30, 2010			\$ 48,994

See accompanying independent auditors' report.

County School Facilities				County School Facilities – Prop 47			
Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
Original	Final			Original	Final		
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	617,861	617,861	31,453	(586,408)
540	540	230	(310)	—	—	2,947	2,947
540	540	230	(310)	617,861	617,861	34,400	(583,461)
—	27	27	—	—	10	9	1
—	14	10	4	—	5	4	1
—	—	(3)	3	—	35	34	1
—	2	1	1	—	100	93	7
17,110	26,714	1,564	25,150	203,355	212,741	78,015	134,726
17,110	26,757	1,599	25,158	203,355	212,891	78,155	134,736
(16,570)	(26,217)	(1,369)	24,848	414,506	404,970	(43,755)	(448,725)
—	20,096	20,096	—	—	1,548	1,548	—
—	(12,012)	(12,012)	—	—	(1,387)	(1,387)	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	8,084	8,084	—	—	161	161	—
\$ (16,570)	\$ (18,133)	6,715	\$ 24,848	\$ 414,506	\$ 405,131	(43,594)	\$ (448,725)
		18,133				193,441	
		\$ 24,848				\$ 149,847	

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
 Capital Projects Funds
 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (Continued)
 Year Ended June 30, 2010
 (in thousands)

Facilities Bonds			
County School Facilities – Prop 55			
	Budget		Variance
	Original	Final	with Final Budget – Favorable (Unfavorable)
Revenues:			
Federal revenues	\$ —	\$ —	\$ —
Other state revenues	1,149,904	1,149,904	(1,013,557)
Other local revenues	2,030	2,030	2,543
Total Revenues	1,151,934	1,151,934	(1,011,014)
Expenditures:			
Current:			
Classified salaries	—	100	9
Employee benefits	—	—	15
Books and supplies	—	42	3
Services and other operating expenditures	—	20	2
Capital outlay	905,120	738,323	548,662
Total Expenditures	905,120	738,485	548,691
Excess (Deficiency) of Revenues Over (Under) Expenditures	246,814	413,449	(48,874)
Other Financing Sources (Uses):			
Transfers in	—	5,980	—
Transfers out	—	(11,436)	—
Land & building sale/lease	—	—	—
Premium on COPs issued	—	—	—
Issuance of COPs	—	—	—
Issuance of refunding COPs	—	—	—
Total Other Financing Sources (Uses)	—	(5,456)	—
Net Changes in Fund Balances	\$ 246,814	\$ 407,993	\$ (462,323)
Fund Balances, July 1, 2009		287,455	
Fund Balances, June 30, 2010		\$ 233,125	

County School Facilities – Prop 1D				County School Facilities Bonds – Total			
Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
Original	Final			Original	Final		
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
661,863	661,863	121,197	(540,666)	2,429,628	2,429,628	288,997	(2,140,631)
—	—	1,315	1,315	2,570	2,570	9,065	6,495
661,863	661,863	122,512	(539,351)	2,432,198	2,432,198	298,062	(2,134,136)
—	170	159	11	—	307	286	21
—	70	60	10	—	89	59	30
—	120	90	30	—	197	160	37
—	30	28	2	—	152	140	12
580,895	333,645	55,552	278,093	1,706,480	1,311,423	324,792	986,631
580,895	334,035	55,889	278,146	1,706,480	1,312,168	325,437	986,731
80,968	327,828	66,623	(261,205)	725,718	1,120,030	(27,375)	(1,147,405)
—	3,704	3,704	—	—	31,328	31,328	—
—	(12,248)	(12,248)	—	—	(37,083)	(37,083)	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	(8,544)	(8,544)	—	—	(5,755)	(5,755)	—
\$ 80,968	\$ 319,284	58,079	\$ (261,205)	\$ 725,718	\$ 1,114,275	(33,130)	\$ (1,147,405)
		35,716				534,745	
		\$ 93,795				\$ 501,615	

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Capital Projects Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
Year Ended June 30, 2010
(in thousands)

	Total			Variance with Final Budget – Favorable (Unfavorable)
	Budget		Actual	
	Original	Final		
Revenues:				
Federal revenues	\$ 5,708	\$ 5,708	\$ —	\$ (5,708)
Other state revenues	2,444,196	2,431,634	281,836	(2,149,798)
Other local revenues	45,717	43,787	39,914	(3,873)
Total Revenues	<u>2,495,621</u>	<u>2,481,129</u>	<u>321,750</u>	<u>(2,159,379)</u>
Expenditures:				
Current:				
Classified salaries	323	1,448	1,329	119
Employee benefits	172	573	505	68
Books and supplies	27	635	559	76
Services and other operating expenditures	65,227	5,207	3,782	1,425
Capital outlay	<u>1,842,795</u>	<u>1,522,599</u>	<u>385,027</u>	<u>1,137,572</u>
Total Expenditures	<u>1,908,544</u>	<u>1,530,462</u>	<u>391,202</u>	<u>1,139,260</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>587,077</u>	<u>950,667</u>	<u>(69,452)</u>	<u>(1,020,119)</u>
Other Financing Sources (Uses):				
Transfers in	—	37,985	38,068	83
Transfers out	(26,986)	(257,198)	(219,929)	37,269
Land & building sale/lease	7,800	7,800	2,371	(5,429)
Premium on COPs issued	—	—	3,771	3,771
Issuance of COPs	86,165	228,822	40,728	(188,094)
Issuance of refunding COPs	—	—	69,685	69,685
Total Other Financing Sources (Uses)	<u>66,979</u>	<u>17,409</u>	<u>(65,306)</u>	<u>(82,715)</u>
Net Changes in Fund Balances	<u>\$ 654,056</u>	<u>\$ 968,076</u>	<u>(134,758)</u>	<u>\$ (1,102,834)</u>
Fund Balances, July 1, 2009			<u>803,322</u>	
Fund Balances, June 30, 2010			<u>\$ 668,564</u>	

LOS ANGELES UNIFIED SCHOOL DISTRICT

Internal Service Funds

The Health and Welfare Benefits Fund was established pursuant to Education Code 39602 to pay for claims, administrative costs, insurance premiums, and related expenditures for the District's Health and Welfare Benefits program. Medical and dental claims for the self-insured portion of the Fund are administered by outside claims administrators. Premium payments to health maintenance organizations for medical benefits and to outside carriers for vision services, dental services, and optional life insurance are also paid out of this Fund.

The Workers' Compensation Self-Insurance Fund was established pursuant to Education Code 39602 to pay for claims, excess insurance coverage, administrative costs, and related expenditures. Workers' compensation claims are administered for the District by an outside claims administrator.

The Liability Self-Insurance Fund was established pursuant to Education Code 39602 to pay claims, excess insurance coverage, administrative costs and related expenditures, and to provide funds for insurance deductible amounts. Liability claims are administered for the District by an outside claims administrator.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Internal Service Funds
Combining Balance Sheet
June 30, 2010
(in thousands)

	Health and Welfare Benefits	Workers' Compensation	Liability	Total
Assets:				
Cash in county treasury, in banks, and on hand	\$ 170,875	\$ 517,697	\$ 39,432	\$ 728,004
Accounts receivable – net	1,957	193	—	2,150
Accrued interest and dividends receivable	451	2,187	65	2,703
Prepaid expense	9,378	—	3,488	12,866
Total Assets	<u>\$ 182,661</u>	<u>\$ 520,077</u>	<u>\$ 42,985</u>	<u>\$ 745,723</u>
Liabilities:				
Current:				
Vouchers and accounts payable	\$ 48,539	\$ 1,792	\$ 705	\$ 51,036
Accrued payroll	106	248	151	505
Other payables	—	1,041	22	1,063
Estimated liability for self-insurance claims	37,827	83,774	38,119	159,720
Noncurrent:				
Estimated liability for self-insurance claims	—	368,625	—	368,625
Total Liabilities	86,472	455,480	38,997	580,949
Total Net Assets – Unrestricted	96,189	64,597	3,988	164,774
Total Liabilities and Net Assets	<u>\$ 182,661</u>	<u>\$ 520,077</u>	<u>\$ 42,985</u>	<u>\$ 745,723</u>

See accompanying independent auditor's report.

Los Angeles Unified School District
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Year Ended June 30, 2010
(in thousands)

	Health and Welfare Benefits	Workers' Compensation	Liability	Total
Operating Revenues:				
In-district premiums	\$ 938,858	\$ 107,692	\$ 40,183	\$ 1,086,733
Others	(227)	—	—	(227)
	<u>938,631</u>	<u>107,692</u>	<u>40,183</u>	<u>1,086,506</u>
Operating Expenses:				
Salaries	1,775	3,467	1,358	6,600
Employee benefits	915	1,864	591	3,370
Supplies	154	63	9	226
Premiums and claims expenses	862,694	59,726	37,836	960,256
Claims administration	—	13,392	1,022	14,414
Other contracted services	801	197	10	1,008
Total Operating Expenses	<u>866,339</u>	<u>78,709</u>	<u>40,826</u>	<u>985,874</u>
Operating Income (Loss)	<u>72,292</u>	<u>28,983</u>	<u>(643)</u>	<u>100,632</u>
Nonoperating Revenues (Expenses):				
Investment income	1,912	8,522	255	10,689
Transfers in	12,629	—	—	12,629
Miscellaneous expense	—	(18)	—	(18)
Total Nonoperating Revenues	<u>14,541</u>	<u>8,504</u>	<u>255</u>	<u>23,300</u>
Changes in Net Assets	<u>86,833</u>	<u>37,487</u>	<u>(388)</u>	<u>123,932</u>
Total Net Assets, July 1, 2009	<u>9,356</u>	<u>27,110</u>	<u>4,376</u>	<u>40,842</u>
Total Net Assets, June 30, 2010	<u>\$ 96,189</u>	<u>\$ 64,597</u>	<u>\$ 3,988</u>	<u>\$ 164,774</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Internal Service Funds
Combining Statement of Cash Flows
June 30, 2010
(in thousands)

	Health and Welfare Benefits	Workers' Compensation	Liability	Total
Cash Flows from Operating Activities:				
Cash payments to employees for services	\$ (2,720)	\$ (5,367)	\$ (1,953)	\$ (10,040)
Cash payments for goods and services	(848,386)	(94,117)	(29,656)	(972,159)
Receipts from assessment to other funds	938,858	107,562	40,183	1,086,603
Other operating revenue	(227)	—	—	(227)
Net Cash Provided by Operating Activities	<u>87,525</u>	<u>8,078</u>	<u>8,574</u>	<u>104,177</u>
Cash Flows from Investing Activities:				
Earnings on investments	2,079	9,697	254	12,030
Purchase of investments	—	59,981	—	59,981
Transfers in	12,629	—	—	12,629
Net Cash Provided by Investing Activities	<u>14,708</u>	<u>69,678</u>	<u>254</u>	<u>84,640</u>
Net Increase in Cash and Cash Equivalents	<u>102,233</u>	<u>77,756</u>	<u>8,828</u>	<u>188,817</u>
Cash and cash equivalents, July 1	<u>68,642</u>	<u>439,941</u>	<u>30,604</u>	<u>539,187</u>
Cash and cash equivalents, June 30	<u>\$ 170,875</u>	<u>\$ 517,697</u>	<u>\$ 39,432</u>	<u>\$ 728,004</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:				
Operating Income (Loss)	<u>\$ 72,292</u>	<u>\$ 28,983</u>	<u>\$ (643)</u>	<u>\$ 100,632</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Changes in operating assets and liabilities:				
Increase in accounts receivable	(15)	(130)	—	(145)
Decrease in prepaid expense	100	—	388	488
Increase (decrease) in vouchers and accounts payable	30,409	(280)	295	30,424
Decrease in accrued payroll	(29)	(28)	(3)	(60)
Decrease in other payables	—	(1,697)	(2,039)	(3,736)
Increase (decrease) in estimated liability for self-insurance claims – current	(15,232)	(10,143)	10,576	(14,799)
Decrease in estimated liability for self-insurance claims – noncurrent	—	(8,627)	—	(8,627)
Total Adjustments	<u>15,233</u>	<u>(20,905)</u>	<u>9,217</u>	<u>3,545</u>
Net Cash Provided by Operating Activities	<u>\$ 87,525</u>	<u>\$ 8,078</u>	<u>\$ 8,574</u>	<u>\$ 104,177</u>

See accompanying independent auditor's report.



LOS ANGELES UNIFIED SCHOOL DISTRICT

Fiduciary Funds

Pension Trust Funds:

The Annuity Reserve Fund was established in 1972 to account for all financial resources used to provide vested retirement benefits to certificated employees resulting from the dissolution of the District's teacher retirement system. On November 18, 2003, participants voted to dissolve the Fund and distribute its net assets to the members. The Fund was closed out in June 2009 and all remaining equity was transferred to the General Fund.

The Attendance Incentive Reserve Fund was established on November 21, 1994 to account for 50% of the salary savings from substitute teachers' accounting resulting from reduced costs of absenteeism of UTLA represented employees. The intent was to reward regular attendance of teachers in order to improve the instructional program.

Agency Fund:

The Student Body Fund was established to account for cash held by the District on behalf of the student bodies at various school sites.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Fiduciary Funds – Pension Trust Funds
Combining Balance Sheet
June 30, 2010
(in thousands)

	Annuity Reserve	Attendance Incentive Reserve	Total
Assets:			
Cash in county treasury, in banks, and on hand	\$ —	\$ 20,558	\$ 20,558
Accrued interest receivable	—	70	70
Total Assets	<u>\$ —</u>	<u>\$ 20,628</u>	<u>\$ 20,628</u>
Liabilities:			
Other payables	<u>\$ —</u>	<u>\$ 20,229</u>	<u>\$ 20,229</u>
Total Liabilities	—	20,229	20,229
Total Net Assets – Unrestricted	<u>—</u>	<u>399</u>	<u>399</u>
Total Liabilities and Net Assets	<u><u>\$ —</u></u>	<u><u>\$ 20,628</u></u>	<u><u>\$ 20,628</u></u>

See accompanying independent auditor's report.

Los Angeles Unified School District
Fiduciary Funds – Pension Trust Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Year Ended June 30, 2010
(in thousands)

	Annuity Reserve	Attendance Incentive Reserve	Total
Additions:			
Investment income	\$ 1	\$ 399	\$ 400
Total Additions	<u>1</u>	<u>399</u>	<u>400</u>
Deductions:			
Other transfers	<u>1</u>	<u>—</u>	<u>1</u>
Total Deductions	<u>1</u>	<u>—</u>	<u>1</u>
Changes in Net Assets	<u>—</u>	<u>399</u>	<u>399</u>
Total Net Assets, July 1, 2009	<u>—</u>	<u>—</u>	<u>—</u>
Total Net Assets, June 30, 2010	<u><u>\$ —</u></u>	<u><u>\$ 399</u></u>	<u><u>\$ 399</u></u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Fiduciary Funds – Agency Funds
Combining Statement of Changes in Assets and Liabilities
June 30, 2010
(in thousands)

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
Assets:				
Cash in county treasury, in banks, and on hand	\$ 19,533	\$ 64,680	\$ 63,681	\$ 20,532
Total Assets	<u>\$ 19,533</u>	<u>\$ 64,680</u>	<u>\$ 63,681</u>	<u>\$ 20,532</u>
Liabilities:				
Other payables	\$ 19,533	\$ 64,680	\$ 63,681	\$ 20,532
Total Liabilities	<u>\$ 19,533</u>	<u>\$ 64,680</u>	<u>\$ 63,681</u>	<u>\$ 20,532</u>

See accompanying independent auditor's report.



**CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS**

[THIS PAGE INTENTIONALLY LEFT BLANK]

LOS ANGELES UNIFIED SCHOOL DISTRICT
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedule by Source
June 30, 2010 and 2009
(in thousands)

	<u>2009-2010</u>	<u>2008-2009</u>
Governmental Funds Capital Assets:		
Sites	\$ 3,069,920	\$ 2,969,404
Improvement of sites	523,083	507,963
Building and improvements	8,992,789	8,243,000
Equipment	1,169,506	1,156,042
Construction in progress	3,579,899	2,815,518
Total Governmental Funds Capital Assets	<u>\$ 17,335,197</u>	<u>\$ 15,691,927</u>
Investments in Governmental Funds Capital Assets by Source:		
From revenues of:		
General Fund	\$ 1,271,429	\$ 1,279,066
Special Revenue Funds:		
Adult Education Fund	49,417	45,737
Cafeteria Fund	37,445	37,149
Child Development Fund	17,531	17,409
Deferred Maintenance Fund	23,395	19,874
Capital Projects Funds:		
Building Fund	36,203	35,862
Building Fund – Bond Proceeds	1,734,194	1,722,966
Building Fund – Measure K	2,943,382	2,748,831
Building Fund – Measure R	2,489,920	1,959,289
Building Fund – Measure Y	966,428	444,661
State School Building Lease – Purchase Fund	1,027,676	1,027,434
Special Reserve Fund	1,349,296	1,319,058
Special Reserve Fund – FEMA – Earthquake	20,594	20,594
Special Reserve Fund – FEMA – Hazard Mitigation	8,129	8,129
Special Reserve Fund – CRA	7,674	7,538
Capital Facilities Fund	443,268	413,986
County School Facilities Fund	821,350	819,786
County School Facilities – Prop 47 Fund	804,560	726,545
County School Facilities – Prop 55 Fund	1,344,593	1,154,932
County School Facilities – Prop 1D Fund	198,339	142,788
Contributions from outside source – MTA	6,018	5,937
Investment in general capital assets prior to July 1, 1983*	<u>1,734,356</u>	<u>1,734,356</u>
Total Governmental Funds Capital Assets	<u>\$ 17,335,197</u>	<u>\$ 15,691,927</u>

* Source information not available for capital assets acquired prior to July 1, 1983.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes in Capital Assets by Source
Year Ended June 30, 2010
(in thousands)

	<u>Sites</u>	<u>Improvement of Sites</u>
Balances, July 1, 2009	\$ 2,969,404	\$ 507,963
Additions:		
Capital outlay from:		
General Fund	69	797
Adult Education Fund	1,864	15
Cafeteria Fund	—	—
Child Development Fund	—	55
Deferred Maintenance Fund	—	—
Building Fund	—	—
Building Fund – Bond Proceeds	(48)	—
Building Fund – Measure K	3,964	—
Building Fund – Measure R	15,126	—
Building Fund – Measure Y	67,218	246
State School Building Lease – Purchase Fund	—	—
Special Reserve Fund	780	356
Special Reserve Fund – CRA	—	—
Capital Facilities Fund	169	—
County School Facilities Fund	(5)	—
County School Facilities – Prop 47 Fund	3,118	—
County School Facilities – Prop 55 Fund	7,993	—
County School Facilities – Prop 1D Fund	268	—
Completed Projects	—	13,651
Sub-totals	100,516	15,120
Contributions from outside source – MTA	—	—
	100,516	15,120
Deductions:		
Vehicle disposal	—	—
Return to salvage	—	—
Total Deductions	—	—
Net Increase	100,516	15,120
Balances, June 30, 2010	\$ 3,069,920	\$ 523,083

See accompanying independent auditor's report.

Building and Improvements	Equipment	Construction in Progress	Total
\$ 8,243,000	\$ 1,156,042	\$ 2,815,518	\$ 15,691,927
4,825	4,404	8,111	18,206
539	28	1,234	3,680
—	296	—	296
67	—	—	122
2	—	3,519	3,521
—	—	341	341
—	—	11,276	11,228
211	—	190,376	194,551
1,125	(8)	514,388	530,631
965	16,979	436,359	521,767
—	—	242	242
184	5	28,913	30,238
—	—	136	136
—	—	29,113	29,282
—	—	1,569	1,564
—	—	74,897	78,015
—	—	181,668	189,661
—	—	55,283	55,551
741,871	17,603	(773,125)	—
749,789	39,307	764,300	1,669,032
—	—	81	81
749,789	39,307	764,381	1,669,113
—	7,028	—	7,028
—	18,815	—	18,815
—	25,843	—	25,843
749,789	13,464	764,381	1,643,270
\$ 8,992,789	\$ 1,169,506	\$ 3,579,899	\$ 17,335,197

LOS ANGELES UNIFIED SCHOOL DISTRICT
Long-Term Obligations
Schedule of Changes in Long-Term Obligations
Year Ended June 30, 2010
(in thousands)

	General Obligation Bonds	Certificates of Participation	Capital Leases	Children Centers Facilities Revolving Loan
Balances, July 1, 2009	<u>\$ 8,223,575</u>	<u>\$ 442,655</u>	<u>\$ 3,008</u>	<u>\$ 792</u>
Additions:				
Debt issuance	4,232,405	110,413	931	—
Premium on debt issue	92,908	3,771	—	—
Refund charges amortization	5,904	—	—	—
Discount amortization	45	—	—	—
Vacation earned	—	—	—	—
Early retirement incentive	—	—	—	—
Self-insurance claims	—	—	—	—
Annual required contribution	—	—	—	—
Arbitrage accrual	—	—	—	—
Total Additions	<u>4,331,262</u>	<u>114,184</u>	<u>931</u>	<u>—</u>
Deductions:				
Principal repayments	404,195	96,895	1,311	—
Refunding charges	18,084	—	—	—
Premium amortization	18,054	925	—	—
Vacation used	—	—	—	—
Retirement bonus paid	—	—	—	—
Early retirement incentive paid	—	—	—	—
Self-insurance claims paid	—	—	—	—
OPEB contributions	—	—	—	—
Arbitrage adjustment	—	—	—	—
Legal settlements	—	—	—	—
Total Deductions	<u>440,333</u>	<u>97,820</u>	<u>1,311</u>	<u>—</u>
Balances, June 30, 2010	<u><u>\$ 12,114,504</u></u>	<u><u>\$ 459,019</u></u>	<u><u>\$ 2,628</u></u>	<u><u>\$ 792</u></u>

See accompanying independent auditor's report.

CA Energy Commission Loan	Liability for Employee Benefits	Self-Insurance Claims	Other Postemployment Benefits (OPEB)	Arbitrage Payable	Legal Settlements	Total
<u>\$ 663</u>	<u>\$ 234,586</u>	<u>\$ 551,769</u>	<u>\$ 1,653,926</u>	<u>\$ 11,967</u>	<u>\$ 25,378</u>	<u>\$ 11,148,319</u>
—	—	—	—	—	—	4,343,749
—	—	—	—	—	—	96,679
—	—	—	—	—	—	5,904
—	—	—	—	—	—	45
—	77,754	—	—	—	—	77,754
—	10,964	—	—	—	—	10,964
—	—	386,058	—	—	—	386,058
—	—	—	977,150	—	—	977,150
—	—	—	—	2,780	—	2,780
<u>—</u>	<u>88,718</u>	<u>386,058</u>	<u>977,150</u>	<u>2,780</u>	<u>—</u>	<u>5,901,083</u>
224	—	—	—	—	—	502,625
—	—	—	—	—	—	18,084
—	—	—	—	—	—	18,979
—	80,689	—	—	—	—	80,689
—	4,903	—	—	—	—	4,903
—	12,828	—	—	—	—	12,828
—	—	409,482	—	—	—	409,482
—	—	—	237,265	—	—	237,265
—	—	—	—	2,302	—	2,302
—	—	—	—	—	10,178	10,178
<u>224</u>	<u>98,420</u>	<u>409,482</u>	<u>237,265</u>	<u>2,302</u>	<u>10,178</u>	<u>1,297,335</u>
<u>\$ 439</u>	<u>\$ 224,884</u>	<u>\$ 528,345</u>	<u>\$ 2,393,811</u>	<u>\$ 12,445</u>	<u>\$ 15,200</u>	<u>\$ 15,752,067</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT
Long-Term Obligations
Schedule of Certificates of Participation
Year Ended June 30, 2010
(in thousands)

<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Original Issue</u>	<u>Outstanding* July 1, 2009</u>	<u>Issued* This Year</u>	<u>Redeemed** Current Year</u>	<u>Outstanding* June 30, 2010</u>
1997 Certificates of Participation (Vista Hermosa):							
12/09/97	Variable	12/01/09	\$ 4,700	\$ 4,706	\$ —	\$ 4,706	\$ —
12/09/97	Variable	12/01/10	4,900	4,900	—	4,900	—
12/09/97	Variable	12/01/11	5,100	5,100	—	5,100	—
12/09/97	Variable	12/01/12	5,300	5,300	—	5,300	—
12/09/97	Variable	12/01/13	5,500	5,500	—	5,500	—
12/09/97	Variable	12/01/14	5,800	5,800	—	5,800	—
12/09/97	Variable	12/01/15	6,000	6,000	—	6,000	—
12/09/97	Variable	12/01/16	6,200	6,200	—	6,200	—
12/09/97	Variable	12/01/17	6,500	6,500	—	6,500	—
1997 Certificates of Participation			<u>\$ 50,000</u>	<u>\$ 50,006</u>	<u>\$ —</u>	<u>\$ 50,006</u>	<u>\$ —</u>
1998 Refunding Certificates of Participation (Multiple Properties Project):							
06/10/98	4.650%	11/01/09	\$ 4,355	\$ 4,548	\$ —	\$ 4,548	\$ —
06/10/98	4.750	11/01/10	4,560	4,560	—	4,560	—
06/10/98	4.850	11/01/11	4,775	4,775	—	4,775	—
06/10/98	5.000	11/01/12	5,010	5,010	—	5,010	—
06/10/98	5.000	11/01/13	5,260	5,260	—	5,260	—
1998 Refunding Certificates of Participation			<u>\$ 23,960</u>	<u>\$ 24,153</u>	<u>\$ —</u>	<u>\$ 24,153</u>	<u>\$ —</u>
2000A Certificates of Participation (Qualified Zone Academy Bonds Project):							
05/23/00	—%	05/23/12	\$ 25,372	\$ 25,372	\$ —	\$ —	\$ 25,372
2000A Certificates of Participation			<u>\$ 25,372</u>	<u>\$ 25,372</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 25,372</u>
2000B Certificates of Participation (Multiple Properties Project):							
10/04/00	4.200%	10/01/09	\$ 1,060	\$ 1,083	\$ —	\$ 1,083	\$ —
10/04/00	4.250	10/01/10	1,105	1,105	—	—	1,105
2000B Certificates of Participation			<u>\$ 2,165</u>	<u>\$ 2,188</u>	<u>\$ —</u>	<u>\$ 1,083</u>	<u>\$ 1,105</u>
2001B Certificates of Participation (Administration Building Project):							
11/06/01	5.000%	10/01/24	\$ 6,810	\$ 7,666	\$ —	\$ 856	\$ 6,810
11/06/01	5.000	10/01/25	7,625	7,625	—	—	7,625
11/06/01	5.000	10/01/26	8,005	8,005	—	—	8,005
11/06/01	5.000	10/01/27	8,405	8,405	—	—	8,405
11/06/01	5.000	10/01/28	8,825	8,825	—	—	8,825
11/06/01	5.000	10/01/29	9,270	9,270	—	—	9,270
11/06/01	5.000	10/01/30	9,730	9,730	—	—	9,730
11/06/01	5.000	10/01/31	10,220	10,220	—	—	10,220
2001B Certificates of Participation			<u>\$ 68,890</u>	<u>\$ 69,746</u>	<u>\$ —</u>	<u>\$ 856</u>	<u>\$ 68,890</u>

* Includes Premium and Accrued Interest

** Principal Payment, Premium Amortization, and Accrued Interest

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Long-Term Obligations
Schedule of Certificates of Participation (Continued)
Year Ended June 30, 2010
(in thousands)

Date of Issue	Interest Rate	Maturity Date	Balance Original Issue	Outstanding* July 1, 2009	Issued* This Year	Redeemed** Current Year	Outstanding* June 30, 2010
2002C Certificates of Participation (Administration Building Project II):							
12/19/02	3.300%	10/01/09	\$ 220	\$ 317	\$ —	\$ 317	\$ —
12/19/02	3.750	10/01/10	225	225	—	—	225
12/19/02	4.000	10/01/11	235	235	—	—	235
12/19/02	4.000	10/01/12	245	245	—	—	245
12/19/02	4.000	10/01/13	255	255	—	—	255
12/19/02	4.125	10/01/14	265	265	—	—	265
12/19/02	4.250	10/01/15	275	275	—	—	275
12/19/02	4.380	10/01/16	285	285	—	—	285
12/19/02	4.500	10/01/17	300	300	—	—	300
12/19/02	4.500	10/01/18	310	310	—	—	310
12/19/02	4.750	10/01/19	325	325	—	—	325
12/19/02	4.750	10/01/20	340	340	—	—	340
12/19/02	4.750	10/01/21	360	360	—	—	360
12/19/02	4.750	10/01/22	375	375	—	—	375
12/19/02	4.750	10/01/23	395	395	—	—	395
12/19/02	5.000	10/01/24	410	410	—	—	410
12/19/02	5.000	10/01/25	430	430	—	—	430
12/19/02	5.000	10/01/26	455	455	—	—	455
12/19/02	5.000	10/01/27	475	475	—	—	475
12/19/02	5.000	10/01/28	500	500	—	—	500
12/19/02	5.000	10/01/29	525	525	—	—	525
12/19/02	5.000	10/01/30	550	550	—	—	550
12/19/02	5.000	10/01/31	580	580	—	—	580
2002C Certificates of Participation			\$ 8,335	\$ 8,432	\$ —	\$ 317	\$ 8,115
2003B Certificates of Participation (Capital Project I):							
06/26/03	2.250%	08/01/09	\$ 920	\$ 1,437	\$ —	\$ 1,437	\$ —
06/26/03	3.000	08/01/10	940	940	—	—	940
06/26/03	3.000	08/01/11	970	970	—	—	970
06/26/03	3.000	08/01/12	1,000	1,000	—	—	1,000
06/26/03	3.125	08/01/13	1,030	1,030	—	—	1,030
06/26/03	3.250	08/01/14	1,060	1,060	—	—	1,060
06/26/03	5.000	08/01/15	1,095	1,095	—	—	1,095
06/26/03	5.000	08/01/16	1,150	1,150	—	—	1,150
06/26/03	5.000	08/01/17	1,210	1,210	—	—	1,210
06/26/03	5.000	08/01/18	1,270	1,270	—	—	1,270
06/26/03	5.000	08/01/19	1,335	1,335	—	—	1,335
06/26/03	5.000	08/01/20	1,400	1,400	—	—	1,400
06/26/03	5.000	08/01/21	1,470	1,470	—	—	1,470
06/26/03	5.000	08/01/22	1,540	1,540	—	—	1,540
06/26/03	5.000	08/01/23	1,620	1,620	—	—	1,620
06/26/03	5.000	08/01/24	1,700	1,700	—	—	1,700
06/26/03	5.000	08/01/25	1,785	1,785	—	—	1,785
06/26/03	5.000	08/01/26	1,875	1,875	—	—	1,875
06/26/03	5.000	08/01/27	1,970	1,970	—	—	1,970
06/26/03	5.000	08/01/28	2,065	2,065	—	—	2,065
2003B Certificates of Participation			\$ 27,405	\$ 27,922	\$ —	\$ 1,437	\$ 26,485
2004A Certificates of Participation (Refinancing Project I):							
07/28/04	4.000%	10/01/09	\$ 1,935	\$ 2,058	\$ —	\$ 2,058	\$ —
07/28/04	3.000	10/01/10	2,000	2,000	—	—	2,000
07/28/04	3.125	10/01/11	2,065	2,065	—	—	2,065
07/28/04	5.000	10/01/12	2,150	2,150	—	—	2,150
07/28/04	4.000	10/01/13	2,250	2,250	—	—	2,250
07/28/04	4.000	10/01/14	2,340	2,340	—	—	2,340
2004A Certificates of Participation			\$ 12,740	\$ 12,863	\$ —	\$ 2,058	\$ 10,805

* Includes Premium and Accrued Interest

** Principal Payment, Premium Amortization, and Accrued Interest

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Long-Term Obligations
Schedule of Certificates of Participation (Continued)
Year Ended June 30, 2010
(in thousands)

<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Original Issue</u>	<u>Outstanding* July 1, 2009</u>	<u>Issued* This Year</u>	<u>Redeemed** Current Year</u>	<u>Outstanding* June 30, 2010</u>
2005 Certificates of Participation (2004-05 Qualified Zone Academy Bonds Project):							
12/13/05	—%	12/13/20	\$ 10,000	\$ 10,000	\$ —	\$ —	\$ 10,000
2005 Certificates of Participation			\$ 10,000	\$ 10,000	\$ —	\$ —	\$ 10,000
2007A Certificates of Participation (Information Technology Projects):							
11/15/07	4.000%	10/01/09	\$ 8,415	\$ 10,265	\$ —	\$ 10,265	\$ —
11/15/07	4.000	10/01/10	6,775	7,536	—	—	7,536
11/15/07	5.000	10/01/10	1,975	1,975	—	—	1,975
11/15/07	4.000	10/01/11	5,995	6,731	—	—	6,731
11/15/07	5.000	10/01/11	3,125	3,125	—	—	3,125
11/15/07	5.000	10/01/12	9,515	10,173	—	—	10,173
11/15/07	5.000	10/01/13	9,995	10,551	—	—	10,551
11/15/07	5.000	10/01/14	10,495	10,939	—	—	10,939
11/15/07	5.000	10/01/15	11,015	11,335	—	—	11,335
11/15/07	5.000	10/01/16	11,570	11,755	—	—	11,755
11/15/07	5.000	10/01/17	12,145	12,183	—	—	12,183
2007A Certificates of Participation			\$ 91,020	\$ 96,568	\$ —	\$ 10,265	\$ 86,303
2008A Refunding Certificates of Participation (Administration Building Project-2005A Refunding):							
08/06/08	Variable	10/01/09	\$ 5,085	\$ 5,097	\$ —	\$ 5,097	\$ —
08/06/08	Variable	10/01/10	5,230	5,230	—	—	5,230
08/06/08	Variable	10/01/11	5,370	5,370	—	—	5,370
08/06/08	Variable	10/01/12	5,530	5,530	—	—	5,530
08/06/08	Variable	10/01/13	5,680	5,680	—	—	5,680
08/06/08	Variable	10/01/14	5,840	5,840	—	—	5,840
08/06/08	Variable	10/01/15	6,000	6,000	—	—	6,000
08/06/08	Variable	10/01/16	6,175	6,175	—	—	6,175
08/06/08	Variable	10/01/17	6,345	6,345	—	—	6,345
08/06/08	Variable	10/01/18	6,520	6,520	—	—	6,520
08/06/08	Variable	10/01/19	6,705	6,705	—	—	6,705
08/06/08	Variable	10/01/20	6,895	6,895	—	—	6,895
08/06/08	Variable	10/01/21	7,085	7,085	—	—	7,085
08/06/08	Variable	10/01/22	7,285	7,285	—	—	7,285
08/06/08	Variable	10/01/23	6,835	6,835	—	—	6,835
08/06/08	Variable	10/01/24	200	200	—	—	200
2008A Refunding Certificates of Participation			\$ 92,780	\$ 92,792	\$ —	\$ 5,097	\$ 87,695

* Includes Premium and Accrued Interest

** Principal Payment, Premium Amortization, and Accrued Interest

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Long-Term Obligations
Schedule of Certificates of Participation (Continued)
Year Ended June 30, 2010
(in thousands)

Date of Issue	Interest Rate	Maturity Date	Balance Original Issue	Outstanding* July 1, 2009	Issued* This Year	Redeemed** Current Year	Outstanding* June 30, 2010
2008B Refunding Certificates of Participation (Administration Building Project III-2005B Refunding):							
08/06/08	Variable	10/01/09	\$ 715	\$ 718	\$ —	\$ 718	\$ —
08/06/08	Variable	10/01/10	735	735	—	—	735
08/06/08	Variable	10/01/11	755	755	—	—	755
08/06/08	Variable	10/01/12	775	775	—	—	775
08/06/08	Variable	10/01/13	795	795	—	—	795
08/06/08	Variable	10/01/14	820	820	—	—	820
08/06/08	Variable	10/01/15	840	840	—	—	840
08/06/08	Variable	10/01/16	865	865	—	—	865
08/06/08	Variable	10/01/17	890	890	—	—	890
08/06/08	Variable	10/01/18	915	915	—	—	915
08/06/08	Variable	10/01/19	940	940	—	—	940
08/06/08	Variable	10/01/20	965	965	—	—	965
08/06/08	Variable	10/01/21	995	995	—	—	995
08/06/08	Variable	10/01/22	1,020	1,020	—	—	1,020
08/06/08	Variable	10/01/23	1,050	1,050	—	—	1,050
08/06/08	Variable	10/01/24	1,080	1,080	—	—	1,080
08/06/08	Variable	10/01/25	1,110	1,110	—	—	1,110
08/06/08	Variable	10/01/26	1,140	1,140	—	—	1,140
08/06/08	Variable	10/01/27	1,175	1,175	—	—	1,175
08/06/08	Variable	10/01/28	1,205	1,205	—	—	1,205
08/06/08	Variable	10/01/29	1,240	1,240	—	—	1,240
08/06/08	Variable	10/01/30	1,275	1,275	—	—	1,275
08/06/08	Variable	10/01/31	1,310	1,310	—	—	1,310
2008B Refunding Certificates of Participation			<u>\$ 22,610</u>	<u>\$ 22,613</u>	<u>\$ —</u>	<u>\$ 718</u>	<u>\$ 21,895</u>
2009A Certificates of Participation (Food Services Project):							
09/29/09	3.920%	04/01/10	\$ 1,675	\$ —	\$ 1,675	\$ 1,675	\$ —
09/29/09	3.920%	10/01/10	1,716	—	1,716	—	1,716
09/29/09	3.920%	04/01/11	1,750	—	1,750	—	1,750
09/29/09	3.920%	10/01/11	1,784	—	1,784	—	1,784
09/29/09	3.920%	04/01/12	1,819	—	1,819	—	1,819
09/29/09	3.920%	10/01/12	1,855	—	1,855	—	1,855
09/29/09	3.920%	04/01/13	1,891	—	1,891	—	1,891
09/29/09	3.920%	10/01/13	1,928	—	1,928	—	1,928
09/29/09	3.920%	04/01/14	1,966	—	1,966	—	1,966
09/29/09	3.920%	10/01/14	2,005	—	2,005	—	2,005
09/29/09	3.920%	04/01/15	2,044	—	2,044	—	2,044
09/29/09	3.920%	10/01/15	2,084	—	2,084	—	2,084
09/29/09	3.920%	04/01/16	2,125	—	2,125	—	2,125
09/29/09	3.920%	10/01/16	2,167	—	2,167	—	2,167
09/29/09	3.920%	04/01/17	2,209	—	2,209	—	2,209
09/29/09	3.920%	10/01/17	2,252	—	2,252	—	2,252
09/29/09	3.920%	04/01/18	2,296	—	2,296	—	2,296
09/29/09	3.920%	10/01/18	2,341	—	2,341	—	2,341
09/29/09	3.920%	04/01/19	2,387	—	2,387	—	2,387
09/29/09	3.920%	10/01/19	2,434	—	2,434	—	2,434
2009A Certificates of Participation			<u>\$ 40,728</u>	<u>\$ —</u>	<u>\$ 40,728</u>	<u>\$ 1,675</u>	<u>\$ 39,053</u>

* Includes Premium and Accrued Interest

** Principal Payment, Premium Amortization, and Accrued Interest

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Long-Term Obligations
Schedule of Certificates of Participation (Continued)
Year Ended June 30, 2010
(in thousands)

<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Original Issue</u>	<u>Outstanding* July 1, 2009</u>	<u>Issued* This Year</u>	<u>Redeemed** Current Year</u>	<u>Outstanding* June 30, 2010</u>
2010A Refunding Certificates of Participation (Multiple Properties Project):							
01/27/10	1.000%	12/01/10	\$ 6,905	\$ —	\$ 7,516	\$ 155	\$ 7,361
01/27/10	3.000	12/01/11	7,045	—	7,588	—	7,588
01/27/10	2.000	12/01/12	650	—	1,228	—	1,228
01/27/10	3.000	12/01/12	6,605	—	6,605	—	6,605
01/27/10	3.000	12/01/13	1,300	—	1,878	—	1,878
01/27/10	4.000	12/01/13	6,205	—	6,205	—	6,205
01/27/10	3.000	12/01/14	1,385	—	1,933	—	1,933
01/27/10	4.000	12/01/14	6,410	—	6,410	—	6,410
01/27/10	3.250	12/01/15	300	—	762	—	762
01/27/10	5.000	12/01/15	7,845	—	7,845	—	7,845
01/27/10	4.000	12/01/16	1,125	—	1,459	—	1,459
01/27/10	5.000	12/01/16	7,430	—	7,430	—	7,430
01/27/10	4.000	12/01/17	1,215	—	1,332	—	1,332
01/27/10	5.000	12/01/17	15,265	—	15,265	—	15,265
2010A Refunding Certificates of Participation			\$ 69,685	\$ —	\$ 73,456	\$ 155	\$ 73,301
Grand Total			<u>\$ 545,690</u>	<u>\$ 442,655</u>	<u>\$ 114,184</u>	<u>\$ 97,820</u>	<u>\$ 459,019</u>

* Includes Premium and Accrued Interest

** Principal Payment, Premium Amortization, and Accrued Interest



LOS ANGELES UNIFIED SCHOOL DISTRICT

Statistical Information

The Statistical Section of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the District's overall financial health.

Contents

Financial trends

These schedules contain information to help the reader understand how the District's financial performance and well-being have changed over time.

Revenue capacity

These schedules contain information to help the reader assess the District's most significant local revenue sources.

Debt capacity

These schedules contain information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

Demographic and economic information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

Operating information

These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and activities it performs.

Source: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The District implemented GASB Statement No. 34 in 2002; schedules presenting government-wide information include information beginning in that year.



LOS ANGELES UNIFIED SCHOOL DISTRICT
Net Assets by Components
Last Nine Fiscal Years
(in thousands)
(Unaudited)

	<u>2001-2002</u>	<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>
Governmental Activities:				
Invested in capital assets, net of related debt	\$ 1,815,366	\$ 2,601,459	\$ 2,682,203	\$ 2,704,302
Restricted	1,804,397	895,935	1,034,896	701,779
Unrestricted	317,112	303,991	73,611	310,003
Total Governmental Activities				
Net Assets	<u>\$ 3,936,875</u>	<u>\$ 3,801,385</u>	<u>\$ 3,790,710</u>	<u>\$ 3,716,084</u>

Trend data is available only with the implementation of GASB 34 in Fiscal Year 2001-02.

See accompanying independent auditor's report.

<u>2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>
\$ 2,866,293	\$ 3,267,458	\$ 3,694,054	\$ 4,584,300	\$ 4,910,954
1,089,165	1,540,422	1,893,302	1,639,962	1,282,553
<u>222,743</u>	<u>396,529</u>	<u>(605,517)</u>	<u>(1,492,505)</u>	<u>(1,959,562)</u>
<u>\$ 4,178,201</u>	<u>\$ 5,204,409</u>	<u>\$ 4,981,839</u>	<u>\$ 4,731,757</u>	<u>\$ 4,233,945</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Changes in Net Assets
Last Nine Fiscal Years
(in thousands)
(Unaudited)

	2001-2002	2002-2003	2003-2004	2004-2005
Expenses:				
Governmental Activities:				
Instruction	\$ 3,576,824	\$ 3,673,900	\$ 3,762,124	\$ 3,996,454
Support services – students	283,613	303,961	292,578	311,449
Support services – instructional staff	561,321	725,684	725,187	647,207
Support services – general administration	54,854	50,147	48,074	46,195
Support services – school administration	407,163	408,278	418,022	444,656
Support services – business	308,375	178,623	156,713	138,800
Operation and maintenance of plant services	596,729	598,680	631,941	588,588
Student transportation services	160,391	165,658	177,416	161,845
Data processing services	214,216	229,931	251,850	230,434
Operation of noninstructional services	281,764	270,570	254,493	273,236
Facilities acquisition and construction services	106,590	191,848	243,099	160,224
Other uses	6,505	460	661	778
Interest expense	115,280	92,250	233,585	256,372
Interagency disbursements	—	—	32,996	28,927
Depreciation – unallocated	70,078	53,054	101,156	105,026
Unfunded OPEB Expense - unallocated	—	—	—	—
Total Governmental Activities	6,743,703	6,943,044	7,329,895	7,390,191
Program Revenues:				
Charges for services				
Instruction	2,318	2,413	2,603	2,611
Support services – instructional staff	249	386	350	449
Support services – school administration	65	61	—	—
Support services – business	408	651	323	2,754
Operation and maintenance of plant services	2,961	4,306	12,051	4,336
Operation of noninstructional services	36,144	32,921	25,106	21,251
Facilities acquisition and construction services	37,175	43,217	69,723	77,480
Total Charges for Services	79,320	83,955	110,156	108,881
Operating grants and contributions				
Instruction	1,172,207	1,131,218	1,128,068	1,393,191
Support services – students	125,070	160,893	149,282	160,625
Support services – instructional staff	342,755	561,732	578,661	507,369
Support services – general administration	2,783	1,526	26	32
Support services – school administration	93,865	95,732	105,859	102,449
Support services – business	90,761	105,572	114,992	115,938
Operation and maintenance of plant services	93,567	71,839	77,355	117,736
Student transportation services	136,590	150,701	163,879	158,174
Data processing services	873	2,607	2,832	5,973
Operation of noninstructional services	190,044	199,193	205,688	227,186
Facilities acquisition and construction services	519	11,714	30,753	6,619
Other uses	15,414	240	249	273
Interest expense	—	—	—	—
Total Operating Grants and Contributions	2,264,448	2,492,967	2,557,644	2,795,565
Capital grants and contributions				
Support services – instructional staff	126	268	—	—
Operation and maintenance of plant services	47,930	64,494	26,636	5,454
Facilities acquisition and construction services	58,302	187,777	593,818	88,246
Total Capital Grants and Contributions	106,358	252,539	620,454	93,700
Total Program Revenues	2,450,126	2,829,461	3,288,254	2,998,146
Net Expenses	(4,293,577)	(4,113,583)	(4,041,641)	(4,392,045)
General Revenues:				
Taxes:				
Property taxes, levied for general purposes	1,038,777	1,098,628	1,199,891	850,516
Property taxes, levied for debt service	138,144	112,310	236,121	308,537
Property taxes, levied for community redevelopment	—	—	3,756	3,394
State aid – formula grants	2,189,402	2,196,960	2,094,751	2,582,322
Grants, entitlements and contributions not restricted to specific programs	502,878	514,667	415,325	489,060
Unrestricted investment earnings	74,023	28,378	60,898	70,589
Miscellaneous	8,336	96,542	8,519	13,001
Special item – gain on sales of capital assets	—	—	11,705	—
Total General Revenues	3,951,560	4,047,485	4,030,966	4,317,419
Change in Net Assets	\$ (342,017)	\$ (66,098)	\$ (10,675)	\$ (74,626)

Trend data is available only with the implementation of GASB 34 in FY 2001-02.

See accompanying independent auditor's report.

2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
\$ 4,032,673	\$ 4,142,927	\$ 4,416,790	\$ 4,291,864	\$ 3,900,813
298,911	310,786	366,514	359,087	317,859
650,551	589,566	731,016	623,621	428,734
46,913	56,323	51,873	60,395	43,561
466,862	477,168	502,506	518,838	466,481
106,523	123,791	136,540	134,008	204,002
599,899	638,201	727,090	758,813	660,647
161,395	168,121	173,167	168,837	155,813
115,311	114,630	108,451	98,013	68,949
282,992	288,736	324,348	370,016	403,956
135,827	92,799	89,029	119,137	115,474
799	418	882	240	615
285,051	278,053	350,420	551,163	495,266
33,678	39,371	—	—	—
130,561	180,328	217,052	302,298	245,712
—	—	832,665	821,261	739,885
7,347,946	7,501,218	9,028,343	9,177,591	8,247,767
2,968	3,357	5,482	6,497	6,440
290	184	251	183	211
—	—	—	—	—
5,769	10,592	8,337	8,694	18,002
4,154	4,496	5,206	6,999	13,496
21,024	18,886	16,979	15,777	12,229
85,122	95,222	65,426	24,259	18,747
119,327	132,737	101,681	62,409	69,125
1,473,164	1,707,841	1,662,599	1,538,356	1,705,758
178,438	205,621	223,250	243,391	240,346
526,379	472,633	532,258	641,554	348,196
23	1	87	133	852
143,761	145,581	139,550	131,204	143,125
99,041	85,947	72,513	121,542	70,894
131,411	150,877	151,932	162,386	168,318
170,604	163,325	170,100	156,509	154,069
7,404	10,135	7,326	10,986	3,369
236,391	236,113	249,817	269,543	342,381
5,220	893	14,609	1,287	375
—	—	—	—	—
—	—	559	1,591	—
2,971,836	3,178,967	3,224,600	3,278,482	3,177,683
—	—	—	—	—
7,719	137,763	11,216	48,382	4,293
366,473	298,645	653,191	876,570	295,879
374,192	436,408	664,407	924,952	300,172
3,465,355	3,748,112	3,990,688	4,265,843	3,546,980
(3,882,591)	(3,753,106)	(5,037,655)	(4,911,748)	(4,700,787)
644,637	811,282	806,413	927,441	938,189
331,097	444,951	539,735	598,980	740,719
1,713	4,479	5,775	1,295	6,054
2,781,133	2,901,720	2,817,720	2,517,499	2,039,028
441,396	531,067	505,638	453,643	393,192
138,346	149,311	156,817	74,859	58,323
6,386	12,456	85,547	87,949	27,470
—	—	—	—	—
4,344,708	4,855,266	4,917,645	4,661,666	4,202,975
\$ 462,117	\$ 1,102,160	\$ (120,010)	\$ (250,082)	\$ (497,812)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Governmental Activities Tax Revenues by Source
Last Nine Fiscal Years
(in thousands)
(Unaudited)

	<u>2001-2002</u>	<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>
Property Taxes, Levied for:				
General purposes	\$ 1,038,777	\$ 1,098,628	\$ 1,199,891	\$ 850,516
Debt service	138,144	112,310	236,121	308,537
Community redevelopment	—	—	3,756	3,394
Total	<u>\$ 1,176,921</u>	<u>\$ 1,210,938</u>	<u>\$ 1,439,768</u>	<u>\$ 1,162,447</u>

Trend data is available only with the implementation of GASB 34 in FY 2001-02.

See accompanying independent auditor's report.

2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
\$ 644,637	\$ 811,282	\$ 806,413	\$ 927,441	\$ 938,189
331,097	444,951	539,735	598,980	740,719
1,713	4,479	5,775	1,295	6,054
\$ 977,447	\$ 1,260,712	\$ 1,351,923	\$ 1,527,716	\$ 1,684,962

LOS ANGELES UNIFIED SCHOOL DISTRICT
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(in thousands)
(Unaudited)

	<u>2000-2001</u>	<u>2001-2002</u>	<u>2002-2003</u>
General Fund:			
Reserved	\$ 363,905	\$ 202,674	\$ 236,766
Unreserved	<u>368,420</u>	<u>379,690</u>	<u>342,273</u>
Total General Fund	<u>\$ 732,325</u>	<u>\$ 582,364</u>	<u>\$ 579,039</u>
District Bonds:			
Reserved	\$ 25,763	\$ 20,404	\$ 17,545
Unreserved	<u>537,506</u>	<u>667,432</u>	<u>2,917,720</u>
Total District Bonds	<u>\$ 563,269</u>	<u>\$ 687,836</u>	<u>\$ 2,935,265</u>
All Other Governmental Funds:			
Reserved	\$ 17,739	\$ 19,318	\$ 18,246
Unreserved, reported in:			
Special revenue funds	113,294	129,544	98,068
Debt service funds	117,859	158,029	209,652
Capital projects funds	<u>747,617</u>	<u>615,708</u>	<u>586,229</u>
Total All Other Governmental Funds	<u>\$ 996,509</u>	<u>\$ 922,599</u>	<u>\$ 912,195</u>

See accompanying independent auditor's report.

2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
\$ 171,216	\$ 96,540	\$ 144,673	\$ 333,103	\$ 403,518	\$ 565,333	\$ 304,762
152,766	253,029	289,839	362,132	253,718	184,629	358,145
<u>\$ 323,982</u>	<u>\$ 349,569</u>	<u>\$ 434,512</u>	<u>\$ 695,235</u>	<u>\$ 657,236</u>	<u>\$ 749,962</u>	<u>\$ 662,907</u>
\$ –	\$ 7,328	\$ 3,300	\$ 3,300	\$ 3,800	\$ 3,800	\$ 3,800
1,676,001	1,123,595	1,096,859	949,738	957,677	729,284	3,488,803
<u>\$ 1,676,001</u>	<u>\$ 1,130,923</u>	<u>\$ 1,100,159</u>	<u>\$ 953,038</u>	<u>\$ 961,477</u>	<u>\$ 733,084</u>	<u>\$ 3,492,603</u>
\$ 21,397	\$ 7,871	\$ 7,867	\$ 7,871	\$ 7,391	\$ 6,280	\$ 5,309
44,013	101,059	187,178	245,129	236,369	159,720	122,508
205,819	224,398	302,482	383,275	497,093	554,753	703,453
1,330,959	736,408	773,041	804,840	915,409	803,322	668,564
<u>\$ 1,602,188</u>	<u>\$ 1,069,736</u>	<u>\$ 1,270,568</u>	<u>\$ 1,441,115</u>	<u>\$ 1,656,262</u>	<u>\$ 1,524,075</u>	<u>\$ 1,499,834</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(in thousands)
(Unaudited)

	<u>2000-2001</u>	<u>2001-2002</u>	<u>2002-2003</u>
Revenues:			
Revenue limit sources	\$ 3,181,588	\$ 3,407,354	\$ 3,483,050
Federal revenues	601,388	691,622	824,684
Other state revenues	2,057,373	1,936,512	2,137,919
Other local revenues	366,511	349,889	419,927
Total Revenues	<u>6,206,860</u>	<u>6,385,377</u>	<u>6,865,580</u>
Expenditures:			
Current:			
Certificated salaries	2,872,065	2,969,537	3,066,319
Classified salaries	986,491	1,050,980	1,066,527
Employee benefits	920,801	1,061,783	1,214,906
Books and supplies	477,507	496,524	495,117
Services and other operating expenditures	634,840	657,540	766,443
Capital outlay	412,427	760,784	704,931
Debt service – principal	39,399	105,321	93,608
Debt service – bond, COPs, and capital leases interest	78,882	91,526	105,687
Debt service – refunding bond issuance cost	—	—	—
Debt service – TRANS interest	14,664	20,231	2,487
Other outgo	—	—	(50)
Total Expenditures	<u>6,437,076</u>	<u>7,214,226</u>	<u>7,515,975</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(230,216)</u>	<u>(828,849)</u>	<u>(650,395)</u>
Other Financing Sources (Uses):			
Transfers in	295,058	360,338	264,190
Transfers out	(295,058)	(360,338)	(263,998)
Issuance of bonds	386,655	500,000	2,607,345
Premium on bonds issued	—	—	—
Issuance of refunding bonds	—	—	—
Premium on refunding bonds issued	—	—	—
Issuance of COPs	205,261	222,391	272,303
Premium on COPs issued	—	—	—
Discount on issuance of refunding bonds	—	—	—
Payment to refunded bonds escrow agent	—	—	—
Issuance of refunding COPs	—	—	—
Payment to refunded COPs escrow agent	—	—	—
CA Energy Commission loan	—	—	—
State school facilities apportionments	153,739	—	—
Special item - proceeds from Sullivan Canyon sale	—	—	—
Insurance proceeds - fire damage	—	—	—
Capital leases	—	5,975	3,888
Land and building sale/lease	—	—	—
Children center facilities revolving fund	—	441	518
Other financing sources	—	—	2,159
Other financing uses	—	—	(2,210)
Total Other Financing Sources	<u>745,655</u>	<u>728,807</u>	<u>2,884,195</u>
Net Change in Fund Balances	<u>\$ 515,439</u>	<u>\$ (100,042)</u>	<u>\$ 2,233,800</u>
Debt Service as A Percentage of Noncapital Expenditures	2.2%	3.4%	3.0%

See accompanying independent auditor's report.

2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
\$ 3,436,839	\$ 3,575,257	\$ 3,724,599	\$ 3,892,689	\$ 3,624,134	\$ 3,444,940	\$ 2,977,215
984,482	1,071,628	1,150,060	1,023,992	1,016,465	1,357,169	1,289,543
2,434,073	2,109,674	2,419,412	2,853,979	3,307,609	3,223,201	2,566,534
451,220	549,264	637,941	835,529	925,869	904,663	918,438
<u>7,306,614</u>	<u>7,305,823</u>	<u>7,932,012</u>	<u>8,606,189</u>	<u>8,874,077</u>	<u>8,929,973</u>	<u>7,751,730</u>
3,055,482	3,110,756	3,187,441	3,362,475	3,469,214	3,384,912	2,929,870
1,065,409	1,069,595	1,098,558	1,180,482	1,269,680	1,236,448	1,126,477
1,312,887	1,349,301	1,418,575	1,440,468	1,464,061	1,440,404	1,581,239
468,036	499,411	567,167	507,486	574,902	441,855	395,886
822,234	647,151	691,388	785,742	880,455	872,470	867,482
1,003,568	1,398,243	1,532,862	1,494,934	1,644,450	2,113,952	1,677,858
114,150	110,501	94,843	153,258	200,514	302,688	289,680
225,574	232,333	241,131	285,315	334,525	363,050	437,582
—	1,337	2,732	9,665	6,020	—	—
6,472	—	—	—	—	—	—
40,529	33,748	41,695	46,865	882	240	615
<u>8,114,341</u>	<u>8,452,376</u>	<u>8,876,392</u>	<u>9,266,690</u>	<u>9,844,703</u>	<u>10,156,019</u>	<u>9,306,689</u>
<u>(807,727)</u>	<u>(1,146,553)</u>	<u>(944,380)</u>	<u>(660,501)</u>	<u>(970,626)</u>	<u>(1,226,046)</u>	<u>(1,554,959)</u>
172,148	598,061	381,658	362,932	499,947	575,839	539,641
(171,934)	(598,061)	(381,658)	(366,926)	(512,061)	(588,821)	(552,270)
—	200,000	1,115,712	900,000	1,000,000	945,774	4,082,645
—	4,124	64,283	33,649	42,258	—	92,908
—	219,125	778,673	1,889,000	—	—	149,760
—	16,338	64,058	49,073	—	—	—
—	219,790	10,000	—	105,374	120,950	40,728
—	—	—	—	—	—	3,771
—	—	—	(1,324)	—	—	—
—	(234,126)	(656,098)	(1,927,084)	—	—	(163,199)
—	—	—	—	—	—	69,685
—	(333,958)	(178,618)	—	—	(107,795)	(65,328)
—	1,318	63	—	—	—	—
—	—	—	—	—	—	—
11,918	—	—	—	—	—	—
—	—	—	2,935	5,332	1,439	2,057
7,630	1,999	1,318	2,394	1,253	1,196	931
—	—	—	—	14,110	9,610	2,371
—	—	—	—	—	—	(518)
—	—	—	—	—	—	—
—	—	—	—	—	—	—
<u>19,762</u>	<u>94,610</u>	<u>1,199,391</u>	<u>944,649</u>	<u>1,156,213</u>	<u>958,192</u>	<u>4,203,182</u>
<u>\$ (787,965)</u>	<u>\$ (1,051,943)</u>	<u>\$ 255,011</u>	<u>\$ 284,148</u>	<u>\$ 185,587</u>	<u>\$ (267,854)</u>	<u>\$ 2,648,223</u>
4.9%	4.9%	4.6%	5.8%	6.6%	8.3%	9.5%

LOS ANGELES UNIFIED SCHOOL DISTRICT
Governmental Fund Types
Expenditures and Other Uses by State-Defined Object
Last Ten Fiscal Years
(in thousands)
(Unaudited)

Fiscal year	Certificated Salaries	Classified Salaries	Employee Benefits	Books and Supplies	Services and Other Oper. Exp.
2000-2001	\$ 2,856,783	\$ 981,602	\$ 845,340	\$ 475,529	\$ 629,724
2001-2002	2,949,992	1,044,050	1,056,848 ⁽²⁾	492,982	650,543
2002-2003	3,036,964	1,056,274	1,207,073	490,211	757,868
2003-2004	3,055,482	1,065,409	1,312,887	468,036	821,490
2004-2005	3,110,756	1,069,595	1,349,301	499,411	646,373
2005-2006	3,187,441	1,098,558	1,418,575	567,167	691,388
2006-2007	3,362,475	1,180,482	1,440,468	507,486	785,742
2007-2008	3,469,214	1,269,680	1,464,061	574,902	880,455
2008-2009	3,384,912	1,236,448	1,440,404	441,855	872,470
2009-2010	2,929,870	1,126,477	1,581,239	395,886	867,482

Notes:

⁽¹⁾ "Other Outgo" includes Tuition for Handicapped Pupils and Transfer to Charter Schools of funding in-lieu of property taxes.

⁽²⁾ Beginning in fiscal year 2001-02, PERS Reduction is reflected under "Employee Benefits".
Prior to 2001-02, PERS Reduction was reflected under "Other Outgo".

See accompanying independent auditor's report.

Capital Outlay	Debt Service	Other Outgo ⁽¹⁾	Operating Transfers Out	Total Expenditures and Other Uses
\$ 409,618	\$ 132,517	\$ 71,389	\$ 295,058	\$ 6,697,560
756,064	217,078	(387) ⁽²⁾	360,338	7,527,508
691,793	201,782	(145)	263,998	7,705,818
1,003,568	346,196	41,273	171,934	8,286,275
1,398,243	344,171	602,610	598,061	9,618,521
1,532,862	338,706	876,411	381,658	10,092,766
1,494,934	448,238	1,975,273	366,926	11,562,024
1,644,450	541,059	882	512,061	10,356,764
2,113,952	665,738	108,035	588,821	10,852,635
1,677,858	727,262	229,142	552,270	10,087,486

LOS ANGELES UNIFIED SCHOOL DISTRICT
Governmental Fund Types
Expenditures and Other Uses by Goal and Function
Last Eight Fiscal Years
(in thousands)
(Unaudited)

	<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>2006-2007</u>
Instructional Goals:					
General education	\$ 3,673,054	\$ 3,741,979	\$ 3,935,655	\$ 4,145,863	\$ 4,270,273
Special education	1,166,539	1,214,874	1,195,855	1,252,592	1,333,134
Others	97,706	99,995	94,496	93,176	94,206
	<u>4,937,299</u>	<u>5,056,848</u>	<u>5,226,006</u>	<u>5,491,631</u>	<u>5,697,613</u>
Noninstructional Goals:					
Community services	25,371	24,258	26,423	27,165	30,269
Child care services	6,920	5,234	7,887	3,656	4,408
	<u>32,291</u>	<u>29,492</u>	<u>34,310</u>	<u>30,821</u>	<u>34,677</u>
Support Services	<u>1,195,756</u>	<u>1,207,134</u>	<u>1,058,764</u>	<u>1,083,003</u>	<u>1,182,086</u>
Facilities Acquisition	<u>853,255</u>	<u>1,219,838</u>	<u>1,522,494</u>	<u>1,635,060</u>	<u>1,581,955</u>
Food Services	<u>220,978</u>	<u>212,280</u>	<u>222,640</u>	<u>241,888</u>	<u>253,798</u>
Other Outgo:					
Debt service	201,782	346,196	344,171	517,324	2,386,554
All other outgo	264,457	214,487	1,210,136	1,093,039	425,341
	<u>466,239</u>	<u>560,683</u>	<u>1,554,307</u>	<u>1,610,363</u>	<u>2,811,895</u>
Total Expenditures and Other Uses	<u>\$ 7,705,818</u>	<u>\$ 8,286,275</u>	<u>\$ 9,618,521</u>	<u>\$ 10,092,766</u>	<u>\$ 11,562,024</u>

Trend data is available only with the District's implementation of SACS in Fiscal Year 2002-03.

See accompanying independent auditor's report.

<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>
\$ 4,462,660	\$ 4,124,621	\$ 3,820,056
1,395,418	1,376,082	1,428,258
100,135	101,223	85,456
<u>5,958,213</u>	<u>5,601,926</u>	<u>5,333,770</u>
24,762	28,094	17,094
4,663	4,847	3,109
<u>29,425</u>	<u>32,941</u>	<u>20,203</u>
<u>1,273,056</u>	<u>1,270,702</u>	<u>1,131,009</u>
<u>1,734,161</u>	<u>2,234,066</u>	<u>1,789,389</u>
<u>286,769</u>	<u>323,009</u>	<u>288,760</u>
541,059	773,533	792,590
534,081	616,458	731,765
<u>1,075,140</u>	<u>1,389,991</u>	<u>1,524,355</u>
<u>\$ 10,356,764</u>	<u>\$ 10,852,635</u>	<u>\$ 10,087,486</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT
Governmental Fund Types
Revenues by Source (SACS Report Categories)
Last Ten Fiscal Years
(in thousands)
(Unaudited)

Fiscal Year	Revenue Limit Sources	Federal	Other State	Other Local	Other Financing Sources	Total
2000-2001	\$ 3,166,947	\$ 598,540	\$ 2,044,908	\$ 357,231	\$ 1,040,713	\$ 7,208,339
2001-2002	3,388,475	686,278	1,922,377	325,743	1,067,900	7,390,773
2002-2003	3,456,958	814,681	2,118,662	401,287	3,148,244	9,939,832
2003-2004	3,436,839	984,482	2,434,073	451,220	191,696	7,498,310
2004-2005	3,575,257	1,071,628	2,109,674	549,264	1,260,755	8,566,578
2005-2006	3,724,599	1,150,060	2,419,412	637,941	2,415,765	10,347,777
2006-2007	3,892,689	1,023,992	2,853,979	835,529	3,239,983	11,846,172
2007-2008	3,624,134	1,016,465	3,307,609	925,869	1,668,274	10,542,351
2008-2009	3,444,940	1,357,169	3,223,201	904,663	1,654,808	10,584,781
2009-2010	2,977,215	1,289,543	2,566,534	918,438	4,983,979	12,735,709

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Assessed Value of Taxable Property
Last Ten Fiscal Years
(in thousands)
(Unaudited)

Fiscal Year	Secured*	Unsecured*	Total	Increase (Decrease) Over Preceding Year		Total A.D.A.**	Assessed Value per Unit of A.D.A.
				Amount	Rate		
2000-2001	\$ 233,797,971	\$ 20,142,603	\$ 253,940,574	\$ 16,096,682	6.77%	740,293 ***	\$ 343
2001-2002	249,496,423	22,018,503	271,514,926	17,574,352	6.92	762,688 ***	356
2002-2003	266,383,265	21,142,670	287,525,935	16,011,009	5.90	766,137 ***	375
2003-2004	287,673,344	20,855,436	308,528,780	21,002,845	7.30	758,605 ***	407
2004-2005	311,419,822	20,505,315	331,925,137	23,396,357	7.58	746,605	445
2005-2006	343,302,944	20,566,535	363,869,479	31,944,342	9.62	722,564	504
2006-2007	382,212,502	20,396,335	402,608,837	38,739,358	10.65	710,770	566
2007-2008	419,052,509	21,861,881	440,914,390	38,305,553	9.51	700,073	630
2008-2009	451,191,875	23,597,923	474,789,798	33,875,408	7.68	693,633	684
2009-2010	451,127,882	23,849,409	474,977,291	187,493	0.04	576,963 ****	823

* Source: 2009-10 Los Angeles County Auditor-Controller "Taxpayers' Guide"

** Source: A.D.A. – Average Daily Attendance, Annual Report

*** Adjusted to exclude fiscally independent charter schools

**** Adult and Summer School programs were not collected due to changes made by Education Code Section 42605.

For 2008-09 through 2012-13, Districts are not required to operate the program or follow program requirements. Revenue for these years will be based on the same relative proportion that the District received for these programs in fiscal year 2007-08.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Property Tax Rates – All Direct and Overlapping Governments
(Per \$100 of assessed value)
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Unified General	Unified Bonds	Total Schools Tax	State-Wide for All Agencies	Total District Tax
2000-2001	0.000363	0.040402	0.040765	1.000000	1.040765
2001-2002	—	0.048129	0.048129	1.000000	1.048129
2002-2003	0.000107	0.036866	0.036973	1.000000	1.036973
2003-2004	0.000160	0.076985	0.077145	1.000000	1.077145
2004-2005	0.000143	0.088696	0.088839	1.000000	1.088839
2005-2006	0.000107	0.084239	0.084346	1.000000	1.084346
2006-2007	0.000079	0.106735	0.106814	1.000000	1.106814
2007-2008	0.000040	0.123302	0.123342	1.000000	1.123342
2008-2009	0.000058	0.124724	0.124782	1.000000	1.124782
2009-2010	—	0.151809	0.151809	1.000000	1.151809

Source: 2009-10 Los Angeles County Auditor-Controller “Taxpayers’ Guide”

See accompanying independent auditor's report.

Metropolitan Water District	Los Angeles County General	City of Los Angeles District No.1	County Flood Control District
0.008800	0.001314	0.026391	0.001552
0.007700	0.001128	0.040051	0.001073
0.006700	0.001033	0.042312	0.000881
0.006100	0.000992	0.050574	0.000462
0.005800	0.000923	0.055733	0.000245
0.005200	0.000795	0.051289	0.000049
0.004700	0.000663	0.045354	0.000052
0.004500	—	0.038051	—
0.004300	—	0.038541	—
0.004300	—	0.041220	—

LOS ANGELES UNIFIED SCHOOL DISTRICT
Largest Local Secured Taxpayers
Year Ended June 30, 2010
(in thousands)
(Unaudited)

	Property Owner ⁽¹⁾	Primary Land Use	2009-2010 Assessed Valuation	% of Total ⁽¹⁾
1	Douglas Emmett Realty Funds	Office Building	\$ 2,373,947	0.53%
2	Universal Studios LLC	Motion Picture Studio	1,381,886	0.31
3	Anheuser Busch Inc.	Industrial	964,997	0.21
4	Deutsche Bank National Trust	Residential Properties	735,197	0.16
5	One Hundred Towers LLC	Office Building	579,015	0.13
6	U.S. Bank National Association Trust	Residential Properties	565,592	0.13
7	Donald T. Sterling	Apartments	556,538	0.12
8	Dussenberg Investment Company	Office Building	489,916	0.11
9	Century City Mall LLC	Shopping Center/Mall	457,234	0.10
10	Taubman-Beverly Center	Shopping Center/Mall	457,142	0.10
11	Topanga Plaza LP	Shopping Center/Mall	445,320	0.10
12	Paramount Pictures Corp.	Industrial	439,520	0.10
13	Trizec 333 LA LLC	Office Building	410,000	0.09
14	Next Century Associates LLC	Hotel	384,442	0.09
15	Rreef America REIT II Corp.	Office Building	378,851	0.08
16	Twentieth Century Fox Film Corp.	Industrial	376,928	0.08
17	Watson Land Company	Industrial	359,081	0.08
18	2121 Avenue of the Stars LLC	Office Building	359,000	0.08
19	Maguire Properties Two Cal Plaza	Office Building	356,000	0.08
20	Trizec 601 Figueroa LLC	Office Building	355,000	0.08
			<u>\$ 12,425,606</u>	<u>2.76%</u>

⁽¹⁾ Excludes taxpayers with values derived from mineral rights and/or possessory interest.

⁽²⁾ 2009-10 Assessed Valuation: \$451,053,085

Source: California Municipal Statistics, Inc.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Property Tax Levies and Collections
Last Ten Fiscal Years
(in thousands)
(Unaudited)

Fiscal Year	Total Tax Levy	ERAF Funds ⁽¹⁾	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections ⁽²⁾	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
2000-2001	\$ 583,508	\$ 465,002	\$ 1,037,958	98.99%	\$ 29,973	\$1,067,931	101.85%
2001-2002	652,455	493,649	1,125,788	98.23	29,264	1,155,052	100.78
2002-2003	656,436	536,530	1,190,192	99.77	13,881	1,204,073	100.93
2003-2004	821,820	576,038	1,386,560	99.19	34,987	1,421,547	101.69
2004-2005	929,248	171,052	1,091,325	99.18	34,128	1,125,453	102.29
2005-2006	991,275	76,068	1,026,351	96.16	30,963	1,057,314	99.06
2006-2007	1,173,752	—	1,134,757	96.68	101,640	1,236,397	105.34
2007-2008	1,345,503	(42,753)	1,241,733	95.32	76,816	1,318,549	101.21
2008-2009	1,481,739	(2,660)	1,372,078	92.77	114,292	1,486,370	100.49
2009-2010	1,597,579	41,685	1,505,933	91.87	112,277	1,618,210	98.72

⁽¹⁾ Educational Revenue Augmentation Funds (ERAF) are added to tax levies received by the District.

⁽²⁾ Includes prior years' delinquencies.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Revenue Limit Per Unit of Average Daily Attendance
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	K-12 Base Revenue Limit	Adult Base Revenue Limit
2000-2001	\$ 4,480.13	\$ 2,101.66
2001-2002	4,654.13	2,196.82
2002-2003	4,747.13	2,242.12
2003-2004	4,835.13	2,242.12
2004-2005	4,968.66	2,292.26
2005-2006	5,179.66	2,389.22
2006-2007	5,544.56	2,530.66
2007-2008	5,796.56	2,645.30 *
2008-2009	5,645.07	N/A **
2009-2010	4,962.13 ***	N/A

* Beginning with fiscal year 2007-08, the principal apportionment for Adult is no longer a revenue limit item. It was determined by the State to be more appropriately classified as other state apportionments.

** Per SBX3 4 (Chapter 12, Statutes of 2009), funding for fiscal years 2008-09 through 2012-13 is based on the District's 2007-08 proportionate share of funding to the State's total available funding for the program. CDE will revert back to the usual funding formula for this program in fiscal year 2013-14.

*** This rate is net of the additional revenue limit reduction of \$252.99 per 2008-09 funded revenue limit ADA.

See accompanying independent auditor's report.



LOS ANGELES UNIFIED SCHOOL DISTRICT
Governmental Fund Types
Schedule of Revenues and Other Sources, Expenditures and Other Uses
by State-Defined Object (Continued)
Last Ten Fiscal Years
(in thousands)
(Unaudited)

	2000-2001		2001-2002	
	Amount	Percent	Amount	Percent
Revenues and other sources				
Revenue limit sources	\$ 3,181,588	43.90%	\$ 3,388,475	45.84%
Federal revenues	601,388	8.30	686,278	9.28
Other state revenues	2,057,373	28.39	1,922,377	26.01
Other local revenues	366,511	5.06	325,743	4.41
Operating transfers in	295,058	4.07	339,093	4.59
Proceeds from issuance of bonds	386,655	5.33	500,000	6.77
Premium on bonds issued	—	—	—	—
Proceeds from refunding bonds issued	—	—	—	—
Premium on refunding bonds issued	—	—	—	—
State school facilities apportionments	153,739	2.12	—	—
Proceeds from Certif. of Participation/Long-term Capital Lease ⁽¹⁾	205,261	2.83	228,366	3.09
Issuance of refunding COPs	—	—	—	—
Premium on COPs issued	—	—	—	—
Proceeds from CA Energy Commission loan	—	—	—	—
Proceeds from Sullivan Canyon sale	—	—	—	—
Proceeds from Ramona HS	—	—	—	—
Insurance proceeds - fire damage	—	—	—	—
Children Center facilities fund	—	—	441	0.01
Total Revenues and Other Sources	<u>\$ 7,247,573</u>	<u>100.00%</u>	<u>\$ 7,390,773</u>	<u>100.00%</u>
Expenditures and other uses				
Current:				
Certificated salaries	\$ 2,872,065	42.67%	\$ 2,949,992	39.20%
Classified salaries	986,491	14.65	1,044,050	13.87
Employee benefits ^{(2) (3)}	849,113	12.61	1,056,848	14.04
Books and supplies	477,507	7.09	492,982	6.55
Services and other operating expenditures ⁽²⁾	634,680	9.43	650,543	8.64
Capital outlay	412,427	6.13	756,064	10.04
Debt service	132,945	1.97	217,078	2.88
Other outgo ^{(2) (3)}	71,848	1.07	(387)	(0.01)
Operating transfers out ⁽⁴⁾	295,058	4.38	360,338	4.79
Discount on issuance of refunding bonds	—	—	—	—
Payment to refunded bonds escrow agent	—	—	—	—
Payment to refunded COPs escrow agent	—	—	—	—
Total Expenditures and Other Uses	<u>\$ 6,732,134</u>	<u>100.00%</u>	<u>\$ 7,527,508</u>	<u>100.00%</u>

⁽¹⁾ The 2001-02 COPs proceeds were used to acquire and improve real properties, including the new Administration Building and the former Ambassador Hotel site, and the refunding of the 1991 COPs that refunded the 1988 COPS for the Bravo Medical Magnet Senior High School Project. The 2002-03 COPs proceeds were used for information technology systems, warehouse acquisition, administration building improvements and multiple school projects such as: air-conditioning, relocatable classrooms, gymnasium improvements, computer and telephone equipment, school police vehicles, sports and parking facilities, school museum and other projects. The 2004-05 COPs proceeds were used to refund a portion of prior year issuances and make administration building improvements. The 2005-06 COPs proceeds were used to modernize nine schools to accommodate existing or planned academy programs that address student career pathway/higher education interests. The 2007-08 COPs proceeds were used to finance certain acquisition, development and installation of information technology systems of the District.

See accompanying independent auditor's report.

2002-2003			2003-2004			2004-2005		
Amount		Percent	Amount		Percent	Amount		Percent
\$	3,456,958	34.77%	\$	3,436,839	45.83%	\$	3,575,257	41.73%
	814,681	8.20		984,482	13.13		1,071,628	12.51
	2,118,662	21.31		2,434,073	32.46		2,109,674	24.63
	401,287	4.04		451,220	6.02		549,264	6.41
	264,190	2.66		172,148	2.30		598,061	6.98
	2,607,345	26.23		—	—		200,000	2.33
	—	—		—	—		4,124	0.05
	—	—		—	—		219,125	2.56
	—	—		—	—		16,338	0.19
	—	—		—	—		—	—
	276,191	2.78		7,630	0.10		221,789	2.59
	—	—		—	—		—	—
	—	—		—	—		—	—
	—	—		—	—		1,318	0.02
	—	—		11,918	0.16		—	—
	—	—		—	—		—	—
	—	—		—	—		—	—
	518	0.01		—	—		—	—
\$	9,939,832	100.00%	\$	7,498,310	100.00%	\$	8,566,578	100.00%
\$	3,036,964	39.41%	\$	3,055,482	36.88%	\$	3,110,756	32.34%
	1,056,274	13.71		1,065,409	12.86		1,069,595	11.12
	1,207,073	15.66		1,312,887	15.84		1,349,301	14.03
	490,211	6.36		468,036	5.65		499,411	5.19
	757,868	9.83		821,490	9.91		646,373	6.72
	691,793	8.98		1,003,568	12.11		1,398,243	14.54
	201,782	2.62		346,196	4.18		344,171	3.58
	(145)	—		41,273	0.50		34,526	0.36
	263,998	3.43		171,934	2.07		598,061	6.22
	—	—		—	—		—	—
	—	—		—	—		234,126	2.43
	—	—		—	—		333,958	3.47
\$	7,705,818	100.00%	\$	8,286,275	100.00%	\$	9,618,521	100.00%

⁽²⁾ "Other outgo" includes Tuition for Handicapped Pupils. From fiscal year 2003-04 to fiscal year 2006-07, Charter Schools In-lieu of Taxes was included in total expenditures under object 7280 as Other transfers out. Starting with fiscal year 2007-08, this is presented as reduction of the revenues, like it was presented prior to 2003-04.

⁽³⁾ Starting from fiscal year 2001-02, PERS Reduction is included under "Employee benefits". Prior to 2001-02, PERS Reduction was included under "Other outgo".

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Governmental Fund Types
Schedule of Revenues and Other Sources, Expenditures and Other Uses
by State-Defined Object
Last Ten Fiscal Years
(in thousands)
(Unaudited)

	2005-2006		2006-2007	
	Amount	Percent	Amount	Percent
Revenues and other sources				
Revenue limit sources	\$ 3,724,599	35.99%	\$ 3,892,689	32.86%
Federal revenues	1,150,060	11.11	1,023,992	8.65
Other state revenues	2,419,412	23.38	2,853,979	24.10
Other local revenues	637,941	6.17	835,529	7.05
Operating transfers in	381,658	3.69	362,932	3.06
Proceeds from issuance of bonds	1,115,712	10.78	900,000	7.60
Premium on bonds issued	64,283	0.62	33,649	0.28
Proceeds from refunding bonds issued	778,673	7.53	1,889,000	15.95
Premium on refunding bonds issued	64,058	0.62	49,073	0.41
State school facilities apportionments	—	—	—	—
Proceeds from Certif. of Participation/Long-term Capital Lease ⁽¹⁾	11,318	0.11	2,394	0.02
Issuance of refunding COPs	—	—	—	—
Premium on COPs issued	—	—	—	—
Proceeds from CA Energy Commission loan	63	—	—	—
Proceeds from Sullivan Canyon sale	—	—	—	—
Proceeds from Ramona HS	—	—	—	—
Insurance proceeds - fire damage	—	—	2,935	0.02
Children Center facilities fund	—	—	—	—
Total Revenues and Other Sources	<u>\$ 10,347,777</u>	<u>100.00%</u>	<u>\$ 11,846,172</u>	<u>100.00%</u>
Expenditures and other uses				
Current:				
Certificated salaries	\$ 3,187,441	31.58%	\$ 3,362,475	29.07%
Classified salaries	1,098,558	10.88	1,180,482	10.21
Employee benefits ^{(2) (3)}	1,418,575	14.06	1,440,468	12.46
Books and supplies	567,167	5.62	507,486	4.39
Services and other operating expenditures ⁽²⁾	691,388	6.85	785,742	6.80
Capital outlay	1,532,862	15.19	1,494,934	12.93
Debt service	338,706	3.36	448,238	3.88
Other outgo ^{(2) (3)}	41,695	0.41	46,865	0.41
Operating transfers out ⁽⁴⁾	381,658	3.78	366,926	3.17
Discount on issuance of refunding bonds	—	—	1,324	0.01
Payment to refunded bonds escrow agent	656,098	6.50	1,927,084	16.67
Payment to refunded COPs escrow agent	178,618	1.77	—	—
Total Expenditures and Other Uses	<u>\$ 10,092,766</u>	<u>100.00%</u>	<u>\$ 11,562,024</u>	<u>100.00%</u>

⁽¹⁾ The 2001-02 COPs proceeds were used to acquire and improve real properties, including the new Administration Building and the former Ambassador Hotel site, and the refunding of the 1991 COPs that refunded the 1988 COPS for the Bravo Medical Magnet Senior High School Project. The 2002-03 COPs proceeds were used for information technology systems, warehouse acquisition, administration building improvements and multiple school projects such as: air-conditioning, relocatable classrooms, gymnasium improvements, computer and telephone equipment, school police vehicles, sports and parking facilities, school museum and other projects. The 2004-05 COPs proceeds were used to refund a portion of prior year issuances and make administration building improvements. The 2005-06 COPs proceeds were used to modernize nine schools to accommodate existing or planned academy programs that address student career pathway/higher education interests. The 2007-08 COPs proceeds were used to finance certain acquisition, development and installation of information technology systems of the District.

See accompanying independent auditors' report.

2007-2008			2008-2009			2009-2010		
Amount		Percent	Amount		Percent	Amount		Percent
\$	3,624,134	34.38%	\$	3,444,940	32.55%	\$	2,977,215	23.37%
	1,016,465	9.64		1,357,169	12.82		1,289,543	10.12
	3,307,609	31.38		3,223,201	30.45		2,566,534	20.15
	925,869	8.78		904,663	8.55		918,438	7.21
	499,947	4.74		575,839	5.44		539,641	4.24
	1,000,000	9.49		945,774	8.94		4,082,645	32.06
	42,258	0.40		—	—		92,908	0.73
	—	—		—	—		149,760	1.18
	—	—		—	—		—	—
	—	—		—	—		—	—
	106,627	1.01		122,146	1.15		41,659	0.33
	—	—		—	—		69,685	0.55
	—	—		—	—		3,771	0.03
	—	—		—	—		—	—
	—	—		—	—		—	—
	14,110	0.13		9,610	0.09		2,371	0.02
	5,332	0.05		1,439	0.01		2,057	0.01
	—	—		—	—		(518)	—
\$	10,542,351	100.00%	\$	10,584,781	100.00%	\$	12,735,709	100.00%
\$	3,469,214	33.50%	\$	3,384,912	31.19%	\$	2,929,870	29.04%
	1,269,680	12.26		1,236,448	11.39		1,126,477	11.17
	1,464,061	14.14		1,440,404	13.27		1,581,239	15.68
	574,902	5.55		441,855	4.07		395,886	3.92
	880,455	8.50		872,470	8.04		867,482	8.60
	1,644,450	15.88		2,113,952	19.48		1,677,858	16.63
	541,059	5.22		665,738	6.14		727,262	7.21
	882	0.01		240	—		615	0.01
	512,061	4.94		588,821	5.43		552,270	5.47
	—	—		—	—		—	—
	—	—		—	—		163,199	1.62
	—	—		107,795	0.99		65,328	0.65
\$	10,356,764	100.00%	\$	10,852,635	100.00%	\$	10,087,486	100.00%

⁽²⁾ "Other outgo" includes Tuition for Handicapped Pupils. From fiscal year 2003-04 to fiscal year 2006-07, Charter Schools In-lieu of Taxes was included in total expenditures under object 7280 as Other transfers out. Starting with fiscal year 2007-08, this is presented as reduction of the revenues, like it was presented prior to 2003-04.

⁽³⁾ Starting from fiscal year 2001-02, PERS Reduction is included under "Employee benefits". Prior to 2001-02, PERS Reduction was included under "Other outgo".

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Governmental Fund Types
Schedule of Revenues and Other Sources, Expenditures and Other Uses
by State-Defined Object (Continued)
Last Ten Fiscal Years (in thousands)
(Unaudited)

(4) Table below shows Detail of Operating transfers out (in thousands):

From	To	2000-2001	2001-2002
General	Charter	\$ —	\$ 20,240
General	Child Development	7,569	8,947
General	Special Reserve	186,927	170,845
General	Special Reserve – Community Redevelopment Agency	—	1,662
General	Special Reserve – FEMA – Earthquake	7,539	26,555
General	Special Reserve – FEMA – Hazard Mitigation	15,860	9,109
General	Health & Welfare	—	—
General	Deferred Maintenance	22,335	24,191
General	Adult Education	—	—
General	Capital Services	31,562	76,132
General	Building – Measure R	—	—
General	Cafeteria	—	—
General	Capital Facilities	—	—
Capital Services	Building – Measure Y	—	—
Special Reserve	Capital Services	834	—
Special Reserve	General	—	—
Special Reserve	Building – Bond Proceeds	—	—
Special Reserve	Building – Measure K	—	—
Special Reserve	Building – Measure R	—	—
Special Reserve	Building – Measure Y	—	—
Special Reserve	County School Facilities	—	—
Special Reserve	County School Facilities – Prop 47	—	—
Special Reserve	County School Facilities – Prop 55	—	—
Special Reserve	State School Building Lease – Purchase	—	—
Special Reserve	Capital Facilities	—	—
Special Reserve	Cafeteria	—	—
Special Reserve – CRA	General	—	—
Special Reserve – CRA	Building – Measure K	—	—
Special Reserve – CRA	Building – Measure R	—	—
Special Reserve – CRA	County School Facilities – Prop 47	—	—
Special Reserve – CRA	Capital Services	—	—
Capital Facilities	Capital Services	14,351	18,034
Capital Facilities	State School Building Lease – Purchase	8,081	1,303
Capital Facilities	Special Reserve	—	—
Capital Facilities	Building – Bond Proceeds	—	—
Capital Facilities	Building – Measure R	—	—
Capital Facilities	Building – Measure K	—	—
State School Building Lease – Purchase	Capital Services	—	—
State School Building Lease – Purchase	Special Reserve	—	—
State School Building Lease – Purchase	Capital Facilities	—	—
State School Building Lease – Purchase	Building – Bond Proceeds	—	—
State School Building Lease – Purchase	Building – Measure K	—	—
State School Building Lease – Purchase	County School Facilities	—	—
State School Building Lease – Purchase	County School Facilities – Prop 55	—	—
State School Building Lease – Purchase	State School Building Lease – Purchase	—	—
County School Facilities	Deferred Maintenance	—	—
County School Facilities	Capital Services	—	—

2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
8,475	8,412	8,065	8,764	7,133	—	—	165
168,805	12,970	110,540	27,403	109	—	3	—
1,419	3,757	—	—	—	—	—	—
9,167	3,806	—	2,225	—	—	—	—
9,613	25,681	2,225	—	—	—	—	—
—	—	—	—	3,994	12,114	12,982	12,629
2,134	8,140	23,300	30,000	30,188	31,048	30,000	—
—	—	—	—	4,199	—	—	168,282
37,655	51,430	198,026	4,169	9,758	12,514	26,356	30,993
—	—	59	—	—	—	—	—
—	—	—	11,140	288	8,214	16,587	12,210
—	—	—	—	—	—	260	83
—	—	—	1	—	—	—	—
(5,866)	20,633	28,800	—	1,265	23,484	123,595	73,100
—	—	17,155	57,312	28,900	88,200	34,117	62,437
—	—	—	—	—	—	1,034	1,557
—	—	—	—	61,228	47,288	6,269	629
—	—	—	—	2	—	1,383	14,298
—	—	—	—	—	—	1	—
—	—	—	—	—	—	—	100
—	—	—	—	—	—	355	—
—	—	—	—	—	169	3,657	2,232
—	—	—	—	—	260	100	—
—	—	—	—	—	—	11	—
—	—	—	—	—	—	—	11,803
—	—	—	—	—	4,293	4,069	4,003
—	—	—	—	—	—	3,571	—
—	—	—	—	—	—	1,129	—
—	—	—	—	—	—	1,300	—
—	—	—	—	—	—	—	325
17,928	23,260	24,045	21,606	22,215	20,537	56,461	12,158
6,070	5,714	7,613	—	2,601	90	—	—
—	—	—	—	—	219	12	—
—	—	—	—	—	—	2	—
—	—	—	—	—	3	24	—
—	—	—	—	—	11,409	151	4
—	—	—	2,629	—	—	—	—
—	—	—	—	—	259	1	—
—	—	—	—	—	90	—	—
—	—	—	—	—	11,944	60	118
—	—	—	—	—	8,651	221	—
—	—	—	—	—	—	8	104
—	—	—	—	—	—	—	7
—	—	—	—	—	—	—	(29)
—	—	—	—	—	—	—	857
—	—	—	3,046	—	—	—	—

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Governmental Fund Types
Schedule of Revenues and Other Sources, Expenditures and Other Uses
by State-Defined Object (Continued)
Last Ten Fiscal Years (in thousands)
(Unaudited)

From	To	2000-2001	2001-2002
County School Facilities	Special Reserve	\$ —	\$ —
County School Facilities	Building – Measure R	—	—
County School Facilities	Building – Measure K	—	—
County School Facilities	Building – Measure Y	—	—
County School Facilities	Building – Bond Proceeds	—	—
County School Facilities	County School Facilities – Prop 47	—	—
County School Facilities	County School Facilities – Prop 55	—	—
County School Facilities	Capital Facilities	—	—
County School Facilities	State School Building Lease – Purchase	—	—
County School Facilities – Prop 47	Building – Bond Proceeds	—	—
County School Facilities – Prop 47	Building – Measure K	—	—
County School Facilities – Prop 47	Building – Measure R	—	—
County School Facilities – Prop 47	Building – Measure Y	—	—
County School Facilities – Prop 47	County School Facilities	—	—
County School Facilities – Prop 47	County School Facilities – Prop 55	—	—
County School Facilities – Prop 47	State School Building Lease – Purchase	—	—
County School Facilities – Prop 47	Special Reserve	—	—
County School Facilities – Prop 47	Capital Facilities	—	—
County School Facilities – Prop 55	Special Reserve	—	—
County School Facilities – Prop 55	Special Reserve – FEMA	—	—
County School Facilities – Prop 55	Building – Bond Proceeds	—	—
County School Facilities – Prop 55	Building – Measure K	—	—
County School Facilities – Prop 55	Building – Measure R	—	—
County School Facilities – Prop 55	Building – Measure Y	—	—
County School Facilities – Prop 55	County School Facilities	—	—
County School Facilities – Prop 55	County School Facilities – Prop 47	—	—
County School Facilities – Prop 55	Capital Facilities	—	—
County School Facilities – Prop 55	State School Building Lease – Purchase	—	—
County School Facilities – Prop 1D	Building – Bond Proceeds	—	—
County School Facilities – Prop 1D	Building – Measure R	—	—
County School Facilities – Prop 1D	Building – Measure K	—	—
County School Facilities – Prop 1D	Building – Measure Y	—	—
County School Facilities – Prop 1D	County School Facilities	—	—
County School Facilities – Prop 1D	County School Facilities – Prop 47	—	—
County School Facilities – Prop 1D	County School Facilities – Prop 55	—	—
Adult Education	Special Reserve	—	—
Adult Education	General	—	—
Adult Education	Building – Measure R	—	—
Child Development	General	—	—
Special Reserve – FEMA – Earthquake	General	—	—
Special Reserve – FEMA – Earthquake	County School Facilities – Prop 55	—	—
Special Reserve – FEMA – Hazard Mitigation	General	—	—
Annuity	General	—	—
Attendance Incentive	General	—	—
Cafeteria	General	—	2,315
Cafeteria	Charter	—	1,005
Cafeteria	Capital Services	—	—
Building – Measure R	Building – Bond Proceeds	—	—
Building – Measure R	County School Facilities	—	—
Building – Measure R	County School Facilities – Prop 47	—	—
Building – Measure R	County School Facilities – Prop 55	—	—
Building – Measure R	County School Facilities – Prop 1D	—	—

<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>
\$ —	\$ —	\$ —	\$ —	\$ 3	\$ —	\$ —	\$ 129
—	—	—	—	—	24	1,265	3,086
—	—	—	—	1	106	1,364	1,691
—	—	—	—	—	—	2	—
—	—	—	—	—	—	9,480	4,998
—	—	—	—	—	—	360	734
—	—	—	—	—	—	30	419
—	—	—	—	—	—	—	53
—	—	—	—	—	—	2	45
—	—	—	—	1,006	7,375	5,924	261
—	—	—	—	15	2,471	1,429	1,126
—	—	—	—	—	4,089	62	—
—	—	—	—	—	—	5	—
—	—	—	—	—	734	59	—
—	—	—	—	—	1,170	2	—
—	—	—	—	—	—	40	—
—	—	—	—	—	47	—	—
—	—	—	—	—	1,801	—	—
—	—	—	—	42,457	13,610	44	—
—	—	—	—	—	618	241	—
—	—	—	—	—	21,358	19,251	1,753
—	—	—	—	68,910	8,055	4,169	4,637
—	—	—	—	2,387	17,077	33,151	4,753
—	—	—	—	—	—	26	—
—	—	—	—	—	1,987	259	293
—	—	—	—	—	—	219	—
—	—	—	—	—	90	—	—
—	—	—	—	—	15,084	—	—
—	—	—	—	—	1,721	9,291	6,277
—	—	—	—	—	1,791	19,543	4,524
—	—	—	—	—	1,045	642	—
—	—	—	—	—	—	—	551
—	—	—	—	—	—	65	526
—	—	—	—	—	—	398	—
—	—	—	—	—	1,072	16	370
—	—	—	—	—	—	—	—
2,421	2,583	—	—	—	10,600	10,600	10,600
—	—	—	—	—	—	3,197	—
2,068	1,980	2,100	2,000	2,000	—	—	853
854	628	213	520	—	—	—	—
—	—	—	—	120	—	—	—
725	298	149	2,225	—	—	—	—
154	—	—	—	—	—	—	—
38	—	—	—	—	—	—	—
2,530	2,642	1,251	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	2,482
—	—	149,995	—	1	15,368	40	4,714
—	—	—	—	1,475	666	160	7,229
—	—	—	—	—	94	—	—
—	—	—	—	—	1,767	957	520
—	—	—	—	—	—	—	2,480

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Governmental Fund Types
Schedule of Revenues and Other Sources, Expenditures and Other Uses
by State-Defined Object (Continued)
Last Ten Fiscal Years (in thousands)
(Unaudited)

From	To	2000-2001	2001-2002
Building – Measure R	Building – Measure K	\$ —	\$ —
Building – Measure R	Building – Measure Y	—	—
Building – Measure R	Special Reserve	—	—
Building – Measure R	State School Building Lease – Purchase	—	—
Building – Measure R	Capital Facilities	—	—
Building – Measure Y	General	—	—
Building – Measure Y	Adult Education	—	—
Building – Measure Y	Capital Services	—	—
Building – Measure Y	Building – Measure R	—	—
Building – Measure Y	Building – Measure K	—	—
Building – Measure Y	Building – Bond Proceeds	—	—
Building – Measure Y	County School Facilities	—	—
Building – Measure Y	County School Facilities – Prop 1D	—	—
Building – Measure Y	Special Reserve	—	—
Building – Measure K	County School Facilities	—	—
Building – Measure K	County School Facilities – Prop 47	—	—
Building – Measure K	County School Facilities – Prop 55	—	—
Building – Measure K	Special Reserve	—	—
Building – Measure K	Building – Measure R	—	—
Building – Measure K	Building – Measure Y	—	—
Building – Measure K	Building – Bond Proceeds	—	—
Building – Measure K	State School Building Lease – Purchase	—	—
Building – Measure K	Capital Facilities	—	—
Building – Measure K	Adult Education	—	—
Building – Bond Proceeds	General	—	—
Building – Bond Proceeds	Deferred Maintenance	—	—
Building – Bond Proceeds	Building – Measure R	—	—
Building – Bond Proceeds	Building – Measure K	—	—
Building – Bond Proceeds	Building – Measure Y	—	—
Building – Bond Proceeds	County School Facilities	—	—
Building – Bond Proceeds	County School Facilities – Prop 47	—	—
Building – Bond Proceeds	County School Facilities – Prop 55	—	—
Building – Bond Proceeds	County School Facilities – Prop 1D	—	—
Building – Bond Proceeds	Capital Facilities	—	—
Building – Bond Proceeds	State School Building Lease – Purchase	—	—
Building – Bond Proceeds	Special Reserve	—	—
Building	Special Reserve – FEMA	—	—
Capital Services	General	—	—
Capital Services	Special Reserve	—	—
Capital Services	County School Facilities	—	—
Capital Services	State School Building Lease – Purchase	—	—
		<u>\$ 295,058</u>	<u>\$ 360,338</u>

See accompanying independent auditor's report.

<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>
\$ —	\$ —	\$ —	\$ —	\$ 1,563	\$ 22,560	\$ 3,528	\$ 158
—	—	—	—	—	8,901	50	787
—	—	—	—	—	1,151	161	1,587
—	—	—	—	—	2,970	—	33
—	—	—	—	—	33	—	—
—	—	—	30,000	30,000	30,000	30,000	—
—	—	—	—	—	—	3	2
—	—	—	178,618	1,904	1,904	1,904	4,073
—	—	—	—	—	—	4,446	1,675
—	—	—	—	8,864	364	550	3,798
—	—	—	—	—	—	4	1,452
—	—	—	—	—	—	—	512
—	—	—	—	—	—	—	807
—	—	—	—	—	61	651	—
—	—	—	—	6,105	658	—	50
—	—	—	—	—	—	116	—
—	—	—	—	—	1,562	419	—
—	—	—	—	27,907	7,819	15,123	94
—	—	—	—	173	9,956	5,433	175
—	—	—	—	—	8	236	415
—	—	—	—	146	839	124	751
—	—	—	—	—	1	—	—
—	—	—	—	—	71	—	—
—	—	—	—	—	—	4	—
—	—	—	—	—	—	—	76
—	—	—	—	—	—	—	84
—	—	—	—	9	3,795	23,563	36,480
—	—	—	—	—	943	31,010	5,484
—	—	—	—	—	—	114	15
—	—	—	—	—	13	2,742	7,689
—	—	—	—	—	1,252	183	814
—	—	—	—	—	3,287	21,142	2,432
—	—	—	—	—	—	617	417
—	—	—	—	—	—	3	195
—	—	—	—	—	3,307	84	82
—	—	—	—	—	—	139	68
—	—	—	—	—	—	229	—
—	—	7,370	—	—	—	231	904
—	—	17,155	—	—	—	—	1,424
—	—	—	—	—	—	—	3,593
—	—	—	—	—	—	—	2,975
<u>\$ 264,190</u>	<u>\$ 171,934</u>	<u>\$ 598,061</u>	<u>\$ 381,658</u>	<u>\$ 366,926</u>	<u>\$ 512,061</u>	<u>\$ 588,821</u>	<u>\$ 552,270</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT
Ratio of Annual Debt Service for General Bonded Debt and Certificates of
Participation (COPs) to Total General Governmental Expenditures
Last Ten Fiscal Years
(in thousands)
(Unaudited)

Fiscal Year	Principal	Interest	Total Debt Service ⁽¹⁾	Total General Governmental Expenditures	Ratio of Debt service to Total General Governmental Expenditures
2000-2001	\$ 38,265	\$ 78,704	\$ 116,969	\$ 6,697,560	1.75%
2001-2002	97,935	91,386	189,321	7,527,508	2.52
2002-2003	86,400	89,292	175,692	7,705,818	2.28
2003-2004	107,370	231,349	338,719	8,286,275	4.09
2004-2005	248,025	248,661	496,686	9,618,521	5.16
2005-2006	89,885	237,622	327,507	10,092,766	3.24
2006-2007	149,230	284,196	433,426	11,562,024	3.75
2007-2008	197,285	334,967	532,252	10,356,764	5.14
2008-2009	300,245	361,990	662,235	10,852,635	6.10
2009-2010	288,160	490,840	779,000	10,087,486	7.72

Notes:

⁽¹⁾ Payments for General Obligation Bonds and COPs, excluding fees paid in other cities, bond issuance, and other costs.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Ratio of Net General Bonded Debt and Certificates of Participation (COPs) to
Assessed Value and Net Debt Per Capita
Last Ten Fiscal Years
(Dollars in thousands except Net Debt per Capita)
(Unaudited)

Fiscal Year	Population Los Angeles Unified *	Total Assessed Value	Gross Debt ⁽¹⁾	Debt Service Monies Available	Net Debt ⁽¹⁾	Ratio of Net Debt to Assessed Value	Net Debt per Capita
2000-2001	4,636,724	\$ 253,940,575	\$ 1,790,392	\$ 117,148	\$ 1,673,244	0.6589%	\$ 361
2001-2002	4,502,647	271,514,926	2,395,127	159,062	2,236,065	0.8236	497
2002-2003	4,660,473	287,525,935	5,191,382	211,507	4,979,875	1.7320	1,069
2003-2004	4,718,101	308,528,780	5,085,570	208,215	4,877,355	1.5808	1,034
2004-2005	4,775,778	331,925,137	5,095,029	224,306	4,870,723	1.4674	1,020
2005-2006	4,784,682	363,869,479	6,233,663	302,401	5,931,262	1.6301	1,240
2006-2007	4,825,016	402,608,837	7,058,754	383,068	6,675,686	1.6581	1,384
2007-2008	4,839,918	440,914,390	8,002,427	497,001	7,505,426	1.7022	1,551
2008-2009	4,853,617	474,789,798	8,666,230	554,524	8,111,706	1.7085	1,671
2009-2010	4,875,984	474,977,291	12,573,523	703,178	11,870,345	2.4991	2,434

* Estimate

⁽¹⁾ Includes bonded debts (General Obligation Bonds) and COPs.

Sources: 2009-10 Los Angeles County Auditor-Controller "Taxpayers' Guide"
Los Angeles County Department of Regional Research Section

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Direct and Overlapping Bonded Debt
Year Ended June 30, 2010
(Dollars in thousands)
(Unaudited)

Government	Percentage Applicable	Amount Applicable
Direct:		
Los Angeles Unified School District		
General Obligation Bonds	100.000%	\$ 12,114,504
Certificates of Participation	100.000	459,019
		<u>12,573,523</u>
Overlapping:		
Los Angeles County General Fund Obligations	46.430	366,431
Los Angeles County Pension Obligations	46.430	55,013
Los Angeles County Superintendent of Schools Certificates of Participation	46.430	6,122
Los Angeles County Flood Control District	47.828	33,293
Metropolitan Water District	23.776	60,647
Los Angeles Community College District	81.765	2,179,458
Pasadena Area Community College District	0.001	1
City of Los Angeles	99.924	1,368,409
City of Los Angeles General Fund and Judgment Obligations	99.924	1,913,330
Other City General Fund and Pension Obligations	various	204,648
Los Angeles County Sanitation Districts		
Nos. 1, 2, 3, 4, 5, 8, 9, 16 and 23 Authorities	various	50,203
Los Angeles County Regional Park & Open Space Assessment District	46.430	103,381
City Community Facilities Districts	100.000	134,840
City of Los Angeles Assessment District #1	100.000	5,239
City of Los Angeles Landscaping and Special Tax Assessment District	99.924	86,409
Other City and Special District 1915 Act Bonds	100.000	25,500
Other Cities	various	45,882
Palos Verdes Library District	4.923	365
Total Overlapping		<u>6,639,171</u>
Total Gross Direct and Overlapping Bonded Debt		19,212,694 ⁽¹⁾
Less:		
Los Angeles Unified School District (amount set-aside in Building Fund to make payments on 2000 Series A Qualified Zone Academic Bonds)		5,590
Los Angeles Unified School District (amount accumulated in Sinking Fund for repayment of 2000 Series A Qualified Zone Academic Bonds)		22,835
Los Angeles Unified School District (amount accumulated in Sinking Fund for repayment of 2005 Series A Qualified Zone Academic Bonds)		6,278
City self-supporting bonds		<u>11,414</u>
Total Net Direct and Overlapping Bonded Debt		<u>\$ 19,166,577</u>

⁽¹⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds, and nonbonded capital lease obligations.

Source: California Municipal Statistics, Inc. and District records.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Legal Debt Margin Information
Last Ten Fiscal Years
(in thousands)
(Unaudited)

Fiscal Year	Debt Limit	Total Amount of Debt Applicable to Debt Limit	Legal Debt Margin	Total Amount of Debt Applicable to Debt Limit as a Percentage of Debt Limit
2000-2001	\$ 6,348,514	\$ 1,680,844	\$ 4,667,670 ⁽¹⁾	26.48 %
2001-2002	6,787,873	2,243,665	4,544,208 ⁽¹⁾	33.05
2002-2003	7,188,148	4,199,512	2,988,636	58.42
2003-2004	7,713,219	4,162,372	3,550,847	53.96
2004-2005	8,298,128	4,268,184	4,029,944	51.44
2005-2006	9,096,737	5,520,705	3,576,032	60.69
2006-2007	10,065,221	6,285,189	3,780,032	62.44
2007-2008	11,022,860	7,052,672	3,970,188	63.98
2008-2009	11,869,745	7,734,195	4,135,550	65.16
2009-2010	11,874,432	11,483,694	390,738	96.71

Computation of Legal Debt Margin for Fiscal Year Ended June 30, 2010

Assessed valuation (net taxable)	\$ 471,801,901
Plus exempt property	<u>3,175,390</u>
Total Assessed Valuation	\$ 474,977,291
Debt limit – 2.5% of Assessed Valuation per Education Code Section 15106 ⁽²⁾	\$ 11,874,432
Bonded Debt:	
General Obligation Bonds	12,114,504
Assets available for payment of principal:	
Bond Interest & Redemption Fund	<u>(630,810)</u>
Total Amount of Debt Applicable to Debt Limit	<u>11,483,694</u>
Legal Debt Margin (bonded debt) ⁽¹⁾	<u><u>\$ 390,738</u></u>

⁽¹⁾ The computation of legal debt margin prior to fiscal year 2002-03 includes Certificates of Participation.

⁽²⁾ Converted rate from 10% of 25% of full cash value (2.5%) to 2.5% of 100% of full cash value (2.5%).

Source: Los Angeles County Auditor-Controller "Taxpayers' Guide"

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Demographic Statistics
Last Ten Fiscal Years
(in thousands)
(Unaudited)

Fiscal Year	Population City of Los Angeles	Population Los Angeles Unified*	Population County of Los Angeles	School Enrollment County of Los Angeles	School Enrollment Los Angeles Unified	Unemployment Rate County of Los Angeles
2000-2001	3,803	4,637	9,803	1,682	889	5.8%
2001-2002	3,695	4,503	9,519	1,711	907	6.8
2002-2003	3,864	4,660	9,980	1,736	905	6.8
2003-2004	3,912	4,718	10,103	1,743	911	6.2
2004-2005	3,958	4,776	10,227	1,734	879	5.2
2005-2006	3,976	4,785	10,246	1,708	847	4.5
2006-2007	4,018	4,825	10,332	1,673	830	4.8
2007-2008	4,046	4,840	10,364	1,648	813	7.5
2008-2009	4,066	4,854	10,393	1,632	795	11.9
2009-2010	4,095	4,876	10,441	1,575	760	12.4

* Estimate

Sources: Los Angeles County Office of Regional Planning Research Section
California State Department of Finance
Los Angeles County Office of Education Information Services Unit
California State Department of Education, Educational Demographics Unit
District's Statistical Records – October Enrollment for Fiscal Year
California Employment Development Department

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Principal Employers
Current Year and Nine Years Ago
(Unaudited)

2010				2001		
Rank	Employer	Employees	Percentage of Total County Employment ⁽¹⁾	Employer	Employees	Percentage of Total County Employment ⁽²⁾
1	Kaiser Permanente	32,700	0.77%	Boeing North America Inc.	27,355	0.62%
2	Northrop Grumman Corp.	19,000	0.45	Kaiser Permanente	26,000	0.58
3	University of Southern California	15,121	0.36	Ralph's Grocery Co.	16,963	0.38
4	Boeing Co.	13,623	0.32	Kelly Services	12,500	0.28
5	Ralph/food 4 Less (division of Kroger Co.)	13,500	0.32	Bank of America	11,535	0.26
6	Target Corp.	13,000	0.31	Target	9,009	0.20
7	Bank of America Corp.	12,000	0.28	Pacific Bell	9,753	0.22
8	Cedars-Sinai Medical Center	10,467	0.25	ABM Industries Inc.	9,200	0.21
9	Home Depot	10,000	0.23	University of Southern California	9,171	0.21
10	Providence Health & Services California	9,960	0.23	Northrop Grumman Corp.	8,700	0.20
Total		149,371	3.52%	Total	140,186	3.16%

⁽¹⁾ Based on Los Angeles County Employment of 4,257,400

⁽²⁾ Based on Los Angeles County Employment of 4,447,600

Sources: Los Angeles Business Journal
California Employment Development Department

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Average Daily Attendance/Hours of Attendance
Annual Report
Last Ten Fiscal Years
(Unaudited)

	2000-2001	2001-2002	2002-2003	2003-2004
Elementary:				
Kindergarten	52,649	52,071	50,741	49,775
Grades 1-3	172,706	176,474	173,178	169,239
Grades 4-6	156,021	156,347	156,944	159,617
Grades 7-8	87,223	90,474	93,818	97,978
Special Education	22,327	23,130	23,302	23,585
County Special Education*	—	4	6	8
Opportunity Schools	92	97	13	8
Home or Hospital	203	203	164	152
Community Day Schools	159	141	190	196
County Community Schools**	7	12	17	10
Total Elementary	<u>491,387</u>	<u>498,953</u>	<u>498,373</u>	<u>500,568</u>
Secondary:				
Regular Classes	137,439	142,870	148,631	150,239
Special Education	9,634	10,219	10,393	11,026
County Special Education*	—	17	17	21
Compulsory Continuation Education	2,785	2,858	2,866	3,031
Opportunity Schools	875	912	430	328
Home or Hospital	94	90	88	96
Community Day Schools	255	238	674	733
County Community Schools**	244	149	143	127
Total Secondary	<u>151,326</u>	<u>157,353</u>	<u>163,242</u>	<u>165,601</u>
Block grant funded fiscally affiliated charters**	<u>19,952</u>	<u>20,010</u>	<u>17,681</u>	<u>5,143</u>
Total Block Grant Funded Fiscally Affiliated Charters	<u>19,952</u>	<u>20,010</u>	<u>17,681</u>	<u>5,143</u>
Adult program:				
ROC/P Mandated	18,865	19,846	19,233	20,125
Classes for Adults - Mandated	55,781	63,355	63,590	62,570
Concurrently Enrolled Adults	2,982	3,170	4,015	4,592
Full-time Independent Study***	—	1	3	6
Total Adult Program	<u>77,628</u>	<u>86,372</u>	<u>86,841</u>	<u>87,293</u>
Total Average Daily Attendance	<u>740,293</u>	<u>762,688</u>	<u>766,137</u>	<u>758,605</u>
Summer School Hours of Attendance				
Elementary	5,990,462	6,978,428	7,645,522	8,855,212
Secondary	4,305,605	5,237,002	5,486,137	5,941,513
Dependent Charter	378,575	408,580	195,142	*****
Total Hours	<u>10,674,642</u>	<u>12,624,010</u>	<u>13,326,801</u>	<u>14,796,725</u>

* Starting 2001-02, these classifications are being presented separately to conform with state reports.

** Starting 2000-01, these classifications are being presented separately to conform with state reports.

*** Students 21 years or older and students 19 or older not continuously enrolled since their 18th birthday, participating in full-time independent study.

**** Not collected due to changes made by Education Code Section 42605. For 2008-09 through 2012-13, Districts are not required to operate the program or follow program requirements. Revenue for these years will be based on the same relative proportion that the District received for these programs in fiscal year 2007-08.

***** Included with Elementary and Secondary hours.

See accompanying independent auditor's report.

2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
48,806	47,876	46,131	44,705	44,393	43,906
160,224	151,592	145,181	141,266	138,384	134,001
159,615	152,341	143,384	136,245	131,692	127,455
94,396	91,576	92,832	90,769	86,871	82,465
22,107	20,435	19,740	19,427	19,897	19,204
—	—	—	—	—	1
14	10	12	11	10	7
158	159	159	170	123	118
190	172	148	122	122	126
19	16	19	26	22	21
485,529	464,177	447,606	432,741	421,514	407,304
152,901	152,848	151,323	151,852	151,451	146,707
11,274	11,350	11,253	11,030	10,905	10,960
1	—	—	—	—	1
3,171	3,198	2,972	2,837	3,085	3,339
400	407	399	433	455	492
121	120	125	130	109	99
736	757	716	692	772	915
175	156	93	84	81	240
168,779	168,836	166,881	167,058	166,858	162,753
5,990	5,958	5,936	6,482	6,655	6,906
5,990	5,958	5,936	6,482	6,655	6,906
19,110	14,395	18,857	20,309	23,379	****
61,748	63,305	64,867	65,684	66,905	****
5,446	5,886	6,594	7,756	8,297	****
3	7	29	43	25	****
86,307	83,593	90,347	93,792	98,606	—
746,605	722,564	710,770	700,073	693,633	576,963
12,526,699	12,061,970	9,974,314	10,195,908	8,567,366	****
6,350,873	8,929,199	8,357,150	8,336,362	7,203,657	****
*****	*****	*****	*****	*****	*****
18,877,572	20,991,169	18,331,464	18,532,270	15,771,023	—

LOS ANGELES UNIFIED SCHOOL DISTRICT
Full-Time Equivalent District Employees by Function
Last Eight Fiscal Years
(Unaudited)

	<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>
Governmental Activities:			
Instruction	53,905	54,151	53,601
Support services – students	3,043	2,954	3,074
Support services – instructional staff	5,290	5,079	5,327
Support services – general administration	204	173	193
Support services – school administration	5,685	5,720	5,780
Support services – business	1,605	1,748	1,441
Operation and maintenance of plant services	7,195	7,591	7,398
Student transportation services	1,314	1,279	1,229
Data processing services	476	515	519
Operation of noninstructional services	3,935	3,449	3,389
Facilities acquisition and construction services	538	545	884
Total Governmental Activities	<u>83,190</u>	<u>83,204</u>	<u>82,835</u>

Trend data is available only with the District's implementation of SACS in fiscal year 2002-03.

See accompanying independent auditor's report.

2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
52,608	52,769	51,839	52,317	46,896
3,091	3,060	3,459	3,455	3,226
5,560	5,280	5,883	5,332	4,105
209	222	220	219	193
5,870	6,045	6,097	6,047	5,470
1,119	1,154	1,217	1,121	1,134
7,537	7,835	7,830	8,016	6,842
1,174	1,236	1,346	1,354	1,290
557	722	680	571	384
3,232	3,394	3,685	3,976	4,604
937	994	1,093	1,090	1,077
81,894	82,711	83,349	83,498	75,221

LOS ANGELES UNIFIED SCHOOL DISTRICT
Capital Assets by Function
Last Eight Fiscal Years
(in thousands)
(Unaudited)

	<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>
Governmental Activities:				
Instruction	\$ 546,694	\$ 528,679	\$ 513,717	\$ 497,404
Support services – students	2,264	2,662	2,795	2,823
Support services – instructional staff	28,251	44,718	55,793	109,660
Support services – general administration	3,489	4,037	4,077	4,076
Support services – school administration	60,293	60,410	60,447	60,447
Support services – business	27,488	31,371	31,397	30,818
Operation and maintenance of plant services	129,770	140,029	165,668	177,094
Student transportation services	49,205	49,201	49,235	49,357
Data processing services	367,824	373,820	401,997	388,367
Operation of noninstructional services	9,475	9,712	9,750	9,977
Facilities acquisition and construction services	<u>5,403,186</u>	<u>6,328,779</u>	<u>7,656,251</u>	<u>9,131,797</u>
Total Governmental Activities	<u>\$ 6,627,939</u>	<u>\$ 7,573,418</u>	<u>\$ 8,951,127</u>	<u>\$ 10,461,820</u>

Trend data is available only with the District's implementation of SACS in Fiscal Year 2002-03.

See accompanying independent auditor's report.

<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>
\$ 478,190	\$ 462,230	\$ 445,482	\$ 441,818
2,850	2,902	2,902	2,902
64,517	63,334	111,596	111,842
4,125	4,124	4,125	4,125
71,013	71,875	72,027	73,901
32,499	39,700	46,924	46,924
139,831	198,985	201,531	201,826
49,153	46,317	45,033	54,060
438,732	445,150	398,032	402,311
11,806	15,574	22,463	23,777
10,651,910	12,231,831	14,341,812	15,971,711
<u>\$ 11,944,626</u>	<u>\$ 13,582,022</u>	<u>\$ 15,691,927</u>	<u>\$ 17,335,197</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT
Miscellaneous Statistical Data
Last Four Fiscal Years
(Unaudited)

Fiscal Year:	July 1 – June 30	2006-2007
Enrollment by Level:	Elementary Schools	308,000
(As of October)	Middle/Junior High Schools	141,745
	Senior High Schools	167,113
	Magnet Schools/Centers	53,277
	Special Education Schools	3,673
	Total K-12 Enrollment	673,808
	Community Adult Schools	108,096
	Occupational Centers and Skills Centers	37,672
	Total Adult/ROC Enrollment	145,768
	Total Enrollment	819,576
	Early Education Centers	11,052
	Independent Charter Schools	34,961
Student-Teacher Ratio	Student Enrollment	830,320
& Cost Per Student:	Teaching Staff	32,923 ⁽¹⁾
	Student-Teacher Ratio	25.22 : 1 ⁽¹⁾
	Total Primary Government Expense (in thousands)	\$ 7,577,170
	Cost Per Student (in thousands)	\$ 9,126
Percent of Free & Reduced	Elementary	86.97%
Students in Lunch Program:	Secondary	89.70
	Total	87.77
Number of Teachers ⁽²⁾	Bachelor's Degree	2,239
by Education Level:	Bachelor's Degree + 14 semester units	1,173
	Bachelor's Degree + 28 semester units	3,280
	Bachelor's Degree + 42 semester units	3,901
	Bachelor's Degree + 56 semester units	3,420
	Bachelor's Degree + 70 semester units	3,124
	Bachelor's Degree + 84 semester units	2,850
	Bachelor's Degree + 98 semester units	7,147
	Bachelor's Degree + 98 semester units + 15-19 years of service	2,398
	Bachelor's Degree + 98 semester units + 20-24 years of service	1,351
	Bachelor's Degree + 98 semester units + 25-29 years of service	1,215
	Bachelor's Degree + 98 semester units + 30 or more years of service	825
	Total	32,923
	Master's Degree	9,816
	Doctorate Degree	505
Average Teacher Pay	Bachelor's Degree	\$ 43,352
by Education Level:	Bachelor's Degree + 14 semester units	46,896
	Bachelor's Degree + 28 semester units	50,047
	Bachelor's Degree + 42 semester units	53,558
	Bachelor's Degree + 56 semester units	56,982
	Bachelor's Degree + 70 semester units	61,323
	Bachelor's Degree + 84 semester units	64,959
	Bachelor's Degree + 98 semester units	69,891
	Bachelor's Degree + 98 semester units + 15-19 years of service	75,024
	Bachelor's Degree + 98 semester units + 20-24 years of service	75,597
	Bachelor's Degree + 98 semester units + 25-29 years of service	77,598
	Bachelor's Degree + 98 semester units + 30 or more years of service	78,906
	Master's Degree ⁽³⁾	+584 ⁽¹⁾
	Doctorate Degree ⁽³⁾	+1,168 ⁽¹⁾

⁽¹⁾ Revised.

⁽²⁾ Includes credentialed and non-credentialed employees.

⁽³⁾ Amount in addition to Bachelor's Degree pay.

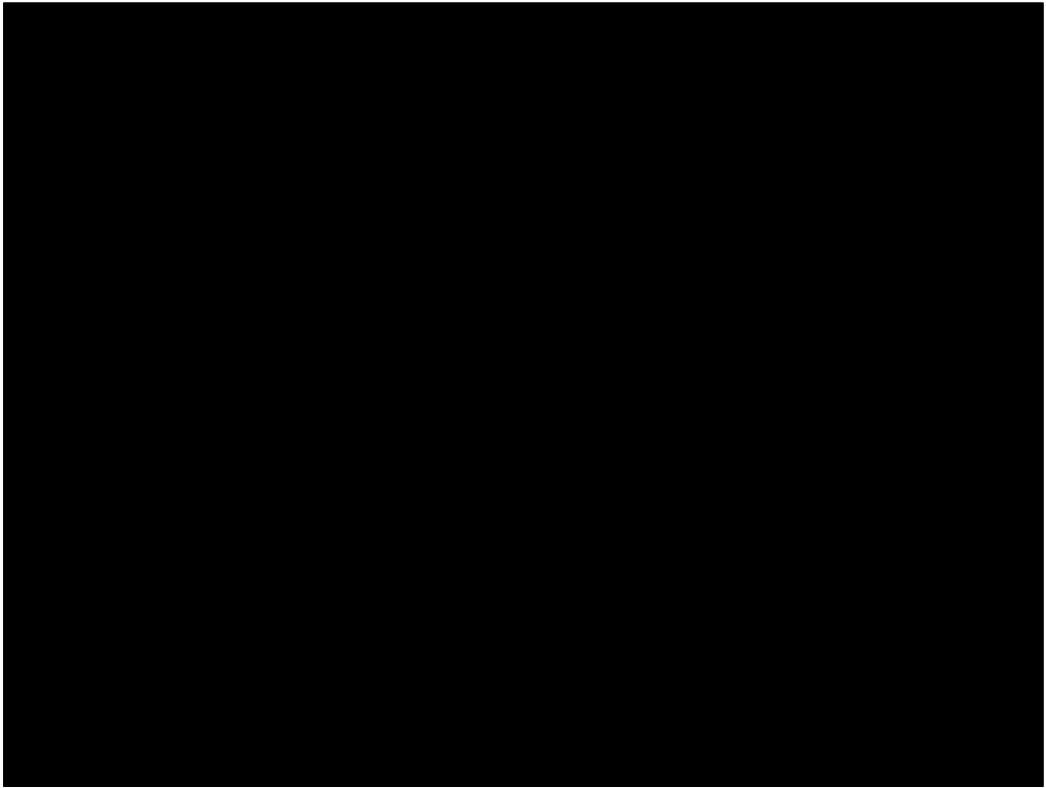
Source: District's Records

Note: Beginning with Fiscal Year 2006-07, trend data is included per recommendation of Governmental Accounting, Auditing, and Financial Reporting

See accompanying independent auditor's report.

2007-2008	2008-2009	2009-2010
295,260	289,969	282,469
136,315	128,528	119,534
165,459	161,689	155,740
52,525	53,261	56,503
3,656	3,604	3,552
653,215	637,051	617,798
105,668	103,440	80,407
42,955	43,966	50,068
148,623	147,406	130,475
801,838	784,457	748,273
11,013	10,787	11,432
41,073	51,087	60,643
812,851	795,244	759,705
36,564 ⁽¹⁾	33,166 ⁽¹⁾	32,872 ⁽¹⁾
22.23 : 1 ⁽¹⁾	23.98 : 1 ⁽¹⁾	23.11 : 1
\$ 9,028,343	\$ 9,005,723	\$ 8,247,767
\$ 11,107	\$ 11,324	\$ 10,857
85.48%	86.12%	86.48%
90.23	91.23	91.34
86.94	87.82	88.18
1,862	807	618
894	533	489
2,988	1,881	1,776
3,657	2,732	2,555
3,490	2,908	2,734
3,327	2,986	2,861
3,310	3,085	2,930
10,108	10,426	11,839
3,079	4,384	3,496
1,548	1,554	2,225
1,307	1,081	1,040
994	789	824
36,564	33,166	33,387
12,869	12,845	13,358
599	581	601
\$ 43,757	\$ 45,474	\$ 46,186
47,301	48,926	48,630
50,035	52,293	51,801
53,524	55,817	55,296
57,067	59,095	58,574
61,182	62,779	62,288
64,605	66,136	65,558
69,688	70,396	70,122
75,024	75,024	75,024
75,597	75,597	75,597
77,598	77,598	77,598
78,906	78,906	78,906
+584 ⁽¹⁾	+584 ⁽¹⁾	+584
+1,168 ⁽¹⁾	+1,168 ⁽¹⁾	+1,168





[THIS PAGE INTENTIONALLY LEFT BLANK]

LOS ANGELES UNIFIED SCHOOL DISTRICT
General Fund
Schedule of Principal Apportionment From the State School Fund
Year Ended June 30, 2010

Base Revenue Limit per A.D.A.					
Base revenue limit per A.D.A. (PY)				\$	6,125.56
Inflation increase					262.00
Total Base Revenue Limit per A.D.A.				\$	6,387.56
Revenue Limit ADA					591,189.84
Total State Revenue Limit					
Base revenue limit	\$	6,387.56	x	591,189.84	A.D.A.
Meals for needy	\$	0.2188	x	91,172,414	Meals Served
Beginning teachers salary incentive funding					12,889,622
Revenue Limit Subject to Deficit					3,809,098,720
Deficit (.18355)					(699,160,070)
Unemployment insurance revenue					10,647,216
PERS reduction (including adjustment for safety members)					(19,356,571)
Total K-12 Revenue Limit					3,101,229,295
County office funds transfer					(1,368,813)
Revenue limit reduction (adjustment)					(150,537,419)
Property taxes and other local revenues					(938,188,409)
Charter schools in-lieu of taxes					87,951,236
Charter schools general purpose block grant offset					(32,215,772)
State Aid Portion of Revenue Limit - Current Year					2,066,870,118
Fiscally affiliated charter schools general purpose block grant					25,511,146
Fiscally affiliated charter schools in-lieu taxes					9,762,372
PERS reduction transfer					19,356,571
Prior year adjustments					9,124,388
Total State Aid K-12 Revenue Limit					2,130,624,595
Principal apportionments-other state revenues					
Core academic program (Supplemental instruction, grades K-12) *					
Current year					3,073,670
Prior year adjustments					(13,574)
California high school exit exam (Supplemental instruction, grades 7-12) *					
Current year					42,245,028
Prior year adjustments					28,565
Retained and recommended for retention (Supplemental instruction, grades 2-9) *					
Current year					13,865,294
Prior year adjustments					(440,346)
Apprenticeship Funding					
Current year					2,209,353
Prior year adjustments					9,673
Community day school additional funding *					
Current year					2,792,041
Prior year adjustments					(10,165)
Community day additional for mandatory expelled pupils					358,039
Gifted and talented education (GATE)					
Current year					4,507,516
Prior year adjustments					(307)
Regional occupational center/program (ROC/P) *					
Current year					58,169,916
Prior year adjustments					404,577
ROC/P handicapped					
Current year					1,871,205
Prior year adjustments					(45,002)
Special education					
Current year (net of charter schools)					433,066,042
Prior year adjustments					(29,145)
Total Principal Apportionment from State School Funds				\$	2,692,686,975

* Pursuant to Senate Bill 4 of the 2009-10 Third Extraordinary Session (SBX3 4) (Chapter 12, Statutes of 2009), appropriations for fiscal years 2008-09 through 2012-13 for these programs which are normally ADA or hourly based, are based on the District's 2007-08 funding level.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
General Fund
Schedule of Appropriations, Expenditures and Other Uses, and Unexpended Balances
by District Defined Program
Year Ended June 30, 2010
(in thousands)

	<u>Appropriations</u>	<u>Expenditures and Other Uses</u>	<u>Unexpended Balances</u>
Regular program:			
General Program – Schools	\$ 3,066,285	\$ 2,745,778	\$ 320,507
General Program – Support Services	439,314	376,519	62,795
General Program – Hourly Intervention/ Remediation	20,312	14,385	5,927
General Program – Interfund Transfers	214,318	211,568	2,750
General Program – Options Programs	73,676	72,752	924
Special Education – Schools	1,391,113	1,349,733	41,380
Special Education – Support Services	18,358	51,258	(32,900)
Special Education – Extended Session	27,099	28,397	(1,298)
Student Integration – Schools	424,719	364,654	60,065
Student Integration – Support Services	29,792	24,560	5,232
ROC/Skill Centers – Schools	72,602	60,301	12,301
ROC/Skill Centers – Support Services	5,492	4,360	1,132
Routine Repair & Gen Maintenance – Schools	116,001	114,105	1,896
Routine Repair & Gen Maintenance – Support Services	25,653	19,419	6,234
Community Services	9,275	11,280	(2,005)
Reserves and Resources Allocations	72,838	3,089	69,749
Total Regular Program	<u>6,006,847</u>	<u>5,452,158</u>	<u>554,689</u>
Specially Funded Programs	<u>1,254,019</u>	<u>925,383</u>	<u>328,636</u>
Total General Fund	<u><u>\$ 7,260,866</u></u>	<u><u>\$ 6,377,541</u></u>	<u><u>\$ 883,325</u></u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
General Fund
Expenditures and Other Uses by Goal and Function
Year Ended June 30, 2010
(in thousands)

Instruction	<u>\$ 5,054,798</u>
Support Services:	
Supervision of instruction	33,228
Library, media, technology and other instructional resources	4,948
School administration	229,278
Pupil support services	42,778
Pupil transportation	12,205
Data processing services	72,167
Plant maintenance and operations	377,322
Facilities rents and leases	16,928
Central administration	239,251
Total Support Services	<u>1,028,105</u>
Other Goals:	
Community services	17,094
Child care and development services	1,215
Food services	1,772
Total Other Goals	<u>20,081</u>
Facilities Acquisition and Construction	<u>32,191</u>
Other Outgo:	
Debt service	1,708
All other outgo	240,658
Total Other Outgo	<u>242,366</u>
Total Expenditures and Other Uses	<u><u>\$ 6,377,541</u></u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
General Fund
Schedule of Current Expense of Education
Year Ended June 30, 2010
(in thousands)

	Total Expense for the Year	Excluded Amounts*	Current Expense of Education	Current Expense of Education per Unit of A.D.A.**
Certificated salaries	\$ 2,807,932	\$ 5,888	\$ 2,802,044	\$ 4,858.75
Classified salaries	908,079	24,557	883,522	1,532.03
Employee benefits (excluding PERS reduction)	1,393,410	300,787	1,092,623	1,894.61
Books, supplies, and equipment replacement	263,319	4,609	258,710	448.60
Services & operating expense and direct support	749,101	10,187	738,914	1,281.28
Total	\$ 6,121,841	\$ 346,028	\$ 5,775,813	\$ 10,015.27
* Excluded amounts relate to:				
Community Services		\$ 16,832		
Facilities Acquisition & Construction		21,512		
Food Services		1,767		
Fringe Benefits to Retirees		287,444		
Nonagency		18,473		
Total		\$ 346,028		

** Annual A.D.A. (Average Daily Attendance) used is 576,700.40. Amounts rounded to nearest cent.

Note: Computation of current expense of education was prepared according to state guidelines.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
General Fund
Schedule of Special Purpose Revenues, Expenditures, and Restricted Balances
Year Ended June 30, 2010
(in thousands)

	Balances July 1, 2009	Adjustments	Revenues	Expenditures	Balances June 30, 2010
Continuation Education	\$ —	\$ 10,910	\$ 15,919	\$ 26,829	\$ —
State Fiscal Stabilization Fund	358,579	—	49,665	359,340	48,904
Special Education: IDEA Basic Local Assistance Entitlement	—	—	122,853	122,853	—
Special Education: IDEA Basic Local Assistance Entitlement Private School ISP	—	—	781	781	—
Special Education: ARRA IDEA-B Basic Local Assistance	—	—	75,078	75,078	—
Medi-Cal Billing Options	4,937	—	20,886	10,361	15,462
COPS MORE Program	35	—	—	—	35
School Mental Health-Medi-Cal Rehabilitation	4,470	—	2,576	2,829	4,217
Emergency Repair Program-Williams	—	—	11,886	11,886	—
English Language Acquisition Program, Teacher Training & Student Assistance	2,238	(7,492)	13,748	4,190	4,304
Lottery Instructional Material	—	—	12,989	12,989	—
Pupils with Disabilities Attending ROC/P Special Education	—	180	1,826	2,006	—
CAHSEE Intensive Instruction and Services	5,066	563,438	587,693	1,150,394	5,803
CAHSEE Individual Intervention Materials	7,630	(13,720)	6,089	(1)	— *
Instructional Materials English Learner	672	(672)	—	—	—
Instructional Materials API Deciles 1 & 2	3,940	(46)	—	3,894	— *
Transportation Home to School	—	—	—	—	—
Transportation: Special Education (Severely Disabled/Orthopedically Impaired)	—	10,424	36,145	46,569	—
Quality Education Investment Act	—	15,045	40,141	55,186	—
California Energy Commission Loan Expenditures	87,255	—	138,021	126,462	98,814
Routine Repair & General Maintenance	397	—	—	—	397
Ongoing & Major Maintenance Account	—	—	—	—	—
Certificates of Participation:	670	132,853	15,962	133,523	15,962
(Acquisition Accounts) – Proceeds	265	10,291	29,571	16,714	23,413
Cognitive behavioral intervention therapy	593	—	—	123	470
Specially Funded Programs	77,132	—	(921)	—	76,211
Totals	\$ 553,879	\$ 721,211	\$1,180,908	\$ 2,162,006	\$ 293,992

*For 2008-09 through 2012-13, Section 15 of SBX3 4 (*California Education Code (EC) Section 42605*) authorizes complete flexibility in the use of funds formerly restricted for specified categorical programs for any educational purpose.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Adult Education Fund
Schedule of Revenues and Other Sources, Expenditures, and Other Uses
by Function, and Changes in Fund Balance
Year Ended June 30, 2010
(in thousands)

Revenues and Other Sources:	
Federal revenues	\$ 17,455
Other state revenues	17,468
Other local revenues	1,992
Transfers in	<u>168,284</u>
Total Revenues and Other Sources	<u>205,199</u>
Expenditures and Other Uses:	
Instruction	94,358
Support Services	
Supervision of instruction	16,970
School administration	19,612
Guidance & counseling services	6,993
Other pupil services	206
General administration cost transfers	3,599
Plant maintenance and operations	11,699
Facilities acquisition & construction	3,707
Facilities rents and leases	1,260
Interfund transfers	<u>10,600</u>
Total Expenditures and Other Uses	<u>169,004</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	36,195
Fund Balance, July 1, 2009	<u>40,730</u>
Fund Balance, June 30, 2010	<u><u>\$ 76,925</u></u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Child Development Fund
Schedule of Revenues and Other Sources, Expenditures, and Other Uses
by Function, and Changes in Fund Balance
Year Ended June 30, 2010
(in thousands)

Revenues and Other Sources:	
Federal revenues	\$ 33,414
Other state revenues	83,694
Other local revenues	11,365
Interfund transfers	165
Other sources	(518)
Total Revenues and Other Sources	<u>128,120</u>
Expenditures and Other Uses:	
Instruction	96,108
Support Services	
Supervision of instruction	9,467
School administration	14,834
Guidance & counseling services	604
Health services	149
Community services	2
Other general administration	344
Plant maintenance and operations	8,591
Facilities acquisition & construction	235
Facilities rents and leases	12
Interfund transfers	853
Total Expenditures and Other Uses	<u>131,199</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	(3,079)
Fund Balance, July 1, 2009	<u>3,137</u>
Fund Balance, June 30, 2010	<u>\$ 58</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
All Funds
Schedule of Fund Equity
Year Ended June 30, 2010
(in thousands)

	General Fund	Adult Education Fund	Cafeteria Fund	Child Development Fund	Deferred Maintenance Fund	Bond Interest & Redemption Fund
Reserved for:						
Revolving and imprest funds	\$ 2,802	\$ 92	\$ —	\$ 22	\$ —	\$ —
Inventories	7,968	—	5,195	—	—	—
Prepays	—	—	—	—	—	—
Participants' equity	—	—	—	—	—	—
Other restricted balances (detail on page 175)	293,992	—	—	—	—	—
Total Reserved Fund Equity	<u>304,762</u>	<u>92</u>	<u>5,195</u>	<u>22</u>	<u>—</u>	<u>—</u>
Unreserved:						
Designated for:						
Subsequent year expenditures	173,227	76,833	—	36	45,639	—
Economic uncertainties	65,376	—	—	—	—	—
Total Designated	<u>238,603</u>	<u>76,833</u>	<u>—</u>	<u>36</u>	<u>45,639</u>	<u>—</u>
Undesignated fund equity	<u>119,542</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>630,810</u>
Total Unreserved Fund Equity	<u>358,145</u>	<u>76,833</u>	<u>—</u>	<u>36</u>	<u>45,639</u>	<u>630,810</u>
Total Fund Equity	<u><u>\$ 662,907</u></u>	<u><u>\$ 76,925</u></u>	<u><u>\$ 5,195</u></u>	<u><u>\$ 58</u></u>	<u><u>\$ 45,639</u></u>	<u><u>\$ 630,810</u></u>

See accompanying independent auditor's report.

Tax Override Fund	Capital Services Fund	Building Account – Bond Proceeds	Building Account – Measure K	Building Account – Measure R	Building Account – Measure Y	Building Fund	State School Building Lease – Purchase Fund
\$ —	\$ —	\$ 3,000	\$ —	\$ 300	\$ 500	\$ —	\$ —
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	3,000	—	300	500	—	—
—	—	—	—	—	—	—	—
—	—	31,867	353,793	880,086	2,223,057	1,995	2,971
—	—	—	—	—	—	—	—
—	—	31,867	353,793	880,086	2,223,057	1,995	2,971
275	72,368	—	—	—	—	—	—
275	72,368	31,867	353,793	880,086	2,223,057	1,995	2,971
<u>\$ 275</u>	<u>\$ 72,368</u>	<u>\$ 34,867</u>	<u>\$ 353,793</u>	<u>\$ 880,386</u>	<u>\$ 2,223,557</u>	<u>\$ 1,995</u>	<u>\$ 2,971</u>

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
All Funds
Schedule of Fund Equity (Continued)
Year Ended June 30, 2010
(in thousands)

	Special Reserve Fund	Special Reserve Fund – FEMA – Earthquake	Special Reserve Fund – FEMA – Hazard Mitigation	Special Reserve Fund – Community Redevelopment Agency	Capital Facilities Account Fund	County School Facilities Fund
Reserved for:						
Revolving and imprest funds	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Inventories	—	—	—	—	—	—
Prepays	—	—	—	—	—	—
Participants' equity	—	—	—	—	—	—
Other restricted balances (detail on page 175)	—	—	—	—	—	—
Total Reserved Fund Equity	—	—	—	—	—	—
Unreserved:						
Designated for:						
Subsequent year expenditures	100,389	—	—	10,309	48,994	24,848
Economic uncertainties	—	—	—	—	—	—
Total Designated	100,389	—	—	10,309	48,994	24,848
Undesignated fund equity	—	248	2,043	—	—	—
Total Unreserved Fund Equity	100,389	248	2,043	10,309	48,994	24,848
Total Fund Equity	<u>\$100,389</u>	<u>\$ 248</u>	<u>\$ 2,043</u>	<u>\$ 10,309</u>	<u>\$ 48,994</u>	<u>\$ 24,848</u>

See accompanying independent auditor's report.

County School Facilities Fund – Prop 47	County School Facilities Fund – Prop 55	County School Facilities Fund – Prop 1D	Health and Welfare Benefits Fund	Workers’ Compensation Self – Insurance Fund	Liability Self – Insurance Fund	Attendance Incentive Reserve
\$ —	\$ —	\$ —	\$ —	\$ 2,000	\$ 500	\$ —
—	—	—	—	—	—	—
—	—	—	9,378	—	3,488	—
—	—	—	—	—	—	399
—	—	—	—	—	—	—
—	—	—	9,378	2,000	3,988	399
149,847	233,125	93,795	86,811	62,597	—	—
—	—	—	—	—	—	—
149,847	233,125	93,795	86,811	62,597	—	—
—	—	—	—	—	—	—
149,847	233,125	93,795	86,811	62,597	—	—
<u>\$ 149,847</u>	<u>\$ 233,125</u>	<u>\$ 93,795</u>	<u>\$ 96,189</u>	<u>\$ 64,597</u>	<u>\$ 3,988</u>	<u>\$ 399</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT
All Funds
Schedule of Revenues and Other Financing Sources
Year Ended June 30, 2010
(in thousands)

	SACS Object Code	General Fund	Adult Education	Cafeteria	Special Revenue Child Development
Revenue limit sources:					
Principal Apportionment:					
State Aid – current year	8011	\$ 2,066,870	\$ —	\$ —	\$ —
Charter School Gen Purpose Entitlement – State Aid	8015	25,511	—	—	—
State Aid – prior years	8019	9,124	—	—	—
Revenue Limit Transfers:					
PERS Reduction Transfer	8092	19,357	—	—	—
Transfer to Charter In Lieu Property Taxes	8096	(81,836)	—	—	—
Principal Apportionment Net of Transfers		<u>2,039,026</u>	<u>—</u>	<u>—</u>	<u>—</u>
Tax Relief Subventions:					
Homeowners' Exemptions	8021	7,528	—	—	—
Other Subventions/In-lieu of Taxes	8029	7,432	—	—	—
County & District Taxes:					
Secured Roll Taxes	8041	769,161	—	—	—
Unsecured Roll Taxes	8042	33,522	—	—	—
Prior Years' Taxes	8043	66,844	—	—	—
Supplemental Taxes	8044	7,309	—	—	—
Education Revenue Augmentation Fund (ERAF)	8045	41,685	—	—	—
Community Redevelopment Funds	8047	2,840	—	—	—
Penalties/Int. – Delinquent Revenue Limit Taxes	8048	1,868	—	—	—
Local Revenue Limit Sources		<u>938,189</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Revenue Limit Sources		<u>2,977,215</u>	<u>—</u>	<u>—</u>	<u>—</u>
Federal Revenues:					
Special Education Entitlement	8181	198,713	—	—	—
Special Education Discretionary Grant	8182	26,184	—	—	—
Child Nutrition Programs	8220	—	—	233,520	—
Forest Reserve Funds	8260	23	—	—	—
FEMA	8281	129	—	—	—
NCLB/IASA (including ARRA)	8290	661,606	—	—	—
Vocational & Applied Technology Education	8290	6,308	3,532	—	—
Safe and Drug Free Schools	8290	4,974	—	—	—
JTPA/WIA	8290	982	175	—	—
Other Federal Revenue (including ARRA)	8290	65,059	13,748	11,955	33,414
Total Federal Revenues		<u>\$ 963,978</u>	<u>\$ 17,455</u>	<u>\$ 245,475</u>	<u>\$ 33,414</u>

Funds		Debt Service Funds	Capital Projects Funds	District Bond Funds	Internal Service Funds	Non Expendable Trust Funds	Total
Deferred Maintenance	Total						
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,066,870
—	—	—	—	—	—	—	25,511
—	—	—	—	—	—	—	9,124
—	—	—	—	—	—	—	19,357
—	—	—	—	—	—	—	(81,836)
—	—	—	—	—	—	—	2,039,026
—	—	—	—	—	—	—	7,528
—	—	—	—	—	—	—	7,432
—	—	—	—	—	—	—	769,161
—	—	—	—	—	—	—	33,522
—	—	—	—	—	—	—	66,844
—	—	—	—	—	—	—	7,309
—	—	—	—	—	—	—	41,685
—	—	—	—	—	—	—	2,840
—	—	—	—	—	—	—	1,868
—	—	—	—	—	—	—	938,189
—	—	—	—	—	—	—	2,977,215
—	—	—	—	—	—	—	198,713
—	—	—	—	—	—	—	26,184
—	233,520	—	—	—	—	—	233,520
—	—	—	—	—	—	—	23
—	—	—	—	—	—	—	129
—	—	—	—	—	—	—	661,606
—	3,532	—	—	—	—	—	9,840
—	—	—	—	—	—	—	4,974
—	175	—	—	—	—	—	1,157
—	59,117	29,221	—	—	—	—	153,397
\$ —	\$ 296,344	\$ 29,221	\$ —	\$ —	\$ —	\$ —	\$ 1,289,543

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
All Funds
Schedule of Revenues and Other Financing Sources
Year Ended June 30, 2010 (Continued)
(in thousands)

	SACS Object Code	General Fund	Adult Education	Cafeteria	Special Revenue Child Development
Other State Revenues:					
Other State Apportionments:					
Community Day Schools Additional Funding					
Current year	8311	\$ 358	\$ —	\$ —	\$ —
ROC/P Entitlement:					
Current year	8311	1,871	—	—	—
Prior years	8319	(45)	—	—	—
Spec. Ed. Master Plan:					
Current year	8311	433,066	—	—	—
Prior years	8319	(29)	—	—	—
Home-to-School Transportation	8311	36,145	—	—	—
Economic Impact Aid	8311	139,644	—	—	—
Special Education Transportation	8311	40,141	—	—	—
All Other State Apportionments	8311	2,316	766	—	—
All Other State Apportionments	8319	10	—	—	—
Year Round School Incentive	8425	42,646	—	—	—
Class Size Reduction, K-3	8434	153,145	—	—	—
Child Nutrition	8520	218	—	—	—
Child Nutrition Programs	8520	—	—	19,307	—
Child Development Apportionments	8530	—	—	—	852
School Facilities Apportionments	8545	—	—	—	—
Lottery - Unrestricted and Instructional Materials	8560	89,880	—	—	—
Voted Indebtedness Levies Homeowners' Exemptions	8571	—	—	—	—
Other Subventions/In-Lieu Taxes	8572	—	—	—	—
Drug/Alcohol/Tobacco Funds	8590	768	—	—	—
Healthy Start	8590	203	—	—	—
Quality Education Investment Act	8590	138,021	—	—	—
All Other State Revenue	8590	1,081,013	16,702	—	82,842
Total Other State Revenues		<u>2,159,371</u>	<u>17,468</u>	<u>19,307</u>	<u>83,694</u>
Other Local Revenues:					
County and District Taxes:					
Other Restricted & Voted Indebtedness Levies:					
Secured Roll	8611	—	—	—	—
Unsecured Roll	8612	—	—	—	—
Prior Years' Taxes	8613	—	—	—	—
Supplemental Taxes	8614	—	—	—	—
Community Redevelopment Funds not					
Subject to Revenue Limit Deduction	8625	—	—	—	—
Penalties and Interest from Delinquent Non-Revenue Limit	8629	—	—	—	—
Sales:					
Sale of Equipment/Supplies	8631	272	—	—	—
Food Service Sales	8634	—	—	12,032	—
Leases And Rentals	8650	9,524	—	—	—
Interest	8660	20,708	534	286	296
Fees and Contracts:					
Adult Education Fees	8671	—	755	—	—
Non-resident Students	8672	150	—	—	—
Child Development Parent Fees	8673	—	—	—	2,739
In-District Premiums/Contributions	8674	—	—	—	—
Mitigation/Developer Fees	8681	—	—	—	—
All Other Fees and Contracts	8689	22,197	—	—	—
All Other Local Revenue	8699	54,739	703	1	8,330
Tuition	8710	471	—	—	—
Total Other Local Revenues		<u>108,061</u>	<u>1,992</u>	<u>12,319</u>	<u>11,365</u>
Subtotal – Revenues		<u>6,208,625</u>	<u>36,915</u>	<u>277,101</u>	<u>128,473</u>

Funds		Debt Service Funds	Capital Projects Funds	District Bond Funds	Internal Service Funds	Non Expendable Trust Funds	Total
Deferred Maintenance	Total						
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 358
—	—	—	—	—	—	—	1,871
—	—	—	—	—	—	—	(45)
—	—	—	—	—	—	—	433,066
—	—	—	—	—	—	—	(29)
—	—	—	—	—	—	—	36,145
—	—	—	—	—	—	—	139,644
—	—	—	—	—	—	—	40,141
—	766	—	—	—	—	—	3,082
—	—	—	—	—	—	—	10
—	—	—	—	—	—	—	42,646
—	—	—	—	—	—	—	153,145
—	—	—	—	—	—	—	218
—	19,307	—	—	—	—	—	19,307
—	852	—	—	—	—	—	852
—	—	—	288,996	—	—	—	288,996
—	—	—	—	—	—	—	89,880
—	—	4,853	—	—	—	—	4,853
—	—	5	—	—	—	—	5
—	—	—	—	—	—	—	768
—	—	—	—	—	—	—	203
—	—	—	—	—	—	—	138,021
—	99,544	—	(7,160)	—	—	—	1,173,397
—	120,469	4,858	281,836	—	—	—	2,566,534
—	—	620,397	—	—	—	—	620,397
—	—	27,859	—	—	—	—	27,859
—	—	45,433	—	—	—	—	45,433
—	—	6,000	—	—	—	—	6,000
—	—	—	6,054	—	—	—	6,054
—	—	6,951	—	—	—	—	6,951
—	—	—	—	—	—	—	272
—	12,032	—	—	—	—	—	12,032
—	—	—	422	—	—	—	9,946
1,209	2,325	5,159	12,485	30,848	10,689	400	82,614
—	755	—	—	—	—	—	755
—	—	—	—	—	—	—	150
—	2,739	—	—	—	—	—	2,739
—	—	—	—	—	1,086,733	—	1,086,733
—	—	—	18,747	—	—	—	18,747
—	—	—	—	—	—	—	22,197
—	9,034	—	2,206	931	(227)	—	66,683
—	—	—	—	—	—	—	471
1,209	26,885	711,799	39,914	31,779	1,097,195	400	2,016,033
1,209	443,698	745,878	321,750	31,779	1,097,195	400	8,849,325

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
All Funds
Schedule of Revenues and Other Financing Sources
Year Ended June 30, 2010 (Continued)
(in thousands)

	SACS Object Code	General Fund	Adult Education	Cafeteria	Special Revenue Child Development
Other Financing Sources:					
Interfund Transfers In:					
From General Fund To Child Development Fund	8911	\$ —	\$ —	\$ —	\$ 165
From Special Reserve Fund	8912	55,458	—	—	—
From All Other Funds To State School Building Fund/ County School Facilities Fund	8913	—	—	—	—
From General, Special Reserve & Building Funds	8915	—	—	—	—
From General Fund To Cafeteria Fund	8916	—	—	12,210	—
Other Authorized Interfund Transfer In	8919	23,415	168,284	11,803	—
Subtotal, Interfund Transfers In		<u>78,873</u>	<u>168,284</u>	<u>24,013</u>	<u>165</u>
Other Sources:					
Proceeds from Sale of Bonds	8951	—	—	—	—
Proceeds from Sale/Lease-Purchase of Lands/Buildings	8953	—	—	—	—
Proceeds from Certificates of Participation	8971	—	—	—	—
Proceeds from Capital Leases	8972	931	—	—	—
All Other Financing Sources	8979	2,057	—	—	(518)
Subtotal, Other Sources		<u>2,988</u>	<u>—</u>	<u>—</u>	<u>(518)</u>
Total Other Financing Sources		<u>81,861</u>	<u>168,284</u>	<u>24,013</u>	<u>(353)</u>
Total Revenues and Other Financing Sources		<u>\$ 6,290,486</u>	<u>\$ 205,199</u>	<u>\$ 301,114</u>	<u>\$ 128,120</u>

Funds		Debt	Capital	District	Internal	Non	
Deferred		Service	Projects	Bond	Service	Expendable	
Maintenance	Total	Funds	Funds	Funds	Funds	Trust	Total
						Funds	
\$ —	\$ 165	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 165
—	—	—	—	—	—	—	55,458
—	—	—	30,842	—	—	—	30,842
941	941	—	—	—	—	—	941
—	12,210	—	—	—	—	—	12,210
—	180,087	123,131	7,226	106,166	12,629	—	452,654
941	193,403	123,131	38,068	106,166	12,629	—	552,270
—	—	—	—	4,082,645	—	—	4,082,645
—	—	—	2,371	—	—	—	2,371
—	—	—	110,413	—	—	—	110,413
—	—	—	—	—	—	—	931
—	(518)	242,668	3,771	—	—	—	247,978
—	(518)	242,668	116,555	4,082,645	—	—	4,444,338
941	192,885	365,799	154,623	4,188,811	12,629	—	4,996,608
\$ 2,150	\$ 636,583	\$ 1,111,677	\$ 476,373	\$ 4,220,590	\$ 1,109,824	\$ 400	\$ 13,845,933

LOS ANGELES UNIFIED SCHOOL DISTRICT

Organization Structure

Year Ended June 30, 2010

Geographical Location: The Los Angeles Unified School District is a political subdivision of the State of California. It is located in the western section of Los Angeles County and includes virtually all the city of Los Angeles and all or significant portions of the cities of Bell, Carson, Commerce, Cudahy, Gardena, Hawthorne, Huntington Park, Lomita, Maywood, Rancho Palos Verdes, San Fernando, South Gate, Vernon, and West Hollywood, in addition to considerable unincorporated territories devoted to homes and industry.

Geographical Area: 710 square miles

Administrative Offices: 333 South Beaudry Avenue, Los Angeles, CA 90017

Form of Government: The District is governed by a seven-member Board of Education elected by district to serve alternating four-year terms

Name	Expiration of Term
Mónica García, President	June 30, 2013
Marguerite Poindexter LaMotte	June 30, 2011
Tamar Galatzan	June 30, 2011
Steve Zimmer	June 30, 2013
Yolie Flores	June 30, 2011
Nury Martinez	June 30, 2013
Richard Vladovic	June 30, 2011

Name	Title
Ramon Cortines	Superintendent of Schools
John Deasy	Deputy Superintendent of Schools
Michelle King	Chief of Staff
David Holmquist	General Counsel
Linda Del Cueto	Superintendent, Local District 1
Alma Pena-Sanchez	Superintendent, Local District 2
Gay Havard	Interim Superintendent, Local District 3
Dale Vigil	Interim Superintendent, Local District 4
Robert A. Martinez	Superintendent, Local District 5
Rowena Lagrosa	Interim Superintendent, Local District 6
George McKenna	Superintendent, Local District 7
Michael Romero	Interim Superintendent, Local District 8
Judy Elliot	Chief Academic Officer
Wendy Macy	Chief Operating Officer
Megan Reilly	Chief Financial Officer
James Sohn	Chief Facilities Executive
Vivian Ekhian	Chief Human Resources Officer
Michael Bowman	Chief of Police
Sharyn Howell	Executive Director, Division of Special Education
Parker Hudnut	Executive Director, Innovation and Charter Schools Division
Ann Young-Havens	Personnel Director (Interim), Personnel Commission

Date of Establishment: 1854 as the Common Schools for the City of Los Angeles and became a unified school district in 1960.

Fiscal Year: July 1 – June 30

Number of Schools:	(As of October)	2006-2007	2007-2008	2008-2009	2009-2010
Elementary Schools		437	436	437	437
Middle/Junior High Schools		74	75	76	78
Senior High Schools		61	64	68	70
Options Schools		59	59	60	56
Special Education Schools		17	17	17	16
Magnet Schools		22	22	22	25
Magnet Centers		138	138	138	145
Community Adult Schools		24	24	24	24
Regional Occupational Centers		5	5	5	5
Skills Centers		5	5	5	5
Regional Occupational Program		1	1	1	1
Early Education Centers		100	100	100	100
Infant Centers		4	4	4	4
Primary School Centers		27	27	28	23
Newcomer Schools		1	1	—	—
Multi-level Schools		10	11	11	12
Total Schools and Centers		985	989	996	1,001
Independent Charter Schools		93	114	137	150

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance/Hours of Attendance
Year Ended June 30, 2010

	Second Period Report	Annual Report
Elementary:		
General Education:		
Kindergarten	43,744	43,906
Grades 1-3	134,101	134,001
Grades 4-8	210,504	209,920
Opportunity Schools	6	7
Home or Hospital	111	118
Community Day Schools	104	126
County Community Schools	24	21
Special Education	18,876	19,204
County Special Education	1	1
Total Elementary	<u>407,471</u>	<u>407,304</u>
Secondary:		
General Education:		
Regular Classes	149,698	146,707
Continuation Education	3,362	3,339
Opportunity Schools	487	492
Home or Hospital	89	99
Community Day Schools	861	915
County Community Schools	239	240
Special Education	11,001	10,960
County Special Education	1	1
Total Secondary	<u>165,738</u>	<u>162,753</u>
Block Grant Funded Fiscally Affiliated Charter	<u>6,903</u>	<u>6,906</u>
Adult Program:*		
Regional Occupational Centers & Programs	—	—
Classes for Adults – Mandated	—	—
Concurrently Enrolled Adults	—	—
Full-time Independent Study**	—	—
Total Adult Program	<u>—</u>	<u>—</u>
Total Average Daily Attendance	<u>580,112</u>	<u>576,963</u>
	Hours of Attendance	
Summer School:*		
Elementary	—	—
Secondary	—	—
Total Hours	<u>—</u>	<u>—</u>

* Not collected due to changes made by Education Code Section 42605. For 2008-09 through 2012-13, Districts are not required to operate the program or follow program requirements. Revenue for these years will be based on the same relative proportion that the District received for these programs in fiscal year 2007-08.

* * Students 21 years or older and students 19 or older not continuously enrolled since their 18th birthday, participating in full-time independent study.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2010

Canyon Elementary School – 6016323

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	64.60	65.13
Kindergarten ADA – Classroom-based	64.60	65.10
Grades 1-3 ADA – Total	190.70	191.41
Grades 1-3 ADA – Classroom-based	190.70	191.30
Grades 4-6 ADA – Total	116.93	117.49
Grades 4-6 ADA – Classroom-based	116.93	117.46
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>372.23</u>	<u>374.03</u>
Classroom-based ADA	<u>372.23</u>	<u>373.86</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2010

Colfax Charter Elementary School – 6016562

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	104.91	105.14
Kindergarten ADA – Classroom-based	104.91	105.14
Grades 1-3 ADA – Total	272.74	274.36
Grades 1-3 ADA – Classroom-based	272.74	274.19
Grades 4-6 ADA – Total	159.78	160.71
Grades 4-6 ADA – Classroom-based	159.78	160.71
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>537.43</u>	<u>540.21</u>
Classroom-based ADA	<u>537.43</u>	<u>540.04</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2010

Community Magnet Charter Elementary School – 6094726

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	61.67	61.23
Kindergarten ADA – Classroom-based	61.67	61.23
Grades 1-3 ADA – Total	214.20	213.99
Grades 1-3 ADA – Classroom-based	214.20	213.99
Grades 4-6 ADA – Total	176.20	175.39
Grades 4-6 ADA – Classroom-based	176.20	175.39
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>452.07</u>	<u>450.61</u>
Classroom-based ADA	<u>452.07</u>	<u>450.61</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2010

Dr. T. Alexander Jr. Science Center School – 0102491

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	98.99	97.82
Kindergarten ADA – Classroom-based	98.99	97.82
Grades 1-3 ADA – Total	282.50	280.95
Grades 1-3 ADA – Classroom-based	282.50	280.95
Grades 4-6 ADA – Total	205.96	204.21
Grades 4-6 ADA – Classroom-based	205.96	204.21
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>587.45</u>	<u>582.98</u>
Classroom-based ADA	<u>587.45</u>	<u>582.98</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2010

Kenter Canyon Elementary School – 6017701

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	90.43	89.97
Kindergarten ADA – Classroom-based	90.43	89.97
Grades 1-3 ADA – Total	255.65	256.89
Grades 1-3 ADA – Classroom-based	255.65	256.81
Grades 4-6 ADA – Total	149.63	149.65
Grades 4-6 ADA – Classroom-based	149.63	149.65
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>495.71</u>	<u>496.51</u>
Classroom-based ADA	<u>495.71</u>	<u>496.43</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2010

Marquez Avenue Elementary School – 6018063

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	84.11	84.70
Kindergarten ADA – Classroom-based	84.11	84.70
Grades 1-3 ADA – Total	297.06	298.26
Grades 1-3 ADA – Classroom-based	297.06	298.26
Grades 4-6 ADA – Total	196.32	196.44
Grades 4-6 ADA – Classroom-based	196.32	196.44
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>577.49</u>	<u>579.40</u>
Classroom-based ADA	<u>577.49</u>	<u>579.40</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2010

Open Magnet Charter School – 6097927

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	42.68	43.09
Kindergarten ADA – Classroom-based	42.68	43.09
Grades 1-3 ADA – Total	214.80	215.47
Grades 1-3 ADA – Classroom-based	214.80	215.47
Grades 4-6 ADA – Total	146.27	146.25
Grades 4-6 ADA – Classroom-based	146.27	146.25
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>403.75</u>	<u>404.81</u>
Classroom-based ADA	<u>403.75</u>	<u>404.81</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2010

Pacific Palisades Elementary School – 6018634

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	82.60	83.63
Kindergarten ADA – Classroom-based	82.60	83.63
Grades 1-3 ADA – Total	237.01	237.35
Grades 1-3 ADA – Classroom-based	237.01	237.35
Grades 4-6 ADA – Total	138.96	139.11
Grades 4-6 ADA – Classroom-based	138.96	139.11
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>458.57</u>	<u>460.09</u>
Classroom-based ADA	<u>458.57</u>	<u>460.09</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2010

Revere (Paul) Middle School – 6058267

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	0.00	0.00
Kindergarten ADA – Classroom-based	0.00	0.00
Grades 1-3 ADA – Total	0.00	0.00
Grades 1-3 ADA – Classroom-based	0.00	0.00
Grades 4-6 ADA – Total	634.43	633.94
Grades 4-6 ADA – Classroom-based	634.43	633.94
Grades 7-8 ADA – Total	1,312.00	1,306.11
Grades 7-8 ADA – Classroom-based	1,312.00	1,306.11
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>1,946.43</u>	<u>1,940.05</u>
Classroom-based ADA	<u>1,946.43</u>	<u>1,940.05</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2010

Topanga Elementary School – 6019525

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	65.84	66.47
Kindergarten ADA – Classroom-based	65.84	66.47
Grades 1-3 ADA – Total	150.73	149.73
Grades 1-3 ADA – Classroom-based	150.73	149.73
Grades 4-6 ADA – Total	100.98	100.21
Grades 4-6 ADA – Classroom-based	100.98	100.21
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>317.55</u>	<u>316.41</u>
Classroom-based ADA	<u>317.55</u>	<u>316.41</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2010

Westwood Elementary School – 6019939

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	135.59	136.79
Kindergarten ADA – Classroom-based	135.59	136.79
Grades 1-3 ADA – Total	391.25	393.06
Grades 1-3 ADA – Classroom-based	391.25	393.06
Grades 4-6 ADA – Total	231.39	231.45
Grades 4-6 ADA – Classroom-based	231.39	231.45
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>758.23</u>	<u>761.30</u>
Classroom-based ADA	<u>758.23</u>	<u>761.30</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Instructional Time Offered
Year Ended June 30, 2010

Grade Level	1982-1983	1982-1983	1986-1987	1986-1987	2009-2010	Number of Days Traditional Calendar	Number of Days Multi-track Calendar	Complied with Instructional Minutes and Days Provisions
	Actual Minutes Offered ⁽¹⁾	Actual Minutes As Reduced ⁽¹⁾			Actual minutes offered			
Kindergarten	31,680	30,800	36,000	35,000	35,000	175	159	Yes
Grades 1 to 3	48,800	47,444	50,400	49,000	53,505	175	159	Yes
Grades 4 to 6 ⁽²⁾	48,800	47,444	54,000	52,500	53,505	175	159	Yes
Grades 7 to 8 ⁽³⁾	62,160	60,434	54,000	52,500	60,434 or 63,344	175	159	Yes
Grades 9 to 12	62,160	60,434	64,800	63,000	63,344	175	159	Yes

(1) Adjusted to reflect instructional minutes applicable to 175 instructional days.

(2) Elementary schools only.

(3) Middle schools with grade configurations 6-8 approved for common planning time have at least 60,434 annual instructional minutes. Middle schools with grade configurations 6-8 not approved for common planning time have at least 63,344 annual instructional minutes.

Note: LAUSD received incentive funding for increasing instructional time pursuant to the Longer Instructional day incentives.

See accompanying independent auditor's report and notes to state compliance information.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
Year Ended June 30, 2010
(Dollars in thousands)
(Unaudited)

	2010-2011 Budgeted	2009-2010 Actual	2008-2009 Actual	2007-2008 Actual	2006-2007 Actual
General Fund:					
Revenues	\$ 6,380,545	\$ 6,208,625	\$ 6,649,743	\$ 6,808,664	\$ 6,921,612
Other Financing Sources	40,192	81,861	106,156	139,678	66,229
Total Revenues and Other Financing Sources	6,420,737	6,290,486	6,755,899	6,948,342	6,987,841
Expenditures	6,438,350	6,164,809	6,585,591	6,928,396	6,677,691
Other Financing Uses	153,567	212,732	77,582	57,945	49,427
Total Expenditures and Other Financing Uses	6,591,917	6,377,541	6,663,173	6,986,341	6,727,118
Change in Fund Balance	(171,180)	(87,055)	92,726	(37,999)	260,723
Beginning Fund Balance*	646,945	749,962	657,236	695,235	434,512
Ending Fund Balance	\$ 475,765	\$ 662,907	\$ 749,962	\$ 657,236	\$ 695,235
Available Reserves**	\$ 65,376	\$ 184,918	\$ 72,382	\$ 153,224	\$ 155,129
Designated for Economic Uncertainties	\$ 65,376	\$ 65,376	\$ 72,382	\$ 72,382	\$ 71,538
Undesignated Fund Balance	\$ —	\$ 119,542	\$ —	\$ 80,842	\$ 83,591
Available Reserves as a Percentage of Total Expenditures and Other Financing Uses	0.99%	2.90%	1.09%	2.19%	2.31%
Total Long-Term Debt	\$ 16,158,998	\$ 15,752,067	\$ 11,148,319	\$ 9,439,128	\$ 7,650,753
Average Daily Attendance (ADA) at P-2 excluding regional occupational centers programs and adult programs	563,954	580,112	599,037	609,410	624,490

The General Fund has maintained a positive ending fund balance for the past four fiscal years presented in this schedule.

For a district this size, the State has recommended available reserves to be at least 1% of total General Fund expenditures and other financing uses. The District has been able to meet these requirements for the past four fiscal years.

* Budgeted beginning fund balance includes other restatements.

** Available reserves consist of all undesignated fund balances and funds designated for economic uncertainties.

See accompanying notes to state compliance information.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule to Reconcile the Annual Financial Budget Report (SACS)
with Audited Financial Statements
Year Ended June 30, 2010
(in thousands)
(Unaudited)

	<u>All Fund Types</u>
June 30, 2010 Unaudited Actual Financial Reports Fund Balances	\$ 5,804,555
Adjustment: Recognition of Emergency Repair Program revenue previously deferred	<u>15,962</u>
June 30, 2010 Audited Financial Statement Fund Balances	\$ <u><u>5,820,517</u></u>

See accompanying notes to state compliance information.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Charter Schools
Year Ended June 30, 2010

	<u>CDS Code</u>	<u>Board Approval Date</u>	<u>Fiscally Dependent</u>	<u>Fiscally Independent</u>	<u>Included in the District Audit</u>
1	Canyon Elementary	19 64733 6016323	06/15/05 **	x	Yes
2	Colfax Charter Elementary	19 64733 6016562	07/08/08	x	Yes
3	Community Magnet Charter Elementary School	19 64733 6094726	08/28/07	x	Yes
4	Dr. T. Alexander Jr. Science Center School	19 64733 0102491	07/01/09 *	x	Yes
5	Kenter Canyon Elementary	19 64733 6017701	07/11/06 **	x	Yes
6	Marquez Elementary	19 64733 6018063	06/22/05 ***	x	Yes
7	Open Magnet Charter School	19 64733 6097927	06/24/08 ***	x	Yes
8	Palisades Elementary	19 64733 6018634	07/12/05 **	x	Yes
9	Revere Middle School	19 64733 6058267	07/12/05 ***	x	Yes
10	Topanga Elementary	19 64733 6019525	07/12/05 ***	x	Yes
11	Westwood Elementary	19 64733 6019939	07/08/08 ***	x	Yes
12	Academia Avance	19 64733 0109926	05/24/05	x	No
13	Academia Moderna	19 54733 0120097	04/14/09	x	No
14	Academia Semillas del Pueblo	19 64733 6119929	03/09/07	x	No
15	Accelerated Charter	19 64733 6112536	06/23/09	x	No
16	Accelerated Elementary	19 64733 0100743	06/23/09	x	No
17	Alain Leroy Locke Charter High School	19 64733 1935154	09/11/07	x	No
18	Anahuacelmecac University Prep. High School	19 64733 0118158	06/24/08	x	No
19	Animo Film & Theater Arts	19 64733 0111609	06/23/09 *	x	No
20	Animo Jackie Robinson	19 64733 0111583	03/07/06	x	No
21	Animo Justice Charter High School	19 64733 0111591	03/07/06	x	No
22	Animo Locke #1	19 64733 0118588	09/08/08	x	No
23	Animo Locke #2	19 64733 0118596	09/08/08	x	No
24	Animo Locke #3	19 64733 0118570	09/08/08	x	No
25	Animo Locke #4	19 64733 0119909	09/08/08	x	No
26	Animo Locke Technology High School (Animo Watts #1)	19 64733 0111617	03/07/06	x	No
27	Animo Pat Brown	19 64733 0106849	06/23/09 *	x	No
28	Animo Ralph Bunche Charter High School	19 64733 0111575	03/07/06	x	No
29	Animo South Los Angeles Senior High	19 64733 0102434	06/23/09 *	x	No
30	Animo Venice Charter High School	19 64733 0106831	06/23/09 *	x	No
31	Animo Watts #2 (Fluornoy Elementary School)	19 64733 0111625	03/07/06	x	No
32	Aspire Los Angeles Elementary (Antonio Maria Lugo Academy)	19 64733 0109660	06/09/09 *	x	No
33	Aspire Huntington Park Charter	19 64733 0117960	07/08/08	x	No
34	Bert Corona Charter School	19 64733 0106872	06/09/09 *	x	No
35	Birmingham Community CHS	19 64733 1931047	07/01/09	x	No
36	Bright Star Secondary Academy	19 64733 0112508	06/13/06	x	No
37	California Academy for Liberal Studies Early College High School	19 64733 0109553	01/25/05	x	No
38	California Academy for Liberal Studies Middle School	19 64733 6118194	04/19/05	x	No
39	Camino Nuevo Charter Academy	19 64733 6117667	07/22/05	x	No
40	Camino Nuevo Charter High School	19 64733 0106435	06/09/09 *	x	No
41	Celerity Dyad Charter School	19 64733 0115766	08/28/07	x	No
42	Celerity Nascent Charter School	19 64733 0108910	04/12/05	x	No
43	Celerity Troika Charter School	19 64733 0115782	08/28/07	x	No
44	Centennial College Prep. Academy	19 64733 0112128	06/09/09 *	x	No
45	Center For Advanced Learning	19 64733 0115139	06/12/07	x	No
46	Central City Value High School	19 64733 0100800	06/10/08 *	x	No
47	Charter High School of Arts Multimedia/ Performing Arts High School (CHAMPS)	19 64733 0108878	02/22/05	x	No
48	Chime Charter Middle School	19 64733 0101634	07/08/08 *	x	No
49	Chime Charter School	19 64733 6119531	07/11/06	x	No
50	College Ready Academy High School #4	19 64733 0111500	04/28/09 *	x	No
51	College Ready Academy High School #5	19 64733 0111492	03/07/06	x	No

* 1st Renewal
** 2nd Renewal
*** 3rd Renewal

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Charter Schools (Continued)
Year Ended June 30, 2010

	CDS Code	Board Approval Date	Fiscally Dependent	Fiscally Independent	Included in the District Audit
52	College Ready Academy High School #7	19 64733 0114942		x	No
53	College Ready Middle Academy #3	19 64733 0116533		x	No
54	College Ready Middle Academy #4	19 64733 0120030		x	No
55	College Ready Middle Academy #5	19 64733 0120048		x	No
56	Community Charter Early College High School	19 64733 0109876		x	No
57	Community Charter Middle School	19 64733 6116750	*	x	No
58	Community Harvest Charter	19 64733 1996636		x	No
59	Cornerstone Prep Charter School	19 64733 0100297	*	x	No
60	Crenshaw Arts-Technology High School	19 64733 0101659	*	x	No
61	Crescendo Charter Academy	19 64733 0112219		x	No
62	Crescendo Charter Elementary School	19 64733 0109959	*	x	No
63	Crescendo Charter Prep. Central	19 64733 0115774		x	No
64	Crescendo Charter Prep. South	19 64733 0115790		x	No
65	Crescendo Charter Prep. West	19 64733 0015758		x	No
66	Crescendo Conservatory	19 64733 0112342		x	No
67	Culture & Language Academy of Success	19 64733 0100768	*	x	No
68	Design High School	19 64733 0115121		x	No
69	Discovery Charter Prep. #2	19 64733 1995253		x	No
70	Downtown Value School	19 64733 6119903		x	No
71	Endeavor College Prep. Charter School	19 64733 0120014		x	No
72	Environmental services & Technology High School	19 64733 0117606		x	No
73	Equitas Academy Charter Elementary School	19 64733 0119982		x	No
74	Excel Academy	19 64733 0112201		x	No
75	Fenton Avenue School	19 64733 6017016	***	x	No
76	Fenton Primary Center	19 64733 0115048	*	x	No
77	Fernando Pullum Performing Arts High School	19 64733 0115295		x	No
78	Frederick Douglass Academy Elementary School	19 64733 0117952		x	No
79	Frederick Douglass Academy High School	19 64733 0112557		x	No
80	Frederick Douglass Academy Middle School	19 64733 0112433		x	No
81	Full Circle Learning Center	19 64733 0115311		x	No
82	Gabriella Charter School	19 64733 0108886	*	x	No
83	Garr Academy of Mathematics and Entrepreneurial Studies (GAMES)	19 64733 0112334		x	No
84	Gertz-Ressler Academy High School	19 64733 0106864	*	x	No
85	Global Education Academy	19 64733 0114967		x	No
86	Goethe International CS	19 64733 0117978		x	No
87	Granada Hills Charter High School	19 64733 1933746	**	x	No
88	Health Services Academy High School	19 64733 0117598		x	No
89	Heritage College Ready Charter High School	19 64733 0108894		x	No
90	High Tech Los Angeles	19 64733 0100677		x	No
91	Huntington Park College-Ready Academy Charter School	19 64733 0108936		x	No
92	ICEF Vista Elementary Academy	19 64733 0117937		x	No
93	ICEF Vista Middle Academy	19 64733 0115287		x	No
94	Ivy Academia	19 64733 0106351	*	x	No
95	Ivy Bound Math Science & Technology	19 64733 0115113		x	No
96	Jack H. Skirball Middle School	19 64733 0111518		x	No
97	James Jordan Charter Middle School	19 64733 0109884		x	No
98	Jardin de la Infancia	19 64733 0106880	*	x	No
99	KIPP Academy of Opportunity	19 64733 0101444	*	x	No
100	KIPP LA College Prep	19 64733 0100867	*	x	No
101	KIPP Raices	19 64733 0117903		x	No
102	LA Academy of Art & Enterprise	19 64733 0110304		x	No
103	LA Leadership Academy	19 64733 1996610	*	x	No
104	Lakeview Charter Academy	19 64733 0102442	*	x	No
105	Larchmont Charter School	19 64733 0108928		x	No

* 1st Renewal
** 2nd Renewal
*** 3rd Renewal

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Charter Schools (Continued)
Year Ended June 30, 2010

	CDS Code	Board Approval Date	Fiscally Dependent	Fiscally Independent	Included in the District Audit
106	Larchmont CS, West Hollywood	19 64733 0117929	07/08/08	x	No
107	Legacy Charter High School	19 64733 0117317	03/25/08	x	No
108	Los Feliz Charter Schools for the Arts	19 64733 0112235	06/13/06	x	No
109	Lou Dantzler Prep. Charter Elementary School	19 64733 0117945	07/08/08	x	No
110	Lou Dantzler Prep. Charter High School	19 64733 0112540	06/27/06	x	No
111	Lou Dantzler Prep. Charter Middle School	19 64733 0112227	05/09/06	x	No
112	Magnolia Science Academy	19 64733 6119945	04/24/07 *	x	No
113	Magnolia Science Academy 2	19 64733 0115212	05/08/07	x	No
114	Magnolia Science Academy 3	19 64733 0115030	05/08/07	x	No
115	Magnolia Science Academy 4	19 64733 0117622	02/26/08	x	No
116	Magnolia Science Academy 5	19 64733 0117630	02/26/08	x	No
117	Magnolia Science Academy 6	19 64733 0117648	02/26/08	x	No
118	Marc & Eva Stern Math & Science	19 64733 0111658	04/28/09 *	x	No
119	Media Arts & Entertainment High School	19 64733 0116509	05/22/07	x	No
120	Milagro Charter Elementary	19 64733 0102426	06/09/09 *	x	No
121	Monsenor Oscar Romero	19 64733 0114959	05/22/07	x	No
122	Montague Charter Academy	19 64733 6018204	06/26/07 **	x ¹	No ¹
123	Multicultural Learning Center	19 64733 6119044	05/13/06 *	x	No
124	N.E.W. Academy of Science & Arts	19 64733 0100289	07/08/08 *	x	No
125	N.E.W. Canoga Park Elementary School	19 64733 0102483	07/08/08 *	x	No
126	New Designs	19 64733 0102541	06/23/09 *	x	No
127	New Designs - Watts	19 64733 0120071	07/01/09	x	No
128	New Heights	19 64733 0111211	02/21/06	x	No
129	New Los Angeles Charter School	19 64733 0117614	04/22/08	x	No
130	New Millennium Secondary School	19 64733 0117911	06/10/08	x	No
131	New Village Charter School	19 64733 0111484	03/28/06	x	No
132	North Valley Charter Academy	19 64733 0100776	06/24/08	x	No
133	Nueva Esperanza Charter Academy	19 64733 0120055	04/14/09	x	No
134	Ocean Charter School	19 64733 0102335	06/24/08 **	x	No
135	Oscar De La Hoya Animo Senior High	19 64733 0101675	05/13/08 *	x	No
136	Our Community School	19 64733 0109934	05/24/05	x	No
137	Pacoima Elementary	19 64733 6018642	03/25/08 *	x	No
138	Palisades Charter High School	19 64733 1995836	07/22/05 **	x	No
139	Para Los Ninos Charter	19 64733 6120489	07/10/07	x	No
140	Para Los Ninos Middle School	19 64733 0117846	05/13/08	x	No
141	Port of Los Angeles Senior High	19 64733 0107755	07/09/08 *	x	No
142	Puente Charter (#1)	19 64733 6120471	06/12/07	x	No
143	Renaissance Arts Academy	19 64733 0101683	05/27/08 *	x	No
144	Richard Merkin Middle Academy	19 64733 0108902	03/08/05	x	No
145	Santa Monica Community Charter School	19 64733 6019079	03/29/07 *	x	No
146	Santa Rosa Charter Academy	19 64733 0119974	04/14/09 *	x	No
147	Stella Middle Charter Academy	19 64733 0100669	06/24/08 *	x	No
148	Synergy Charter Academy	19 64733 0106427	04/24/07 *	x	No
149	Synergy Kinetic Academy	19 64733 0117895	05/27/08	x	No
150	Thurgood Marshall Charter Middle School	19 64733 0125261	07/10/07	x	No
151	Triump Academy	19 64733 0112193	03/21/06	x	No
152	Valor Academy Charter School	19 64733 0120022	04/14/09	x	No
153	Vaughn Next Century Learning Center	19 64733 6019715	03/25/08 **	x	No
154	View Park Prep Accelerated Elementary School Angeles Mesa Presbyterian Church	19 64733 6117048	06/23/09 **	x	No
155	View Park Prep Accelerated High School	19 64733 0101196	07/08/08 *	x	No
156	View Park Prep Accelerated Middle School	19 64733 6121081	07/10/07 *	x	No
157	Wallis Annenberg High School	19 64733 0100750	07/08/08	x	No
158	Watts Learning Center	19 64733 6114912	07/08/08 **	x	No
159	Watts Learning Center Charter Middle School	19 64733 0120527	08/25/09 *	x	No
160	William & Carol Ouchi High School	19 64733 0111641	04/28/09 *	x	No
161	Wisdom Academy for Young Scientists	19 64733 0112730	07/11/06	x	No

* 1st Renewal

** 2nd Renewal

*** 3rd Renewal

¹ Except Special Education Program.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to State Compliance Information

Year Ended June 30, 2010

(1) Purpose of Schedules

(a) Schedule of Average Daily Attendance

Average daily attendance 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.

The schedule of average daily attendance for each of the District's affiliated charter schools is provided separately.

(b) Schedule of Instructional Time Offered

The District has received incentive funding for increasing instructional time as provided by the Incentive 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 46201 through 46206.

(c) Schedule of Financial Trends and Analysis

This schedule focuses on financial trends by displaying past years' data along with current budget information and evaluates the District's ability to continue as a going concern for a reasonable period of time.

(d) Reconciliation of Unaudited Actual Financial Reports with Audited Financial Statements

This schedule provides the information necessary to reconcile the differences between fund balances reported on the unaudited actual financial reports and the audited financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Grantor or Pass-Through Entity ID Number	Program Cluster Expenditures	Total Federal Expenditures
U.S. Department of Agriculture:				
Passed through California Department of Health Services				
Child Nutrition Network	10.561	07-65328-2	\$ 941,220	
Child Nutrition Network	10.561	07-65328-3	3,699,186	
Subtotal expenditures – Child Nutrition Network				\$ 4,640,406
Passed through California Department of Education:				
Child Nutrition School Programs Breakfast	10.553	PCA 13390, 13525, 13526	55,995,652	
Child Nutrition School Programs Lunch	10.555	PCA 13396, 13391	159,321,321	
Child Nutrition School Programs Snack	10.555	PCA 13396, 13391	7,986,766	
Donated Food Commodities	10.555	PCA 02288	11,955,401	
Child Nutrition Summer Food Services				
Program Operations	10.559	PCA 13004	795,840	
Child Nutrition Summer Food Services Program				
Sponsor Administration	10.559	PCA 13006	71,464	
Subtotal expenditures – Child Nutrition Cluster				236,126,444
Child Nutrition Child Care Food Program Claims	10.558	19-2016-3A, 19-2016-3C	8,899,570	
Child Nutrition Child Care Food Program – Cash in Lieu of Commodities	10.558	19-2016-3A, 19-2016-3C	449,255	
Subtotal expenditures – Child Care Food Program				9,348,825
Child Nutrition School Wellness	10.574	07-14863-6473-01		2,636
Forest Reserve	10.665	Not Available		23,165
Subtotal Pass-Through Programs				250,141,476
Total U.S. Department of Agriculture				250,141,476
U.S. Department of Commerce:				
Passed through Corporation for Public Broadcast				
Public Broadcasting Programs	11.550	1714		890,959
Subtotal Pass-Through Programs				890,959
Total U.S. Department of Commerce				890,959
U.S. Department of Defense:				
Flood Control Projects	12.106	Not Available	403	
Reserve Officer Training Corps Vitalization Act	12.400	Not Available	2,220,886	
NSA StarTalk-Arabic/Hindi	12.901	H98230-0299/-0301/-0093	86,891	
Subtotal Direct Programs				2,308,180
Total U.S. Department of Defense				2,308,180
U.S. Department of Housing & Urban Development:				
Passed through County of Los Angeles				
Community Development Block Grant	14.218	200523	14,011	
Passed through City of Carson				
Carson Guidance	14.218	N/A	15,844	
Subtotal expenditures – Comm. Develop. Block Grants				29,855
Passed through Children's Collective, Inc				
Children Collective Youth Program	14.227	40108		98,416
Subtotal Pass-Through Programs				128,271
Total U.S. Department of Housing and Urban Development				128,271
U.S. Department of Justice:				
Community Oriented Policing Services in Schools Award	16.710	2004SHWX0121		34,285
Watts Anti Gang	16.744	UL06011250		34,463
Subtotal Direct Program				68,748
Total U.S. Department of Justice				68,748

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Grantor or Pass-Through Entity ID Number	Program Cluster Expenditures	Total Federal Expenditures
U.S. Department of Labor:				
Passed through California Department of Education:				
Employment Development Department Trade Act				
East Los Angeles Skill Center	17.245	Contract # 990098	\$ 58,872	
East Los Angeles Occupational Center	17.245	Contract # 200344	210,636	
Harbor Occupational Center	17.245	Contract # 200348	63,153	
West Valley Occupational Center	17.245	Contract # 990066	70,608	
Maxine Waters Employment Preparation Center	17.245	N/A	1,064	
A Friedman Occupational Center	17.245	Contract # 200462	9,075	
Subtotal expenditures – Trade Adjustment Assistance				\$ 413,408
US Department of labor Youth Build	17.274	YB16846-08-60-A-6		81,412
Passed through City of Los Angeles:				
Workforce Investment Act – Youth Program-Harbor	17.259	116815	591,165	
Workforce Investment Act – Youth Program-Harbor (ARRA)	17.259	116814	123,617	
Workforce Investment Act – ARRA-Summer Youth Employment Program	17.259	115727	1,156,185	
Passed through City of Long Beach:				
Workforce Investment Act – Youth	17.259	31224	123,363	
Workforce Investment Act – ARRA Adult	17.259	200534	11,740	
Passed through Para Los Ninos				
Workforce Investment Act – Youth	17.259	200512/T4316-C	115,309	
Passed through Watts Labor Community Action Committee:				
Workforce Investment Act – One Stop WorkSource - Adult	17.258	200515	80,676	
Workforce Investment Act – One Stop WorkSource - Dislocated Worker	17.258	200515	28,346	
Workforce Investment Act – One Stop WorkSource - D W-ARRA	17.258	200516	15,000	
Workforce Investment Act – Youth	17.259	09-1423	91,911	
Workforce Investment Act – Youth-ARRA	17.259	200518	28,165	
Workforce Investment Act – WATTS/WEP Auto Training Proj.	12.258	EA-18809-09-60-A-6	55,798	
Passed through Archdiocesan Youth Employment Services:				
Workforce Investment Act – Youth	17.259	N/A	60,492	
Passed through South Bay WorkSource Center				
Workforce Investment Act – Adult - I Train	17.258	200467	10,499	
Passed through Homecare Workers Training Center				
Workforce Investment Act – Adult	17.258	N/A	29,114	
Subtotal expenditures – Workforce Investment Act Cluster				2,521,380
Subtotal Pass-Through Programs				3,016,200
Total U.S. Department of Labor				3,016,200
U.S. Department of Transportation:				
Passed through City of Long Beach:				
Pacific Gateway Workforce Investment Network-Construction Job Program	20.205	200505		89,923
Subtotal Pass-Through Programs				89,923
Total U.S. Department of Transportation				89,923
National Science Foundation:				
Wide Chge. Experimental Study	47.076	X260470 Y4		1,939
Subtotal Direct Programs				1,939
Total National Science Foundation				1,939
U.S. Environmental Protection Agency:				
Environmental Protection Agency – Indoor Air Quality	66.034	XA-00T03601-0		11,777
Total U.S. Environmental Protection Agency				11,777

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Grantor or Pass-Through Entity ID Number	Program Cluster Expenditures	Total Federal Expenditures
U.S. Department of Education:				
Federal Supplemental Educational Opportunity Grant	84.007	P007A078953		\$ 100,415
Indian Education	84.060	S060A080283/S060A090283		181,146
LA'S BEST	84.215	MOU		125,121
Fund for Improv Edu Prog – Teach Am Hist	84.215	U215X070162	\$ 229,081	
Small Learning Communities (OVAE)	84.215	S215L0502108	2,803,174	
Small Learning Communities (SLC)	84.215	S215L060084	1,211,526	
Small Learning Communities-COH 8	84.215	S215L080570	720,619	
Subtotal expenditures – Fund for the Imp. of Education				4,964,400
Foreign Language Assistance	84.293	T293B070149	194,547	
Subtotal expenditures – Foreign Language Assistance				194,547
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	84.334	P334A050008	1,085,997	
GEAR-UP	84.334	P334A050178	3,096,626	
GEAR-UP	84.334	P334A050217	1,094,158	
GEAR-UP	84.334	P334A050205	1,014,206	
GEAR-UP	84.334	P334A060124	640,187	
GEAR-UP	84.334	P334S050001	22,253	
Subtotal expenditures – GEAR-UP				6,953,427
Los Angeles Early Deciders Teacher Recruit	84.336	P336C050011-07		246,146
Subtotal Direct Programs				12,765,202
Passed through California Department of Education:				
Workforce Investment Act – Adult Basic Ed/ESL	84.002	PCA 14508	11,230,848	
Workforce Investment Act – Adult Secondary Ed	84.002	PCA 13978	888,663	
Eng Lit & Civic Ed-Adult-FY04	84.002	PCA 14109	1,225,835	
Subtotal expenditures – Adult Education				13,345,346
Title 1 Program Improvement	84.010	PCA 14329	1,860,317	
Elementary and Secondary Education Act, Title I	84.010	PCA 14329	279,322,013	
CE-NCLB T1 NPS	84.010	PCA 14329	5,417,954	
Elementary and Secondary Education Act, Title I Delinquent	84.010	PCA 14357	849,496	
Elementary and Secondary Education Act, Title I Neglected	84.010	PCA 14329	2,020,911	
CE-NCLB-PARENT/CLUSTER RESOURC	84.010	PCA 14329	2,152,499	
TI-A SUPPLEMENTAL SRVC(NCLB)	84.010	PCA 14329	48,164,062	
CE-NCLB T1 PROF DEV-RTI	84.010	PCA 14329	2,373,500	
CE-NCLB T1-RED TEAM	84.010	PCA 14329	937,333	
CE-NCLB-T1-PD-TENSCHS	84.010	PCA 14329	1,890,546	
CE-NCLB-T1-PROG IMPRVMT SCH	84.010	PCA 14329	17,618,741	
CE-NCLB T1-CAP EXP REIMB NPS	84.010	PCA 14329	632,952	
CE-NCLB-T1-INTERVENTION	84.010	PCA 14329	1,483,349	
TI ELEM PI SHHS SUPPORT	84.010	PCA 14329	1,609	
CE-NCLB-PROF DEV	84.010	PCA 14329	4,958,219	
CE-NCLB-PUBL SCH CHOICE	84.010	PCA 14329	1,884,931	
TI-EXTENDED LEARN ACAD	84.010	PCA 14329	4,779,383	
CE-NCLB-AEMP	84.010	PCA 14329	618,331	
NCLB-TI-PRTA.PROGIMPV LEACORR	84.010	PCA 14957	5,465,518	
NCLB: T1, SCH IMPRVMT GRT	84.010	PCA 15123	1,668,454	
NCLB: T1, ARRA	84.389	PCA 14329	108,834,363	
Subtotal expenditures – Title I, Part A Cluster				492,934,481
Migrant Ed – Regular & Summer	84.011	08-14326-1019		897,828
Special Ed: IDEA Basic Local Assistance Entitlement	84.027	09-13379-6473-01	122,853,198	
Special Ed: IDEA Basic Local Assistance Entitlement	84.027	09-13682-6473-01	11,687,995	
Special Ed: IDEA Local Assistance, Private School ISPs	84.027	09-13379-6473-01	781,370	
Special Ed: ARRA IDEA Part B, Sec 611, Preschool Local Entitlement	84.391	PCA 15002	7,337,329	
Special Ed: ARRA IDEA Local Assistance	84.391	09-15003-6473-01	75,078,029	
IDEA Preschool	84.173	09-14688-6473-01	37,921	
Preschool Expansion Grant	84.173	09-13430-6473-01	5,240,885	
Preschool Expansion Grant	84.173	08-13431-6473-01	8,684	
ARRA IDEA Part B, Sec 619, Preschool Grants	84.392	PCA 15000	786,179	
Subtotal expenditures – Special Education Cluster				223,811,590

(Continued)

LCS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Grantor or Pass-Through Entity ID Number	Program Cluster Expenditures	Total Federal Expenditures
Regional Occupational Center College Work Study (ARRA)	84.033	P033A090312	\$ 28,747	
Carl D. Perkins – SEC INSTR	84.048	08-14894-64733-00	6,631,507	
Carl D. Perkins – Vocational and Technical Education	84.048	PCA 14893	3,253,924	
Subtotal expenditures – Career and Technical Education				\$ 9,914,278
Pell Grant (ARRA)	84.063	P0639105911		162,596
Early Intervention Funds - Part C	84.181	09-23761-6473-01		1,201,519
Title IV – Safe and Drug Free Schools & Community- National	84.184	Q184E070053		183,860
Title IV – Safe and Drug Free Schools-Healthy Student	84.184	Q184L080226-09		1,807,854
Title IV – Safe and Drug Free Schools & Community- Mentoring Program	84.184	Q184B080048		40,021
Children Uniting Nations-Mentoring	84.184	MOU		30,179
Youth Mentoring Connection	84.184	MOU		17,907
Title IV – Safe and Drug Free Schools & Community- State	84.186	Q186A090005		5,013,950
Homeless Education Project	84.196	14332		232,540
Public Charter School	84.282	PCA 14531 & 14959		261,537
NCLB-ARRA-T X McKinney-Vento Homeless Assistance	84.387	PCA 15007		279,113
Twenty-first Century Learning Centers	84.287	14349	8,188,976	
Twenty-first Century Learning Centers	84.287	14535	14,225,034	
Twenty-first Century Learning Centers	84.287	14603	125,624	
Subtotal expenditures – Twenty-First Century Community Learning Centers				22,539,634
Improving America's Schools Act – Title V Innovative Strategies	84.298	CD Code 1964733		578,559
No Child Left Behind (NCLB) Title II – Enhancing Education Through Technology-Competitive	84.318	14368	1,898,989	
No Child Left Behind Title II – Enhancing Education Through Technology – Formula	84.318	14334	4,117,682	
No Child Left Behind Title II – Enhancing Education Through Technology – ARRA	84.386	15019	1,299,274	
Subtotal expenditures – Education Technology Grants Cluster				7,315,945
GSU Development & Valid of a behavioral	84.324	13492-02		82,303
Advanced Placement	84.330	PCA 14831		1,020,079
Transition Teaching Program	84.350	U350A070039-09		510,954
Reading First	84.357	PCA 14328		4,006,709
Title III, Limited English Proficient Professional Dev	84.365	PCA 10084		27,229,244
No Child Left Behind Title II-B – Math	84.366	14512		1,378,345
No Child Left Behind Title II-A – Teacher Quality	84.367	14341		55,610,230
ARRA State Fiscal Stabilization Fund (SFSF)	84.394	PCA 25008		359,340,145
Passed through State Department of Rehabilitation: Rehab-Transition Partnership Program	84.158	Contract #26706		1,082,736
ARRA Cooperative Public Agency/CRP Contract	84.390	Agreement #27689A		34,598
Passed through Center for Collaborative Education Principal Residency Network	84.363	MOA		281,473
Subtotal Pass-Through Programs				1,231,145,553
Total U.S. Department of Education				1,243,910,755
U.S. Department of Health & Human Services: SAMHSA-Trauma School Adaption	93.243	C U9SM57283A		235,543
School Health Program	93.938	#5U87DP001201-02		627,140
Subtotal Direct Programs				862,683
Passed through County of Los Angeles: Department of Health Services-Vocational Nurse Ed.	93.178	N/A		50,745
Department of Mental Health-Medical Rehab.	93.778	19101-99		2,828,915
Passed through California Department of Education: California Instructional Materials and Supplies	93.575	CIMS9254/CSCC9010	38,055	
Child Care Center	93.596	CCTR 9129/CSPP 9235	26,029,233	
ARRA Child Care and Dev Block Grant, General Center Based	93.713	CSP? 9233	7,347,000	
Subtotal expenditures – Child Care Development Fund Cluster				33,414,288

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Grantor or Pass-Through Entity ID Number	Program Cluster Expenditures	Total Federal Expenditures
Passed through California Department. of Health Services: Medi-Cal Billing Option	93.778	940830		\$ 10,361,221
Passed through Los Angeles County Office of Education: ARRA-Head Start	93.708	C10890:09:10	\$ 1,106,062	
ARRA-Early Head Start	93.709		42,770	
Medi-Cal Administrative Activity	93.778	CS0501360	2,655,538	
Subtotal expenditures				3,804,370
Passed through First 5 LA First 5 LA ARRA Matching Fund	93.709	C 00749		47,599
Passed through University of California NIMH-ARRA School based Mental Program Research	93.701	5R21MH082712-02		3,853
Passed through Rand Corporation: CalServe Regional	94.004	14939		54,000
Subtotal Pass-Through Programs				50,564,991
Total U.S. Department of Health & Human Services				51,427,674
U.S. Department of Homeland Security: Passed through Governors Office of Emergency Services: Public Assistance Grants-FEMA 1577DR, Winter Storm	97.036	OES ID #037-91146	477,015	
Public Assistance Grants-FEMA 1810DR, CA Disaster Assistance	97.036	OES ID #037-91146	262,606	
Public Assistance Grants-FEMA 2788FM, Fire Management Assistance	97.046	OES ID #037-91146	2,775	
Subtotal Pass-Through Programs				742,396
Total U.S. Department of Homeland Security				742,396
Total Expenditures of Federal Awards				\$ 1,552,738,298

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2010

(1) General

The accompanying schedule of expenditures of federal awards presents the expenditures of all federal financial assistance programs for the Los Angeles Unified School District (District). The District's reporting entity is defined in the notes to the District's basic financial statements.

(2) Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, as described in Note 1 of the notes to the District's basic financial statements. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) 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 District's basic financial statements but agrees in all material respects.

(3) Noncash Assistance

Included in the schedule of expenditures of federal awards is (CFDA #10.555) \$11,955,401 of donated food commodities received from the U.S. Department of Agriculture, passed-through the State of California, during the year ended June 30, 2010.

(4) Subrecipient Awards

Of the federal expenditures presented in the schedule of expenditures of federal awards, the District provided a significant amount of funding to various subrecipients. Due to the extensive number of federal programs and volume of subrecipients, it is not practical to display the detailed subrecipient information in the schedule of expenditures of federal awards.



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
CARL P. SIMPSON, CPA

3600 WILSHIRE BOULEVARD, SUITE 1710
LOS ANGELES, CA 90010
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

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*

The Honorable Board of Education
Los Angeles Unified School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Los Angeles Unified School District** (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 14, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the Education Audit Appeal Panel's *Standards and procedures for Audits of California K-12 Local Education Agencies 2009-10*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as FS 10-01 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as FS 10-01 - FS 10-06 to be significant deficiencies.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

We noted certain matters that we reported to management of the District in a separate letter dated December 14, 2010.

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

This report is intended solely for the information and use of the Board of Education, District management, federal awarding agencies, state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, reading 'Simpson & Simpson'. The ink is dark and the signature is fluid and stylized.

Los Angeles, California
December 14, 2010



3600 WILSHIRE BOULEVARD, SUITE 1710
LOS ANGELES, CA 90010
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRANARD C. SIMPSON, CPA
CARL P. SIMPSON, CPA

**Report on Compliance with Requirements That Could Have a Direct And
Material Effect on Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133**

The Honorable Board of Education
Los Angeles Unified School District

Compliance

We have audited the compliance of the **Los Angeles Unified School District** (the District) with the types of compliance requirements described in the *(OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditor's 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 the District's management. Our responsibility is to express an opinion on the 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 the 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 the District's compliance with those requirements.

As described in the table below and in the accompanying schedule of findings and questioned costs, the District did not comply with requirements that are applicable to the following programs:

Compliance requirement	Program Name and Catalog of Federal Domestic Assistance (CFDA) number	Finding number
Allowable Costs	Special Education Cluster: Grants to States, Preschool Grants (<i>American Recovery and Reinvestment Act of 2009</i>), CFDA No. 84.391A; English Language Acquisition Grants, CFDA No. 84.365; Workforce Investment Act, Title II: Adult Education and Family Literacy Act, CDFA No. 84.002;	F-10-01



The CPA. Never Underestimate The Value.™



Compliance requirement	Program Name and Catalog of Federal Domestic Assistance (CFDA) number	Finding number
Reporting	Vocational Education Basic Grants to States, CFDA 84.048	F-10-11
Subrecipient Monitoring	Gaining Early Awareness and Readiness for Undergraduate Programs, CFDA 84.334.	F-10-16
Special Tests and Provisions	English Language Acquisition Grants, CFDA 84.365.	F-10-18

Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the table above, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items: F-10-01, F-10-02, F-10-03, F-10-04, F-10-06, F-10-07, F-10-09, F-10-10, F-10-13, F-10-14, F-10-15, F-10-16 and F-10-17.

Internal Control over Compliance

Management of the 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 the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items F-10-01, F-10-03, F-10-04, F-10-05, F-10-07, F-10-11, F-10-13, F-10-14, F-10-15, F-10-16, F-10-17, and F-10-18 to be material weaknesses.



A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items F-10-01 to F-10-18 to be significant deficiencies.

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

This report is intended solely for the information and use of District management, the Board of Education, 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.

A handwritten signature in cursive script that reads "Simpson & Simpson".

December 14, 2010
Los Angeles, California



3600 WILSHIRE BOULEVARD, SUITE 1710
LOS ANGELES, CA 90010
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.sompsonandsimpsoncpas.com

SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
CARL P. SIMPSON, CPA

Auditor's Report on State Compliance

The Honorable Board of Education
Los Angeles Unified School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Los Angeles Unified School District** (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 14, 2010.

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 the *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Education Audit Appeals Panel's *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2009-10* (the Guide). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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. Our audit does not provide a legal determination of the District's compliance with those requirements.

The District's management is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

	Number of Procedures in Education Audit Appeals Panel Audit Guide, Standards and Procedures for Audits of California K-12 Local Education Agencies 2009-10	Procedures performed
Attendance Accounting:		
Attendance Reporting	8	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Kindergarten Continuance	3	Yes



The CPA. Never Underestimate The Value.™



	Number of Procedures in Education Audit Appeals Panel Audit Guide, Standards and Procedures for Audits of California K-12 Local Education Agencies 2009-10	Procedures performed
Attendance Accounting:		
Attendance Reporting	8	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Kindergarten Continuance	3	Yes
Instructional Time for:		
School Districts	6	Yes
County Office of Education	3	Not applicable
Instructional Materials General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not applicable
Gann Limit calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing requirement – Receipt of Funds	1	Yes
Class Size Reduction:		
General Requirements	7	Yes
Option One	3	Yes
Option Two	4	Not applicable
Districts or Charter School with only One School Serving K-3	4	Not applicable
After School Education and Safety Program:		
General Requirements	4	Yes
After School Program	4	Yes
Before School Program	5	Yes
Contemporaneous Records of Attendance for Charter Schools	1	Yes
Mode of Instruction, for Charter Schools	1	Yes
Nonclassroom-Based Instruction/Independent Study, for Charter Schools	15	Not applicable



	Number of Procedures in Education Audit Appeals Panel Audit Guide, Standards and Procedures for Audits of California K-12 Local Education Agencies 2009-10	Procedures performed
Determination of Funding for Nonclassroom- Based Instruction, for Charter Schools	3	Not applicable
Annual Instructional Minutes – Classroom Based for Charter Schools	3	Yes

Based on our audit, we found that, for items tested, the District complied with state laws and regulations referred to above, except as described in the accompanying schedule of findings and questioned costs relating to state awards. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the District had not complied with the state laws and regulations.

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

December 14, 2010
Los Angeles, California

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes

Identification of major programs and type of auditor’s report issued on compliance for each major program:

CFDA #	Name of Federal Program	Opinion
	Department of Agriculture – Child Nutrition Cluster:	
10.553	School Breakfast Program;	Unqualified
10.555	National School Lunch Program;	Unqualified
10.559	Summer Food Service Program for Children	Unqualified
10.558	Department of Agriculture – Child and Adult Care Food Program	Unqualified
	Department of Agriculture – Food Stamp Cluster:	
10.561	State Administrative Matching Grants for Food Stamp Program	Unqualified
	Department of Education – Title I, Part A Cluster:	
84.010	Title I Grants to Local Educational Agencies	Unqualified
84.389	Title I Grant to Local Educational Agencies, Recovery Act	Unqualified

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

CFDA #	Name of Federal Program	Opinion
84.048	Department of Education – Vocational Education Basic Grants to States (Perkins IV)	Unqualified
	Department of Education – Special Education Cluster:	
84.027	Special Education Grants to States (IDEA, Part B);	Unqualified
84.173	Special Education Preschool Grants (IDEA Preschool);	Unqualified
84.391	Special Education Grants to States (Idea, Part B), <i>Recovery Act</i> ;	Qualified
84.392	Special Education Preschool Grants (Idea, Part Preschool), <i>Recovery Act</i> .	Unqualified
	Department of Education – State Fiscal Stabilization Fund Cluster:	
84.394	State Fiscal Stabilization Fund (SFSF) – Education State Grants, <i>Recovery Act</i> (Education Stabilization Fund)	Unqualified
84.186	Department of Education - Safe and Drug Free Schools and Communities State Grants	Unqualified
84.215	Department of Education – Fund for the Improvement of Education	Unqualified
84.287	Department of Education – Twenty-First Century Community Learning Centers	Unqualified
84.298	Department of Education – State Grants for Innovative Programs	Unqualified
	Department of Education – Education Technology State Grants Cluster:	
84.318	Education Technology State Grants	Unqualified
84.386	Education Technology State Grants, <i>Recovery Act</i>	Unqualified
84.334	Department of Education – Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	Qualified
84.357	Department of Education – Reading First State Grants	Unqualified
84.365	Department of Education – English	Qualified

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

CFDA #	Name of Federal Program	Opinion
	Language Acquisition Grants	
84.367	Department of Education – Improving Teacher Quality State Grants	Unqualified
	Department of Health and Human Services – Child Care Development Fund Cluster:	
93.575	Child Care and Development Block Grant;	Unqualified
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund;	Unqualified
93.713	ARRA – Child Care and Development Block Grant.	Unqualified
84.002	Department of Education – Workforce Investment Act, Title II: Adult Education and Family Literacy Act	Qualified
93.778	Department of Health and Human Services – Medical Assistance Program	Unqualified
•	Any audit findings disclosed which are required to be reported in accordance with Section 510(a) of Circular A-133:	Yes
•	Dollar threshold used to distinguish between type A and type B programs:	\$4,658,215
•	Auditee qualified as low risk auditee	No
State Awards		
	Type of auditor’s report issued on compliance for state programs:	Unqualified

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

Section II – Findings Relating to the Basic Financial Statements which are Required to be Reported in Accordance with GAS

FS-10-01 - Lack of IFS Security Reporting - Material Weakness

State Audit Guide Finding Code: 30000

Criteria

Security reporting is a key mechanism to facilitate the effective review of access to critical and sensitive accounting system transactions, for example, journal entry creation, vendor record update, accounts payable transactions. Accordingly, such reporting should be implemented for mission critical financial reporting applications.

Condition

Security user access reports are not generated and reviewed periodically to certify access to IFS system accounting transactions.

Cause and Effect

The lack of sufficient security reporting could result in management's inability to effectively manage access to sensitive accounting transactions and ensure that the system adequately enforces segregation of duties.

Recommendation

IFS user access security reports be developed to facilitate management review of user access to IFS transactions. These reports should be reviewed periodically by Accounting Department management to ensure access to sensitive accounting system transactions is appropriate and restricted based upon the user's job function.

View of Responsible Officials and Planned Corrective Action

This item is still in progress. IFS user access role assignment is a complex manual process that has been difficult to properly document. ITD will attempt to complete the report by December 31, 2010.

FS-10-02 - Lack of Logging and Security Monitoring Control Processes - Significant Deficiency

State Audit Guide Finding Code: 30000

Criteria

The logging of user activity is a critical audit trail control. Within the Windows network, event logs may be set to record user account related events (e.g., account logons, use of security administration privileges, etc.) by a success/failure criteria.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

Condition

The Windows server network audit logging is not enabled to log the use of network system privileges for successes and failures. Also, although the following logs are enabled, they are not reviewed on a regular basis:

- Audit account logon events
- Audit account management
- Audit system events
- Audit policy change
- Audit directory service accesses
- Audit object access
- Audit logon events

Cause and Effect

Unauthorized access to the district's computer network may not be detected if unsuccessful user authentication attempts and other types of potential security violations are not consistently logged and reviewed periodically.

Recommendations

Windows network logs which capture critical activities should be reviewed on a timely basis. If necessary, log filtering tools can be used to enable efficient monitoring and review of access.

View of Responsible Officials and Planned Corrective Action

This item is still progress. An ITD employee was provided advanced training in the MARS system and implementation is expected by December 31, 2010.

FS-10-03 - IFS Program Change Approval - Significant Deficiency

State Audit Guide Finding Code: 30000

Criteria

Changes to accounting application programs are highly critical as they can impact the integrity of financial reporting. Accordingly, such changes warrant accounting management's approval prior to being implemented into production.

Condition

IFS program changes are not formally approved with a business sponsor or user management signature prior to production implementation.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

Cause and Effect

Lack of sufficient management approval of program changes could result in the implementation of unauthorized changes to IFS. This condition may result in invalid and/or unauthorized data and programs introduced into the production accounting systems.

Recommendation

IFS program changes should be consistently approved by accounting management with a signature to prevent unauthorized program changes. User acceptance testing signatures should also be documented.

View of Responsible Officials and Planned Corrective Action

ITD has modified the transport form to require the signature of the business owner.

FS-10-04 - Lack of Sufficient Documentation for SAP Program Changes to the Production System - Significant Deficiency

State Audit Guide Finding Code: 30000

Criteria

Formal change management procedures are designed to provide a standardized and controlled method for processing system change requests (including maintenance and patches) for critical application programs and infrastructure configuration changes. They also guide management approvals for program changes.

Condition

Our review of forty (40) processed SAP Transports (i.e., program changes) sampled throughout the 2010 fiscal year (July 1, 2009 – June 30, 2010) revealed the following:

- Eight (8) SAP Transport Request Forms provided did not contain a signature from a Business Sponsor (e.g., Payroll Management).
- Two (2) Transport forms had no signature for User Acceptance Tester.

Upon notification, management subsequently obtained the required missing signatures for the above transports.

Cause and Effect

Insufficient management approval of program changes could cause unauthorized programs and invalid data being introduced into the SAP production environment.

Recommendation

The requirement for documenting and approving application changes should be consistently followed to prevent unauthorized program changes. This includes documenting and retaining management approvals to confirm that program changes are aligned with management intentions and user requirements.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

View of Responsible Officials and Planned Corrective Action

ITD has reviewed the transport request forms for appropriate signatures and updated the identified transport forms by obtaining the business owners signature. ITD has reminded staff that signatures are required prior to transporting the request. The Release Management Team will adhere to the policy. ITD has implemented a workflow process with General Accounting when new cost center/fund center/org unit is created so the information is entered in all modules using one email approval from business owner.

FS-10-05 - Developer Access to Payroll Production Data - Significant Deficiency

State Audit Guide Finding Code: 30000

Criteria

Application developers should be restricted from having direct access to production programs. Access to production programs should be under version control and maintained in a lock-down state. Any changes should be routed through proper change control procedures.

Condition

There are IT personnel (e.g., ITD-BTS' ACAS - Associate Computer Application Specialists) with update access to payroll infotypes (e.g., 0008 Basic Pay, 0002 Personal Data, etc.), such access is used to support payroll operations. As ACAS is an application development position and does not report to the data owner departments (i.e., Payroll, Human Resources, etc.), such access is incompatible with the ACAS and other BTS job functions. Upon informing management of this condition, update access to the Basic Pay and Personal Data Infotypes for half (50%) of the ITD-BTS personnel identified was deleted.

Cause and Effect

Inadequate restriction to modify/update access to production accounting data can result in unauthorized changes that adversely impact the integrity of accounting and financial reporting information

Recommendation

ITD-BTS management should continue to review access for all payroll infotypes and remove BTS' update access where possible. In the long term, ITD and Payroll management should develop a transition plan to migrate the need to update production payroll data from ITD-BTS personnel.

View of Responsible Officials and Planned Corrective Action

Access was left over during production support after go-live. Access was removed August 2010.

FS-10-06 - SAP Time Management SOD Conflicts - Significant Deficiency

State Audit Guide Finding Code: 30000

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

Criteria

A division of roles and responsibilities that reduces the possibility for a single individual to subvert a critical process or complete a transaction without secondary or management approval should exist. Management should ensure personnel are performing only authorized duties relevant to their respective jobs and positions

Condition

We obtained and reviewed the access list for both Time Keeping (t-code CAT2) and Time Approval (customized t-code ZCATS_APPR_LITE) functions to ensure adequate segregations of duties and noted that:

- There are two (2) ITD personnel with access to the Time Keeping transaction (t-code CAT2), Time Approval transaction (customized t-code ZCATS_APPR_LITE) and update access to payroll employee master data (PA30 for Basic Pay Infotype 008). This presents a three-way conflict of access condition.

- There are six (4) personnel with access to the Time Keeping (t-code CAT2) and Time Approval (customized t-code ZCATS_APPR_LITE) transactions, this would enable them to approve their own payroll time.

BTS is in the process of reviewing and eliminating the conflicting combination of access for these individuals.

Cause and Effect

Unauthorized payroll transactions may be processed resulting in improper or fraudulent payroll disbursements.

Recommendation

Management should remove conflicting access for the users identified in a timely manner. Also, prior to assigning access to a user, the user's existing role and transaction assignments should be reviewed via the use of a security matrix or other mechanism to determine if the new access requested presents a segregation of duties conflict.

View of Responsible Officials and Planned Corrective Action

ITD agrees with this finding. Access has been removed.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

Section III – Federal Award Findings and Questioned Costs

Program Identification

Finding Reference Number:

F-10-01

Federal Program Title, Awarding Agency, Pass-Through Entity, Catalog of Federal Domestic Assistance (CFDA) Number, and Award Number:

Special Education Cluster: Grants to States, Preschool Grants (American Recovery and Reinvestment Act of 2009), U.S. Department of Education, Passed through the California Department of Education, CFDA No. 84.391A, Grant Agreements 08-15003-6473-01 and 09-15003-6473-01 (Resource code 3313 Object Code 8181);

Twenty-First Century Community Learning Centers, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.287, Grant Agreements 08-14349-6473-4A;

Medical Assistance Programs; U.S. Department of Health and Human Services, Passed through the California Department of Education, CFDA No. 84.778, Grant Agreement C-10606:08:09

Reading First State Grants; U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.357A, Grant Agreement 07-14911-6473;

English Language Acquisition Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.365, Grant Agreement 10-10084-6473;

Improving Teacher Quality State Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.367, Grant Agreement PCA14344/14341.

Child Care and Development Fund: Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund; U.S. Department of Health and Human Services, Passed through the California Department of Education, CFDA Nos. 93.575 and

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

93.596, Contract CCTR-8159;

Workforce Investment Act, Title II: Adult Education and Family Literacy Act, Pass through the California Department of Education, CFDA No. 84.002, Grant Agreement 09-1419-64733;

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP), U.S. Department of Education (ED), Grant Agreement P334A050008-08;

Fund for the Improvement of Education, U.S. Department of Education (ED), CFDA No. 84.215, Grant Agreements V215L052108, and S215L060084;

Special Education Cluster: Grants to States, Preschool Grants (American Recovery and Reinvestment Act of 2009), U.S. Department of Education, Passed through the California Department of Education, CFDA No. 84.391, and 84.392, Grant Agreements 08-15000-6473-01 and 09-15000-6473-01.

Compliance Requirement:

Allowable Costs

State Audit Guide Finding Code:

30000 and 50000

Criteria

OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, Attachment B, Selected Items of Cost, Part 8, Compensation for Personal Services, Section H, Support of salaries and wages:

- Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.
- Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation that meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant federal agency. Such documentary support will be required where employees work on:

- (a) More than one federal award,

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

- (b) A federal award and a nonfederal award,
 - (c) An indirect cost activity and a direct cost activity,
 - (d) Two or more indirect activities which are allocated using different allocation bases, or
 - (e) An unallowable activity and a direct or indirect cost activity.
- Personnel activity reports or equivalent documentation must meet the following standards:
 - (a) They must reflect an after the fact distribution of the actual activity of each employee,
 - (b) They must account for the total activity for which each employee is compensated,
 - (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
 - (d) They must be signed by the employee.

Condition

As part of our compliance review over payroll expenditures, we selected a sample of payroll expenditures charged to the program to ascertain if they were allowable per program regulations, accurately charged to the program, and appropriately supported in accordance with the OMB Circular A-87.

Special Education Cluster: In our sample of 60 payroll expenditures, we noted that 7 employees totaling \$36,106 provided signed semiannual certifications; however, they were not prepared timely. They were signed and dated subsequent to our requests.

Total exception amounted to \$36,106 of the \$192,802 sampled from the \$33,057,306 of total payroll expenditures for the fiscal year ended June 30, 2010.

21st Century Community Learning Centers: In our sample of 40 payroll expenditures, we noted that 1 employee totaling \$2,476 provided a signed semiannual certification however; the certification was not timely prepared. It was signed and dated subsequent to our requests.

Total exception amounted to \$2,476 of the \$66,210 sampled from the \$5,305,692 of total payroll expenditures for the fiscal year ended June 30, 2010.

Medical Assistance Program: In our sample of 40 payroll expenditures, we noted the following:

- 1 employee totaling \$4,793 provided signed semiannual certification, however, the employee was not fully dedicated to the program and a portion of his salary was charged to the general fund. This employee appears to be multifunded and should have completed a multifunded timesheet.
- 2 employees totaling \$8,906 provided signed semiannual certifications; however, these certifications were not timely prepared. They were signed and dated subsequent to our requests.

Total exception amounted to \$13,699 of the \$202,923 sampled from the \$6,114,162 of total payroll expenditures for the fiscal year ended June 30, 2010.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

Reading First State Grants: In our sample of 40 payroll expenditures, we noted that 2 employees totaling \$2,889 provided timesheets; however, the sign-in sheet for several of training days for each of the employees was not provided.

Total exception amounted to \$2,889 of the \$30,159 sampled from the \$638,585 of total payroll expenditures for the fiscal year ended June 30, 2010.

English Language Acquisition Grants: In our sample of 40 payroll expenditures, we noted that 2 employees totaling \$19,503 provided signed semiannual certifications; however, the certifications were not prepared timely. They were signed and dated subsequent to our requests.

Total exception amounted to \$19,503 of the \$225,955 sampled from the \$10,923,632 of total payroll expenditures for the fiscal year ended June 30, 2010.

Improving Teacher Quality State Grants: In our sample of 40 payroll expenditures, we noted that 1 employee totaling \$6,158 provided a signed semiannual certification; however, the certification was not timely prepared. It was signed and dated subsequent to our requests.

Total exception amounted to \$6,158 of the \$194,731 sampled from the \$17,819,194 of total payroll expenditures for the fiscal year ended June 30, 2010.

Child Care and Development Fund: In our sample of 40 payroll expenditures, we noted 1 employee totaling \$2,282 did not provide us with the daily sign in and out timesheet for the month we tested.

Total exception amounted to \$2,282 of the \$63,972 sampled from the \$66,077,294 of total payroll expenditures for the fiscal year ended June 30, 2010.

Workforce Investment Act: In our sample of 40 payroll expenditures, we noted that 7 employees totaling \$24,521 provided signed semi-annual certifications; however, the certifications were not timely prepared. They were signed and dated subsequent to our requests.

Total exceptions amounted to \$24,521 of the \$118,125 sampled from the \$6,173,620 of total payroll expenditures for the fiscal year ended June 30, 2010.

GEAR-UP: In our sample of 40 payroll expenditures, we noted that 1 employee totaling \$6,096 provided a signed semi-annual certification; however, the certification was not timely prepared. It was signed and dated subsequent to our requests.

Total exceptions amounted to \$6,096 of the \$39,770 sampled from the \$1,019,999 of total payroll expenditures for the fiscal year ended June 30, 2010.

Fund for the Improvement of Education: In our sample of 40 payroll expenditures, we noted that 2 employees totaling \$5,191 provided signed semi-annual certifications; however, the certifications were not timely prepared. They were signed and dated subsequent to our requests.

Total exceptions amounted to \$5,191 of the \$46,017 sampled from the \$1,092,366 of total payroll expenditures for the fiscal year ended June 30, 2010.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

We also selected a sample of adjusting journal entries (JV's) that were recorded payroll expenditures charged to the programs listed below to ascertain if they were appropriately supported in accordance with the OMB cost circular documentation requirements.

English Language Acquisition Grants: In our sample of 25 JV payroll expenditures, we noted that 1 employee totaling \$6,641 provided a signed semiannual certification; however, the certification was not prepared timely. It was signed and dated subsequent to our requests.

Total exception amounted to \$6,641 of the \$119,126 sampled from the \$8,434,446 of total JV payroll expenditures for the fiscal year ended June 30, 2010.

Special Education (Recovery Act): In our sample of 120 journal vouchers (JV's) supporting payroll expenditures for CFDA 84.391 and CFDA 84.392, we tested 60 JV samples from each CFDA number. The results of our testing noted that 5 employees totaling \$27,084 provided semiannual certifications; however, the certifications were not prepared timely. There were signed and dated subsequent to our requests.

CFDA 84.391: Total exception amounted to \$6,466 of the \$184,967 sampled from the \$5,769,569 of total JV payroll expenditures for the fiscal year ended June 30, 2010.

CFDA 84.392: Total exception amounted to \$20,618 of the \$128,106 sampled from the \$60,812,037 of total JV payroll expenditures for the fiscal year ended June 30, 2010.

Cause and Effect

The significant noncompliance appears to be a result of the lack of understanding of the federal compliance requirements by the District's employees.

These findings are repeat findings, have been reported previously for June 30, 2005 to June 30, 2009 (F-05-01, F-06-01, F-07-01, F-08-01, and F-09-01).

Questioned Costs: \$152,646 (see summary below):

- **Special Education Cluster:** \$36,106 (Untimely)
- **21st Century Community Learning Centers:** \$2,476 (Untimely)
- **Medical Assistance Program:** \$13,699 (\$8,906 untimely, \$4,793 incorrect documentation)
- **Reading First State Grants:** \$2,889 (Inadequate support)
- **English Language Acquisition Grants:** \$26,144 (\$19,503 untimely of payroll samples and \$6,641 untimely from journal entry samples)
- **Improving Teacher Quality State Grants:** \$6,158 (Untimely)
- **Child Care and Development Fund:** \$2,282 (Inadequate support)
- **Workforce Investment Act:** \$24,521 (Untimely)
- **GEAR-UP:** \$6,096 (Untimely)
- **Fund for the Improvement of Education:** \$5,191 (Untimely)
- **Special Education Cluster (Recovery Act):** \$27,084 (Untimely)

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

Recommendation

We understand that in June 2010, the District updated its procedures for monitoring compliance with federal time reporting requirements. Therefore, we recommend that the District continue to provide ongoing training to appropriate personnel on the updated procedures. We also recommend that the District meet with the School Administrative Assistants who oversee time reporting in schools, and provide them additional guidance.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the finding. The District will continue to provide ongoing training to appropriate personnel, and is developing an on-line training class on time and effort requirements. The District is continuing to explore a more automated method for employees to provide time and effort certifications.

The District has also begun requiring assurances from all sites that they have completed all of the required time documentation. The District will reinforce the importance of diligent review of the time and effort certification with all of the sites.

Program Identification

Finding Reference Number:
Federal Program Title, Awarding
Agency, Pass-Through Entity,
Catalog of Federal Domestic
Assistance (CFDA) Number,
Award Number and Year:

F-10-02

Title I Grants to Local Educational Agencies: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.010 and 84.389 Grant Agreement 10-14329-6473;

English Language Acquisition Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.365, Grant Agreement 10-10084-6473;

Compliance Requirement:

Allowable Costs

State Audit Guide Finding Code:

30000 and 50000

Criteria

Code of Federal Regulations – Title 34 – Education, Part 75 – Direct Grant Programs – Subpart F – What Are the Administrative Responsibilities of a Grantee? Section 75.702 Fiscal control and fund accounting procedures.

- A grantee shall use fiscal control and fund accounting procedures that ensure proper disbursement of and accounting for federal funds.

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment A, General Principles for Determining Allowable Costs, Part C, Basic Guidelines:

- Factors affecting allowability of costs. To be allowable under federal awards, costs must meet

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

the following general criteria:

- a. Be necessary and reasonable for proper and efficient performance and administration of federal awards.
- b. Be allocable to federal awards under the provisions of this circular.
- c. Be authorized or not prohibited under state or local laws or regulations.
- d. Conform to any limitations or exclusions set forth in these principles, federal laws, terms and conditions of the federal award, or other governing regulations as to types or amounts of cost items.
- e. Be consistent with policies, regulations, and procedures that apply uniformly to both federal awards and other activities of the governmental unit.
- f. Be accorded consistent treatment. A cost may not be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the federal award as an indirect cost.
- g. Except as otherwise provided for in this circular, be determined in accordance with generally accepted accounting principles.
- h. Not be included as a cost or used to meet cost sharing or matching requirements of any other federal award in either the current or a prior period, except as specifically provided by federal law or regulation.
- i. Be the net of all applicable credits.
- j. Be adequately documented.
- Allocable costs.
 - a. A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.
 - b. Any cost allocable to a particular federal award or cost objective under the principles provided for in this circular may not be charged to other federal awards to overcome fund deficiencies, to avoid restrictions imposed by law or terms of the federal awards, or for other reasons.

Condition

As part of our procedures over program expenditures, we selected a sample of adjusting journal vouchers for non-payroll expenditures that were recorded and charged to the program to ascertain whether they were appropriately supported in accordance with OMB cost circular documentation requirements. We noted that the following adjusting journal vouchers recorded to expenditure accounts were not allowable in accordance with OMB Circular A-87 or the program guidelines:

Title I Grants to LEAs (CFDA 84.010): Based on our 25 samples, we noted the following:

- 1 journal voucher totaling \$4,348 was charged for the mileage reimbursement; however, no detailed documentation was provided to support the allocable.
- 1 journal voucher totaling \$2,078 was charged for food services provided to students who took spring CST test, and food services provided to non Title I schools which participated. The Option Fair Food costs are not allowable to the program.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

- 1 journal voucher totaling \$45,782 was for reproduction expenditures for printing a summer school mailer for 329 schools. However, we noted that 36 out of 329 schools were not Title I schools for fiscal year 2009-10. The questioned cost for the 36 schools amounted to \$5,010.

Total exception of \$11,436 of the \$3,065,557 sampled of the \$4,616,132 charges of journal vouchers for the fiscal year 2009-10.

In addition, as part of our procedures over program expenditures, we selected samples of non-payroll expenditures charged to each program to ascertain whether the expenditures were allowable per program regulations, accurately charged to the program, and appropriately supported in accordance with the OMB cost circular documentation requirement.

Title I Grants to LEAs (CFDA 84.010): Based on our 60 samples, we noted the following:

- 2 samples totaling \$11,470 were charged for copier machine maintenance on a non-Title I supported property and for purchases of love seats and electronic director signs. These costs were unallowable to the program.
- 1 sample totaling \$9,106 was charged for table purchases; however, according to the Title I Budget Justification for the school who transferred such cost, the table was not included in the budget funded by Title I.

Total exception of \$20,576 of the \$17,754,264 sampled of the \$88,747,603 charges of expenditures for the fiscal year 2009-10.

English Language Acquisition Grants: Based on our 40 samples, we noted the following:

- 2 samples totaling \$7,698 were charged for backpacks and certain non-program related supplies such as privacy screen and cutters.

Total exception of \$7,698 of the \$617,530 sampled of the \$5,859,174 charges of expenditures for the fiscal year 2009-10.

Cause and Effect

There does not appear to be adequate controls to ensure that all program expenditures including adjusting journal vouchers are allowable to the federal programs and sufficiently supported with appropriate documentation for allowable activities.

These findings are repeat findings, have been reported previously for June 30, 2007 to June 30, 2009 (F-07-04, F-08-02, and F-09-02).

Questioned Costs

Title I Grants to LEAs (CFDA 84.010): \$32,012

English Language Acquisition Grants: \$7,698

Recommendation

We recommend that the District provide additional guidance/training to ensure appropriate documentation is maintained to support expenditures charged to federally funded programs. The District should also strengthen its controls over its charges to the federally funded programs to ensure that the reimbursement is in accordance with federal guidelines.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the finding. The District will continue to provide guidance and training to ensure expenditures fall within program guidelines. The District's handbooks and materials on budgeting that are part of the budget packet given to all schools clearly identify allowable expenditures. Prior to Journal Vouchers being processed, Accounting & Disbursements will require the program administrator to review to ensure that they are appropriate.

Program Identification

Finding Reference Number:	F-10-03
Catalog of Federal Domestic Assistance (CFDA) Number:	93.575 and 93.596
Federal Program Title:	Child Care and Development Fund: Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund; U.S. Department of Health and Human Services
Pass-Through Entity:	California Department of Education
Award Number:	Contracts CCTR-9129 and CSPP- 9233
Compliance Requirement:	Eligibility
State Audit Guide Finding Code:	30000 and 50000

Criteria

Section D of the District Contract with CDE, Certification of Eligibility:

The contractor shall designate the staff person authorized to certify eligibility. Prior to initial enrollment and at the time of recertification, an authorized representative of the contractor shall:

- Certify each family's/child's eligibility for child care and development services after reviewing the completed application and documentation contained in the family data file.
- Issue a notice of Action and Application for services.

Section E, Child Care and Development Center-Based Program Requirements, Contents of Family Data File:

- The Contractor shall establish and maintain a family data file for each family receiving child care and development services.
- The family data file shall contain a completed and signed application for services and the following records as applicable to determine eligibility and need in accordance with above:

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

- a. Documentation of income eligibility, including an income calculation worksheet;
- b. Documentation of employment;
- c. Documentation of seeking employment;
- d. Documentation of training;
- e. Documentation of parental incapacity;
- f. Documentation of child's exceptional needs;
- g. Documentation of homelessness;
- h. Documentation of seeking permanent housing for family stability;
- i. Written referral from a legally qualified professional from a legal, medical or social services agency or emergency shelter for children at risk of abuse, neglect or exploitation;
- j. Written referral from a county welfare department, child welfare services worker, certifying that the child is receiving protective services and the family requires child care and development services as part of the case plan;
- k. For parents receiving cash assistance, documentation regarding the approved welfare to work plan or activity that may include documentation of days and hours of need;
- l. If the parent of the child was on cash assistance, the date the parental cash aid was terminated.
 - A signed Child Care data collection Privacy Notice and Consent Form CD 9600A (Rev. 01/04) shall be included.
 - Notice of Action, Application for Services and/or Recipient of Services shall be included.
 - The family data file shall contain all child health and current emergency information required by California Code of Regulations, Title 22, Social Security, Division 12, and Community Care Facilities Licensing Regulations with the following exception. Immunization records are not required to be in the family data file for children attending a public or private elementary school or for children receiving care in licensed facilities and reimbursed pursuant to Education Code sections 8220 and 8350.

Section G. Documentation and Determination of Family Size

1. A parent shall provide the names of the parents and the names, gender and birthdates of the children identified in the family. The parent shall provide supporting documentation regarding the number of children and parents in the family.
 - a. The number of children shall be documented by providing one of the following documents, as applicable:
 - Birth certificate;
 - Court orders regarding child custody;
 - Adoption documents;
 - Records of Foster Care placements;
 - School or medical records;
 - County welfare department records; or

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

- Other reliable documentation indicating the relationship of the child to the parent.

Condition

In our procedures performed to determine eligibility for the childcare program called CCTR, we sampled a total of 60 files from 10 out of 100 Early Education Child Care Centers and requested the children files such as annual recertification forms, pay stubs or letters to determine whether the eligibility status recorded in the Early Education Student Information System (EESIS) was accurate and supported. A total of 5 exceptions were noted as a result of the review and they were:

- A. For 1 of the 60 files, the recertification form was provided without any employment verification letter supporting the annual income calculation.
- B. 1 out of 60 files was missing the birth certificate or other documentation verifying the birth date.
- C. 3 out of the 60 files showed that annual recertification was not performed in a timely manner. The annual recertifications were delayed by 6 days in 2 cases and 3 days in 1 case.

Cause and Effect

It appears that a lack of effective and timely monitoring by the District over the functions performed by the center managers and possible staffing issues have resulted in a failure to follow procedures during eligibility determination and annual recertification.

This finding is a repeat finding reported previously in June 30, 2009 (F-09-04).

Questioned Costs

\$17,431

The final program cost for the child care program is calculated by the California Department of Education (CDE) in accordance with sections 18039, 18054 and 18064 under the Title 5 of the California Code of Regulations. The calculation is also performed and determined on the form CDFS 9500F. As of our report date, CDE has not submitted such form or the final cost determination to the District. As such, the questioned cost for exceptions A and B were projected based on *the minimum number of days of operation of 246 days* for fiscal year 2009-10 multiplied by *the Maximum Rate per Child day of enrollment of \$34.38* for the fiscal year 2009-10 which amounted to \$16,915. For exception C, since the later recertification indicated that the children were eligible for the program, we estimated the questioned cost only for the number of days delayed, namely 6 days, 6 days and 3 days (total of 15 days) multiplied by the *Maximum Rate per Child day of enrollment of \$34.38* for the fiscal year 2009-10, which amounted to \$516. The total questioned cost is therefore estimated to be \$17,431.

Recommendation

We recommend the District strengthen its monitoring process to ensure that student files are reviewed on a regular basis in order to comply with the contract and records provision. The District should

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

also continue to provide training sessions for the center managers to ensure that they are aware of the federal requirements in relation to eligibility and that the required documentation is being maintained.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the finding. The central office staff of the Division will review the findings with Local District Early Childhood Directors and Principal Leaders of Early Childhood schools/centers and provide updated information to reinforce the mandates of these programs. Directors and Principal Leaders will review samples of eligibility records during their regularly scheduled site visits. The Directors will meet with all Office Managers and Administrators to review and reinforce the procedures in the current Bulletins and Guidelines on income verification and recertification as stated in Bulletin 4358.0 "Verification of Monthly Income of Families Enrolled in Early Childhood Education Programs", dated July 1, 2008 and Bulletin 4365.0 "Recertification Procedures for Families Enrolled in Early Childhood Education Programs", dated July 21, 2008. Directors and Principal Leaders will provide copies of the agendas and meeting dates of all professional development activities related to verification and certification for eligibility in Early Childhood Education programs. Central office staff from the Early Education Division will meet individually with new office managers and administrators at the school/center site to provide individualized in-service and review the procedures for income verification and recertification based on current Bulletins and Guidelines.

Program Identification

Finding Reference Number:

F-10-04

Federal Program Title, Awarding Agency, Pass-Through Entity, Catalog of Federal Domestic Assistance (CFDA) Number, and Award Number:

Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children, U.S. Department of Agriculture (USDA); Passed through the California Department of Education, CFDA No. 10.553, 10.555, and 10.559, Grant Agreement No. 19-64733-0000000-01

Title I Grants to Local Educational Agencies: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.010 and 84.389 Grant Agreement 10-14329-6473;

Vocational Education Basic Grants to States: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.048, Grant Agreements 09-14894-64733-00 and 09-14893-6733-00;

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

Safe and Drug-Free Schools and Communities, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.186, Grant Agreements Q186A080005 and Q215E60268;

Fund for the Improvement of Education, U.S. Department of Education (ED), CFDA No. 84.215, Grant Agreements V215L052108, and S215L060084;

English Language Acquisition Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.365, Grant Agreement 10-10084-6473;

Workforce Investment Act, Title II: Adult Education and Family Literacy Act, Pass through the California Department of Education, CFDA No. 84.002, Grant Agreement 09-1419-64733.

Compliance Requirement:

Equipment Management

State Audit Guide Finding Code:

20000, 30000, and 50000

Criteria

Code of Federal Regulations, Title 34 – Education, Part 80 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments – Subpart C – Post – Award Requirements, Section 80.32, Equipment, Part (d):

- Management Requirement – Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:
 - (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
 - (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
 - (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

- (4) Adequate maintenance procedures must be developed to keep the property in good condition.
- (5) If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

Condition

Based on our review of the District's latest policies and procedures (i.e. BUL-953 and BUL-1158), it is our understanding that all equipment purchased regardless of source of funding must be in compliance with those standards listed on the bulletins. In our procedures performed over the equipment management, we selected 44 schools and reviewed their inventory system to determine if the schools were in compliance with the required standards in Bulletin 3508 and noted the following deficiencies:

1. Certain items on the inventory logs we reviewed did not include all of the required information of the property for 32 schools. The following summarizes the components missing from the inventory log:

<u>Missing Required Component</u>	<u>Number of Schools</u>
Purchase Date	26
Cost of property	29
Property description	5
Location of property	3
Funding source	29

2. Information for the purchase date, cost of the property, and funding source was omitted entirely on the inventory logs for 2 schools.
3. A police report for a missing property identified on the log was not provided for 2 schools.
4. Incomplete log: Certain items we selected at the school sites were unable to be located on the inventory log maintained by 7 schools.
5. Unlocated property: Certain items reported on the inventory logs were unable to be located at 4 of the school sites.
6. Inadequate support for disposed item: Of the 4 schools where unlocated property was noted, 2 of the schools further explained that the missing items had been disposed of; however, both schools were unable to provide us with the disposal forms to support the missing items.

In addition, schools and local district offices are also required to comply with specific policies if the equipment was purchased with categorical funds. Therefore, we further reviewed the BUL-3508.1 and performed procedures to determine whether the schools were in compliance with such policies and procedures and we noted the following exceptions for Title I Grants to Local Educational Agencies:

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

1. 49 out of 713 schools did not submit either "Principal Certification" or "Categorical Equipment Inventory" as required by the BUL-3508.1.
2. Of the 60 schools we sampled for the review of the Principal Certification or Categorical Equipment Inventory submitted by the schools, we noted that 1 school purchased equipment of \$19,806, however, the school submitted the Principal Certification, which is required to be submitted if no equipment was purchased with categorical funds during the year.

Vocational Education Basic Grants to States: In our procedures performed over the inventory for equipment purchased with the Vocational Education Basic Grants, we noted the following deficiencies:

1. According to the Management of Vocational Education Equipment issued by CDE, grantees are required to include information on the transfer, replacement or disposition and current equipment condition on the inventory logs. However, based on our review of the inventory logs, none of the required elements were included on the inventory logs.
2. A discrepancy between the school equipment log and actual purchases for 2 schools were also noted during our review.
 - 34 computers were recorded on the log but 35 computers were purchased per invoice for 1 school.
 - 34 computers were recorded on the log but 33 computers were purchased per invoice for another school.

Child Nutrition Cluster: The Food Services Branch (FSB) has implemented an automated system of accounting for equipment inventory called Filemaker, which has the capabilities to capture all equipment purchased with cafeteria funds. In our procedures performed over accuracy and completeness of the equipment inventory, we noted that the acquisition cost and other necessary information to calculate the Federal share of the equipment were omitted. Through our discussions with the FSB personnel, the FSB has already updated the entire policies and procedures for the inventory for equipment which took effect in October 2010.

Cause and Effect

Adequate supervision and sufficient guidance/training over inventory and management of equipment or property may not be provided to the personnel at the schools.

This is a repeat finding from June 30, 2009 (F-09-06) for Child Nutrition Cluster.

Questioned Costs

Not applicable. This finding is considered a programmatic non-compliance issue as well as a deficiency in the internal control system to properly monitor and supervise the personnel who are assigned to perform the inventory management.

Recommendation

We recommend the District continue to strengthen its controls over property management by providing adequate supervision/training to ensure that inventory management be performed properly.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the finding. The Food Services Equipment team developed a training that was presented to the Area Food Services Supervisors on June 16th, 2010. A copy of the presentation, agenda and sign-in sheets were submitted in July 2010 to the audit team. Due to the rollout of the Cafeteria Management System, the Area Food Services Supervisors will be presenting the new inventory procedures to Food Services Managers in their December Managers' meeting. The managers will conduct the equipment inventory and submit documentation to the Food Services office by February 1, 2011. The listings will include all information required by federal regulations. Supervisors will also re-train the Cafeteria Staff in March 2011, so the equipment inventory can be conducted again in April and May 2011. Vocational Education Program equipment inventory logs were updated on September 30, 2010 to include the missing required information and staff has been trained.

Program Identification

Finding Reference Number:	F-10-05
Federal Catalog of Domestic Assistance Number:	10.561
Federal Program Title:	State Administrative Matching Grants for Food Stamp Program, U.S. Department of Agriculture (USDA)
Pass-Through Entity:	California Department of Education
Award Number:	07-65328
Compliance Requirement:	Matching
State Audit Guide Finding Code:	30000

Criteria

Exhibit B of the Grant Agreement 07-65328 with the California Department of Public Health:

- A. The contractor shall contribute qualifying network nutrition education contributions from its own State share resources to the extent of the Contractor's State Share as detailed in the State Share Budgets signed and approved as final by the contractor. The Contractor's State share must be from a public, non-Federal source. The Contractor's State share cannot be used to match another Federal program.
- B. The Contractor is responsible for maintaining verifiable records of all State Share contributions. The Contractor shall submit quarterly, State share reports documenting State Share contributions. The State share documentation report shall be submitted in a form and format prescribed by the State.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

- C. The Contractor shall return any funds necessary to repay the State for any Federal audit exceptions resulting in the disallowance of contract funds in which the contractor has not complied with the requirements of this agreement and applicable Federal regulations.
- D. The Contractor agrees to match each federal dollar with two dollars of State share contributions as detailed in the State Share budgets.”

Condition

In our procedures performed over matching contributions, we requested documentation to support the reported matched expenditures for two (2) quarters, January 2010 to March 2010 (third quarter) and April 2010 to June 2010 (fourth quarter) for which a total matching contribution comprising personnel salaries, fringe benefits and indirect expenses of \$7,457,064 and \$7,509,876 were respectively reported and we noted the following:

The District’s personnel matching are principally derived from the certificated employees such as teachers, nurses and coordinators who participate in the program at participating schools. Each participant is required to maintain a detailed weekly time log designed by the District’s Nutrition Network Department (Department) who operates the program, to record the hours spent on program activities and submit the log quarterly to the Department for matching reporting purpose. The matching personnel costs are computed by the Department by multiplying the hours claimed on these time logs by the actual hourly salary rates paid to the employees. Fringe benefits are calculated at a uniform rate of 25% of salaries and indirect costs at the state approved rate of 2.75% of direct costs comprising personnel salaries and fringe benefits.

Through discussions with the program director, we noted that the program administrator did not verify if the sources of matching contributions were provided from non-federal grants. Based on the detailed back up provided, we determined that a total of 7,394 and 7,416 teachers reported their hours for matching in the 3rd and 4th quarters respectively. Of the total employees reported for matching, we noted that regular salaries for 598 and 649 teachers respectively were funded at least in part by the Title I of No Child Left Behind (NCLB) program. We then selected a sample of 25 out of the 598 and 649 Title I teachers for the 2 respective quarters to determine if they were funded solely by Title I. Our testing disclosed that the base regular salaries paid to 25 out of 25 employees for quarter 3 and 13 out of 25 employees for quarter 4 were 100% funded by Title I or other NCLB programs. For quarter 4, base salaries paid to 12 out of 25 employees were funded in part by Title I or other NCLB programs and in part by non-federal programs.

The potential questioned matching cost, including salaries, fringe benefits and indirect costs for the 598 and 649 teachers respectively for quarters 3 and 4 amounted to \$560,369 and \$649,928 from the total reported matching of \$7,457,064 and \$7,509,876 for quarters 3 and 4, respectively. The program reported total matching contribution of \$22,045,141 for the fiscal year ended June 30, 2010.

Cause and Effect

The causes of the above conditions were due to insufficient controls in place by the District and lack of knowledge of the federal compliance requirements for matching.

This is a repeat finding from June 30, 2009 (F-09-07).

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

Questioned Costs

This finding may not result in a questioned cost. The program reported expenditures for the year amounting to \$4,640,406. The mandated 200% matching requirement would amount to \$9,280,812. The program reported matching contributions amounting to \$22,045,141 which is 475% of the reported program expenditures for the fiscal year ended June 30, 10. The potential questioned costs that resulted from our procedures for quarter 3 and 4 totaling \$1,220,297 would result in an annualized amount of \$2,440,594 when extrapolated. Since the actual matching reported exceeds this amount, we consider this finding as only related to lack of internal controls over compliance (*material weakness*) as opposed to a finding relating to compliance.

Recommendation

The District should establish policies and procedures to ensure that (1) adequate support for matching be maintained distinguishing federally and non-federally funded time; and (2) the sources of matching contributions are from an allowable (non federal) source.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the finding. The District has created a new 2010-11 Daily Individual Time Log for use by teachers. The new log allows only non-federal time to be reported

Program Identification

Finding Reference Number:	F-10-06
Federal Catalog of Domestic Assistance Number:	84.334
Federal Program Title:	Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP), U.S. Department of Education (USED)
Award Number:	P334A050217 and P334A050178
Compliance Requirement:	Matching
State Audit Guide Finding Code:	30000 and 50000

Criteria

Code of Federal Regulations – Title 34 – Education, Part 80 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments – Subpart C – Post-Award Requirements, Section 80.24, Matching or cost sharing:

- Records. Costs and third-party in-kind contributions counting toward satisfying a cost sharing or matching requirement must be verifiable from the records of grantees and subgrantee or cost-type contractors. These records must show how the value placed on third-party in-kind

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

contributions was derived. To the extent feasible, volunteer services will be supported by the same methods that the organization uses to support the allocability of regular personnel costs.

U.S Department of Education: Gaining Early Awareness and Readiness for Undergraduate Programs, Office of Postsecondary Education:

- Section 404C(b) of the Higher Education Act requires at least 50% of the total cost of a GEAR UP project to be paid with State, local, institutional, or private funds.
- Some GEAR UP grantees proposed in their applications matching contributions exceeding the statutory minimum. Under the GEAR UP regulations at 34 CFR 694.7(a)(2), a grantee is obligated to contribute the entire amount of match stated in its application, even if the amount exceeds the statutory requirement.
- Grantees are required by the GEAR UP regulations at 34 CFR 694.7(a)(2) to comply with the matching percentage stated in their applications for each individual year of the grant.

Condition

GEAR-UP – In our procedures performed over matching contributions, we selected two grants (P334A050217 and P334A050178) that reported matching expenditures totaling \$48,087 and \$2,771,687, respectively, for the fiscal year. We requested documentation to support the reported matched expenditures and noted the following:

Grant P334A050217 (Material weakness and non-compliance finding)

The employees who participated in the GEAR-UP matching program are required to fill out a Personnel Activity Report (PAR) monthly. The PAR is designed to include all matching activities for 12 months and the employee is required to prepare and initial the PAR monthly and sign and submit it to the respective local district at the end of the program year for reporting purposes.

In our sample of 25 PARs totaling \$24,786 for the months of September 2009 through March 2010, we noted that the employees documented the number of hours for matching and signed the PARs for the 6 months period; however, the hours reported for each month were not initialed monthly by the employee as required. In addition, the employees also did not report the activity codes for the hours worked/matched. As such, the matching costs reported from the employees were not in compliance with the OMB Circular A-87.

The total cash match of personnel costs from LD1 amounted to \$48,087 for the period September 1, 2009 through March 31, 2010.

Grant P334A050178 (Significant deficiency)

In our review of 40 PARs, we noted the following internal controls deficiencies over reporting of matching:

- 8 PARs were under-reported by a total of 52.5 hours compared to the actual hours reported on the payroll records (PARs);
- 3 PARs were over-reported by a total of 20 hours compared to the actual hours reported on the payroll records (PARs);

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

The total net under-reported matching amounted by \$2,651 of \$70,749 sampled from \$2,254,474 of the total cash match for salary and benefits.

The total cash match from LD4 amounted to \$2,254,474 for personnel cost and \$41,551 for non-personnel. The remaining balance of the \$475,662 matching was contributed from LD4's subrecipients.

Cause and Effect

The causes of the above conditions were due to insufficient controls in place by the District and lack of knowledge of the federal compliance requirements for matching.

These findings are repeat findings, having been reported previously for June 30, 2005 to June 30, 2008 (F-05-16, F-06-13, F-07-12, F-08-08, and F-09-07).

Questioned Costs

Questioned matching cost for LD1 under grant P334A050217 is \$24,786.

Questioned matching cost for LD4 under grant P334A050178 is not applicable due to under-reported matching cost.

Recommendation

The District should establish sufficient controls, policies and procedures to ensure that (1) supporting documentation for matching is accurately filled out and reviewed; (2) the sources of matching contributions (activity codes) are clearly documented for the hours worked; (3) the values (rates) placed on contributions (including third party in-kind contributions) are supported and accurate; and (4) the hours worked are accurate for the activities performed for matching contributions

Views of Responsible Officials and Planned Corrective Actions

The District disagrees with the questioned matching cost for LD1. Employees completed Personnel Activity Reports (PARs) which indicated the matching activities performed for GEAR-UP and the total hours matched. The PAR's provided sufficient documentation to support that the employees did indeed perform "in-kind" matching for GEAR-UP.

Program administrators will perform monthly reviews of PAR's to ensure proper procedures are followed, including the initialing of monthly reported matching hours. School site administrators and teachers have been trained on collecting matching data. Matching documents were automated in Local District 4 in September 2010 in order to avoid human error.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

Program Identification

Finding Reference Number:

F-10-07

Federal Program Title, Awarding Agency, Pass-Through Entity, Catalog of Federal Domestic Assistance (CFDA) Number, Award Number and Year:

Vocational Education Basic Grants to States: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.048, Grant Agreements 09-14894-64733-00 and 09-14893-6733-00;

Twenty-First Century Community Learning Centers, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.287, Grant Agreements 08-14349-6473-4A, 08-14535-6473-4A, 08-14349-6473-3A, 08-14349-6473-3B, 08-14535-6473-3A, 08-14535-6473-3B, 08-14535-6473-3C, 08-14349-6473-5A, 08-14535-6473-5A, 09-14349-6473-4A, 09-14349-6473-5A, 09-14535-6473-4A, 09-14535-6473-5A, 09-14535-6473-6A, 09-14535-6473-6B, 09-14603-6473-6B, 09-14535-6473-6C, 09-14603-6473-6C, 09-14535-6473-6D, 09-14603-6473-6D;

Reading First State Grants; U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.357A, Grant Agreement 07-14911-6473;

English Language Acquisition Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.365, Grant Agreement 10-10084-6473;

Safe and Drug-Free Schools and Communities, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.186, Grant Agreements Q186A080005 and Q215E60268;

Workforce Investment Act, Title II: Adult Education and Family Literacy Act, Pass through the California Department of Education, CFDA No. 84.002, Grant Agreement 09-1419-64733;

Gaining Early Awareness and Readiness for Undergraduate Programs, U.S. Department of Education (ED), CFDA No. 84.334, Grant Agreements P334A050217 and P334A050178;

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

Child Care and Development Fund: Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund; U.S. Department of Health and Human Services, Passed through the California Department of Education, CFDA Nos. 93.575 and 93.596, Contract CCTR-8159.

Compliance Requirement:

Earmarking – Administration

State Audit Guide Finding Code:

30000 and 50000

Criteria

Vocational Educational Basic Grants to States: United States Code Title 20 – Education, Chapter 44 – Vocational and Technical Education, Subchapter I – Vocational and Technical Education Assistance to the States, Part C – Local Provisions, Section 2355, Local uses of funds, d) Administrative costs:

- Each eligible recipient receiving funds under this part shall not use more than 5% of the funds for administrative costs associated with the administration of activities assisted under this section.

21st Century Community Learning Centers: California Department of Education (CDE), 21st Century Community Learning Centers Program Budget and Information Packet, After School Partnerships Office, October 2005, Budget Information, Administrative and Indirect Costs:

- No more than 15% of paid grant funds may be used for administrative costs each year. Indirect costs are included in administrative costs, and cannot exceed an agency's CDE-approved indirect cost rate or 5%, whichever is less.

Reading First State Grants: United States Code – Title 20 – Education, Chapter 70 – Strengthening and Improvement of Elementary and Secondary Schools, Subchapter I– Improving the Academic Achievement of the Disadvantaged, Part B – Student Reading Skills Improvement Grants, subpart 1 – Reading first, Section 6362, Formula grants to State educational agencies, (c) Subgrants to local educational agencies, (8) Local planning and administration:

- An eligible local educational agency that receives a subgrant under this subsection may use not more than 3.5% of the funds provided under the subgrant for *planning and administration*.

English Language Acquisition Grants: United States Code – Title 20 – Education, Chapter 70 – Strengthening and Improvement of Elementary and Secondary Schools, Subchapter III – Language Instruction For Limited English Proficient and Immigrant Students, Part A-English Language Acquisition, Language Enhancement, and Academic Achievement Act, Subpart 1 – grants and subgrants for English language acquisition and language enhancement, Section 6825, Subgrants to eligible entities:

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

- (b) Administrative expenses – Each eligible entity receiving funds under Section 6824(a) of this title for a fiscal year may use not more than 2% of such funds for the cost of administering this subpart.

Safe and Drug-free Schools and Communities: United States Code – Title 20 – Education, Chapter 70 – Strengthening and Improvement of Elementary and Secondary Schools, Subchapter IV – Twenty-First Century Schools, Part A – Safe and Drug-Free Schools and Communities, subpart 1 – state grants, Section 7114, local educational agency program:

- (a)(2) Administrative costs – Of the amount received under paragraph (1), a local educational agency may use not more than 2% for the administrative costs of carrying out its responsibilities under this subpart.

Workforce Investment Act (WIA): United States Code Title 20 – Education, Chapter 73 – Adult Education and Literacy, Part A – Adult Education and Literacy Programs, Subpart 3 – Local Provisions, Section 9243, Local uses of funds:

- (a) In general – Subject to subsection (b) of this section, of the amount that is made available under this part to an eligible provider—
 - i. not less than 95 percent shall be expended for carrying out adult education and literacy activities; and the remaining amount,
 - ii. not to exceed 5 percent, shall be used for planning, administration, personnel development, and interagency coordination.
- (b) In cases where the cost limits described in subsection (a) of this section are too restrictive to allow for adequate planning, administration, personnel development, and interagency coordination, the eligible provider shall negotiate with the eligible agency in order to determine an adequate level of funds to be used for non instructional purposes.

Workforce Investment Act of 1998, Title II, Section 233, Code of Federal Regulations, Title 34, Part 461, Section 461.40, CDE waived the 5 percentage administrative cost cap and allowed LAUSD a maximum 7 percentage administrative cost cap for the WIA, Title II program for the 2009-2010 fiscal year.

GEAR-UP: Code of Federal Regulation – Title 34 – Education, Part 694 – Gaining Early Awareness and Readiness for Undergraduate Programs – Section 694.9 Notwithstanding 34 CFR 75.560–75.562 and 34 CFR 80.22, the maximum indirect cost rate that an agency of a State or local government receiving funds under GEAR UP may use to charge indirect costs to these funds is the lesser of:

- The rate established by the negotiated indirect cost agreement; or
- Eight percent of a modified total direct cost base.

Child Care and Development Program: CSPP-9233 California State Preschool Program Guide states:

C. Administrative Costs – Contractors may claim administrative costs as defined in Section I above which are directly related to the provision of child care and development services. Reimbursement of administrative costs shall not exceed fifteen percent (15%) of net reimbursable program costs or actual administrative costs and audits.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

Condition

Vocational Education – Basic Grants to States (Significant Deficiency):

Section 131 – Secondary Vocational Education: During our procedures performed over program earmarking requirements, we noted that the District claimed the State approved indirect cost rate of 2.75 percent of total program costs as administrative cost for the fiscal year 2009-10.

Based upon our additional analysis, we identified the following positions and their salaries which appeared to be administrative functions, but their salaries were included in the program expenditures for the fiscal year 2009-10.

Secretary	\$ 47,010
Office Technicians	39,535
Financial Analyst	40,473
	\$ 127,018

The Department that operates the Secondary Vocational Education provided us with their analysis to indicate that the job duties for the above positions were all program directly related functions. However, based on our review of their analysis, we concluded that their job duties (i.e. processing purchase orders, filing, accounting, budget development, financial reporting) are solely administrative functions. As such, the above positions should be reported under administrative costs instead of program costs.

The District's claim for the administrative expenditures amounted to \$164,656 for the fiscal year 2009-10. The maximum allowed administrative cost amounted to \$341,773 which is 5% of the total direct program expenditures of \$6,835,465 (including encumbrances/obligations) for the fiscal year 2009-10. Therefore, the expenditures in question listed above would not cause the District to exceed its administrative earmarking limitation for the fiscal year ended June 30, 2010.

Section 132 – ROC/P Adult Vocational Education: During our procedures performed over program earmarking requirements, we noted that the Department that operates the Section 132 accounted for the administrative costs separately in the general ledger. The Department's claim for the administrative costs amounted to \$113,849. Based upon our additional analysis; however, we identified the following positions and their salaries which appeared to be administrative functions, but their salaries were included in the program expenditures for the fiscal year 2009-10.

Office Technicians	\$ 24,021
Clerk	4,733
	\$ 28,754

Through our further discussion with the program personnel and review of the time documentation (i.e. Daily and Multi-Funded Time Reports, and summary of job duties) provided for the above positions, it was determined that their job duties covered multiple functions between the administrative and direct program activities; however, the administrative portion of their salaries were

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

solely reported as a program function. As such, the administrative costs were under reported as far as the earmarking is concerned.

The District's claim for the administrative expenditures amounted to \$113,849 for the fiscal year 2009-10. The maximum allowed administrative cost amounted to \$163,945 which is 5% of the total direct program expenditures of \$3,278,890 (including obligations) for the fiscal year 2009-10. Therefore, the expenditures in question listed above would not cause the District to exceed its administrative earmarking limitation for the fiscal year ended June 30, 2010.

Twenty-First Century Community Learning Centers: The District tracks the administrative costs on a spreadsheet to support the earmarking provision. In our review of the expenses recorded on the spreadsheet used for program classes 3087, 3088, 3091, 3092, 3093, 3158, 3159, 3160, 3161, 3162, and 3163, the District's calculated administrative costs did not exceed its 15% administrative earmarking limitation for those grants awarded in the fiscal year. However, based on our review of the detailed expenses on the spreadsheet, the salary expenditures for three (3) administrative positions (i.e. Coordinator, Principal Administrative Analyst, and Recreation Program Supervisor) that should have been 100% included in the administrative cost were allocated between program direct and administrative expenditures.

According to the program principal accountant and program coordinator, the positions in question were assigned more than just its administrative functions. Therefore, their salaries were allocated between program direct and administrative cost. However, the allocation basis was based on predetermined percentages and no other supporting documentation was provided to support these percentages.

According to the spreadsheet prepared for the 2009-10 grants (11 grants), the total costs that appear to be 100% administrative is \$174,595 but \$99,345 of which was allocated as direct program cost. The total awarded amount for the grants sampled was \$14,496,681 of which 15% would amount to \$2,174,502. At June 30, 2010, the District had reported a total administrative cost of \$1,616,039. Therefore, the expenditure of \$99,345 in question would not cause the District to exceed its administrative earmarking limitation for the first year ended June 30, 2010.

Reading First State Grants: In our procedures performed over program earmarking requirements, we noted that the District claimed the State approved indirect cost rate of 2.75 percent of the program costs for administrative and planning for the program. However, based on our payroll review, we noted certain positions that would be administrative and planning in nature incurred to administer the program that were not reported in the total administrative and planning expenditures.

Based upon our additional analysis, we identified an office technician position whose job description/functions appeared to be administrative. The salary amounted to \$24,915 which was included in the program expenditures for the fiscal year 2009-10.

Through our further discussion with the program personnel, the duties of such position crossover with multiple activities/functions which are apart from their original job descriptions. However, the allocation of this technician's duties were not documented and reported amongst those activities (between the administrative and direct program activities).

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

The District's claim for the administrative expenditures for the fiscal year 2009-10 amounted to \$107,236. The maximum allowed for the administrative cost amounted to \$136,482 which is 3.5% of the total direct program expenditures of \$3,899,473 for the fiscal year 2009-10. Therefore, the expenditure in question would not cause the District to exceed its administrative earmarking limitation for the fiscal year ended June 30, 2010.

English Language Acquisition Grants: During procedures performed over program earmarking requirements, we noted that the District claimed program administrative costs in excess of 2 percent for the fiscal year 2009-10. The District's program expenditures for the fiscal year 2009-10 were \$26,585,609, of which 2% would amount to \$531,712; however, the District claimed \$643,636 as administrative cost to the program. As a result, the program administrative costs were over-charged by \$111,924.

In addition, we also identified three (3) office technicians' salaries totaling \$128,512 whose duties appeared to be administrative functions, but their salaries were included in the program expenditures for the fiscal year 2009-10.

Through our further discussion with the program personnel, the duties of such position crossover with multiple activities/functions which are apart from their original job descriptions. However, the allocation of their duties were not documented and reported amongst those activities (between the administrative and direct program activities).

Since the District had already claimed over 100 percent of its administrative expenditures, these additional expenditures would cause the District to further exceed its earmarking limitation for the fiscal year ended June 30, 2010 by \$128,512.

Total administrative cost exceeded the 2 percent limitation by \$240,436 (111,924 + 128,512).

Safe and Drug-Free Schools and Communities: During procedures performed over program earmarking requirements, we noted that the District claimed 2 percent of total program cost for administrative cost for the fiscal year 2009-10. In addition, we also noted that the District's program expenditures that were administrative in nature should have been included in the total administrative expenditures.

Based upon our additional analysis, we identified the following positions and their salaries which appeared to be administrative functions, but their salaries were included in the program expenditures for the fiscal year 2009-10.

Financial Analyst	\$	39,869
Secretary		21,849
Senior Secretary		37,775
Stock Clerk		23,764
	\$	<u>123,257</u>

Since the District had already claimed 100 percent of its administrative expenditures for its indirect costs, these additional expenditures would appear to cause the District to further exceed its earmarking limitation for the fiscal year ended June 30, 2010 by \$123,257.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

WIA Adult Education and Family Literacy Act: During procedures performed over program earmarking requirements, we noted that the District's program costs claimed for planning, administration, personnel development, and interagency coordination (administrative) did not exceed more than 7 percent of the total grant award. The District also accounts for such administrative expenditures in a separate program code in the Integrated Financial System (IFS).

However, during our program salary review, we noted that the salary expenditures of the Office Technicians were included in the program expenditures. Through our discussion with the program personnel and accountant, these office technicians were responsible for coordinating all WIA-related testing and data collection activities at the school with specific software knowledge. We were provided an interoffice correspondence indicating that these positions were requested for such specific purpose for this program. In our further procedures, we requested time documentation for all 30 office technicians to verify if their job activities were 100% WIA direct program related and data collection activities. Of the total request, we were provided 23 semi-annual certifications and 7 Daily and Multi-Funded Time Reports (Time Report). Since the activities were not reported on the semi-annual certification, we were not able to determine whether they were direct program related. For the 7 Time Reports provided to support the direct program activities, we noted 2 reports included activities related to record keeping and maintenance (file and equipment inventory) which appeared to be administrative activity; however, those activities were not accounted separately for the administrative functions.

The total contract award amount for the fiscal year 2009-10 was \$13,402,064, of which 7% would amount to \$938,244; however, the District claimed \$393,458 as administrative cost to the program. As a result, the program administrative cost was under-claimed by \$544,786. For 25 out of the 30 positions, we noted that the total salary expenditures of Office Technicians amounted to \$913,450 out of total classified salary expenditures of \$1,372,830 reported as program salary for the fiscal year. Total administrative costs exceeded the 7 percent by \$368,664 (\$544,786 - \$913,450).

Gaining Early Awareness and Readiness: During our procedures performed over program earmarking requirements for two grants (Local District 2 and Local District 4), the District's indirect cost claimed was based on its approved cost rate of 2.75 percent, which was in compliance with the grant limitation provision. However, based upon our review of the payroll expenditures, we noted that other Districts' program direct expenditures that were indirect in nature should have been included in the indirect expenditures. Based on our review, we noted that nine (9) office technicians totaling \$350,426 whose duties appeared to be administrative functions, but their salaries were included in the program expenditures for the fiscal year 2009-10.

Since the District had already claimed over 100 percent of its indirect costs, these additional expenditures of \$350,426 would appear to cause the District to further exceed its earmarking limitation for the fiscal year ended June 30, 2010.

Total questioned cost is \$350,426.

Child Care and Development Program: During procedures performed over program earmarking requirements, we noted that the District's administrative costs were not separately accounted for and

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

therefore, they were not reported accordingly on the final CDFS 9500 for the fiscal year ended June 30, 2009 (which was due on January 2010).

Based upon our additional analysis, the estimated administrative personnel cost appeared to be \$5,100,471 for 2008-09. The maximum allowed amount for administrative cost amounted to \$15,823,845 which is 15% of the total direct program expenditures of \$105,492,299 for the fiscal year 2008-09. Therefore, the un-reported administrative expenditure in question did not cause the District to exceed its administrative earmarking limitation for the fiscal year ended June 30, 2009.

Cause and Effect

Based upon the situations noted above, it appears that the District's policies and procedures do not require a proper accounting for administrative costs for the grants which impose the earmarking limitation. Further, it is not uncommon that an employee is assigned to more than just one activity between direct and indirect or administrative and program direct. Such multiple functions/activities must be accounted for adequately and supported properly to meet the time documentation requirements for allowable activity as well as the earmarking provisions. Until further evidence (timekeeping efforts such as Personnel Activity Report) and a separate accounting system to support the program direct duties/functions distributed to the administrative personnel, the cost claimed for administrative personnel would always be in question.

These findings are repeat findings, having been reported previously for June 30, 2005 to June 30, 2009 (F-05-17, F-06-14, F-06-15, F-07-15, F-07-16, F-08-07, F-08-09 and F-09-08).

Questioned Costs

\$1,082,783

Vocational Education – Basic Grants to States: Not applicable as the claimed administrative cost and the questioned administrative cost together did not exceed the required limitation.

Twenty-First Century Community Learning Centers: Not applicable as the claimed administrative cost and the questioned administrative cost together did not exceed the required limitation.

Reading First State Grants: Not applicable as the claimed administrative cost and the questioned administrative cost together did not exceed the required limitation.

English Language Acquisition Grants: \$240,436

Safe and Drug-Free Schools and Communities: \$123,257

WIA Adult Education and Family Literacy Act: \$368,664

Gaining Early Awareness and Readiness: \$350,426

Child Care and Development Program: Not applicable as the un-reported administrative cost did not exceed the required limitation.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

Recommendation

We recommend that the District establish policies and procedures to ensure that administrative costs are appropriately computed and accounted for separately by each federal program. The policies and procedures should also require employees whose duties crossover with multiple activities/functions which are apart from their original job descriptions, to prepare a personal activity report (PAR) in accordance with OMB A-87 to clearly identify the employees' daily activities supporting the hours worked outside of their normal positions.

Views of Responsible Officials and Planned Corrective Actions

Classified staff carry out various program activities which are allowable expenditures. The District believed semi-annual certifications were sufficient documentation of direct OMB wages as listed in A-87. The District will require additional documentation for positions which may be presumed to be administrative in nature. Program administrators will have classified staff document time on program activities through the use of activity logs. These activity logs will serve as support for program expenditures by classified staff.

Program Identification

Finding Reference Number:	F-10-08
Federal Catalog of Domestic Assistance Number(s):	84.010
Federal Program Titles:	Title I Grants to LEAs, U.S. Department of Education (ED)
Pass-Through Entity:	California Department of Education
Award Number	Grant Agreement 10-14329-6473
Compliance Requirement:	Earmarking – Targeting Funds for Choice-Related Transportation and Supplemental Education Services
State Audit Guide Finding Code:	30000

Criteria

Title 34: Education – Part 200: Title I Improving The Academic Achievement of the Disadvantaged Subpart A—Improving Basic Programs Operated by Local Educational Agencies LEA and School Improvement

§ 200.48 Funding for choice-related transportation and supplemental educational services.

(a) *Amounts required.*

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

- (1) To pay for choice-related transportation and supplemental educational services required under section 1116 of the ESEA, an LEA may use—
 - (i) Funds allocated under subpart A of this part;
 - (ii) Funds, where allowable, from other Federal education programs; and
 - (iii) State, local, or private resources.
- (2) Unless a lesser amount is needed, the LEA must spend an amount equal to 20 percent of its allocation under subpart A of this part (“20 percent obligation”) to—
 - (i) Provide, or pay for, transportation of students exercising a choice option under §200.44;
 - (ii) Satisfy all requests for supplemental educational services under §200.45; or
 - (iii) Pay for both paragraph (a)(2)(i) and (ii) of this section, except that—
 - (A) The LEA must spend a minimum of an amount equal to 5 percent of its allocation under subpart A of this part on transportation under paragraph (a)(2)(i) of this section and an amount equal to 5 percent of its allocation under subpart A of this part for supplemental educational services under paragraph (a)(2)(ii) of this section, unless lesser amounts are needed to meet the requirements of §§200.44 and 200.45;
 - (B) Except as provided in paragraph (a)(2)(iii)(C) of this section, the LEA may not include costs for administration or transportation incurred in providing supplemental educational services, or administrative costs associated with the provision of public school choice options under §200.44, in the amounts required under paragraph (a)(2) of this section; and
 - (C) The LEA may count in the amount the LEA is required to spend under paragraph (a) of this section its costs for outreach and assistance to parents concerning their choice to transfer their child or to request supplemental educational services, up to an amount equal to 0.2 percent of its allocation under subpart 2 of part A of Title I of the Act.
- (3) If the amount specified in paragraph (a)(2) of this section is insufficient to pay all choice-related transportation costs, or to meet the demand for supplemental educational services, the LEA may make available any additional needed funds from Federal, State, or local sources.
- (4) To assist an LEA that does not have sufficient funds to make available supplemental educational services to all students requesting these services, an SEA may use funds that it reserves under part A of Title I and part A of Title V of the ESEA.
 - (b) Cap on school-level reduction. (1) An LEA may not, in applying paragraph (a) of this section, reduce by more than 15 percent the total amount it makes available under subpart A of this part to a school it has identified for corrective action or restructuring.
 - (c) *Per-child funding for supplemental educational services.* For each student receiving supplemental educational services under §200.45, the LEA must make available the lesser of:
 - (d) Unexpended funds for choice-related transportation and supplemental educational services.
 - (1)(i) Except as provided in paragraph (d).
 - (2) of this section, if an LEA does not meet its 20 percent obligation in a given school year, the LEA must spend the unexpended amount in the subsequent school year on choice-related transportation costs, supplemental educational services, or parent outreach and assistance (consistent with paragraph (a)(2)(iii)(C) of this section).

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

(ii) The LEA must spend the unexpended amount under paragraph (d)(1)(i) of this section in addition to the amount it is required to spend to meet its 20 percent obligation in the subsequent school year.

(B) Intends to spend the remainder of its 20 percent obligation on other allowable activities, specifying the amount of that remainder.

Condition

In our procedures performed to review expenditures charged to the Public School Choice Program (Program) funded by Title I Basic grant under the 20% set-aside provision, we were provided a student roster to support one of the charges to close out the year-end final transportation cost per student for 2009-10. According to the roster, there were a total of 608 students who participated in the Program. Based upon our review of the student information provided on the roster, we were able to identify the schools where 88 students who were in PI schools in 2008-09 school year opted to transfer to non PI schools for 2009-10. However, the schools *transferred to* by these 88 students were subsequently determined in October 2009 to be a PI school as well for the school year 2009-10. Furthermore, we also determined that another 9 students on the roster whose home schools were identified as At-Risk PI schools in 2008-09; however, the status of these schools remained the same in 2009-10.

Charging such transportation cost to Title I Basic allocation is allowable; however, it should be excluded when reporting the total amount to earmark for the 20 percent set aside for the subsequent school year.

Cause and Effect

There does not appear to be adequate controls to ensure that transportation costs related to (1) schools which are subsequently determined to be PI schools and (2) At-Risk home schools which students transferred from are properly backed out of the calculation of the 20 percent obligation for the next school year

Questioned Costs

Not applicable; however, the choice-related transportation costs included in the 20% calculation should be adjusted for the above condition and included as part of the unexpended amount which is required to be spent to meet its 20 percent obligation in the subsequent school year.

Recommendation

We recommend that the District revise its reporting procedures to exclude all of the choice-related transportation costs if the transportation did not meet the intent of Public School Choice Program that parents are given choices to transfer their child(ren) from their home schools (if it is a PI school) to a non-PI school.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the finding. The District will establish new procedures to ensure that transportation expenditures that do not qualify for the 20% set aside will be removed from the calculation.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

Program Identification

Finding Reference Number:

F-10-09

Federal Program Title, Awarding Agency, Pass-Through Entity, Catalog of Federal Domestic Assistance(CFDA) Number, Award Number and Year:

Title I Grants to Local Educational Agencies: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.010, Grant Agreement 10-14329-6473;

Vocational Education Basic Grants to States: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.048, Grant Agreements 09-14894-64733-00 and 09-14893-6733-00;

Fund for Improvement of Education, U.S. Department of Education (ED), CFDA No. 84.215, Grant Agreements V215L052108, and S215L060084;

Improving Teacher Quality State Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.367, Grant Agreement PCA14344/14341;

English Language Acquisition Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.365, Grant Agreement 10-10084-6473;

Medical Assistance Program, U.S. Department of Health & Human Services, Passed Through the California Department of Health Services (CDHS), CFDA: 93.778 Grant Agreement C-10606:08:09.

Compliance Requirement:

Period of Availability

State Audit Guide Finding Code:

30000 and 50000

Criteria

Code of Federal Regulations Title 34 – Education, Part 80 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments – Subpart C – Post-Award Requirements, Section 80.23, Period of availability of funds:

- General: Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case, the carryover balances may be charged for costs resulting from obligations of the subsequent funding period.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

- Liquidation of obligations: A grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation) to coincide with the submission of the annual Financial Status Report (SF-269). The federal agency may extend this deadline at the request of the grantee.

Condition

In our review of the period of availability, we noted that the following federal programs were assigned the same general ledger program identifier (i.e. program code) for all award years. By not using separate program codes each year, there is no clear cutoff of expenditures being charged in specific award year or budget period, which increase the risk that the District could charge expenditures to the incorrect period or could claim the expenditures against 2 different awards in overlapping periods. It also makes the District's monitoring of the 90-day liquidation period after the end of an award year more difficult when the specific obligations are not easily identifiable to award years.

- Title I Grants to Local Education Agencies
- Improving Teacher Quality State Grants
- English Language Acquisition Grants

In addition, in our procedures of reviewing the District's compliance with the period of availability requirement, we selected samples from each grants and noted the following exceptions:

Vocational Education Basic Grants to States:

For the current year expenditure testing of 40 samples, we noted that 1 transaction totaling \$7,721 was paid for goods purchased in fiscal year 2008-09. The expenditure was obligated within the award period; however, the obligation was not liquidated within the 90-day liquidation period.

The total exceptions amounted to \$7,721 of \$1,013,424 sampled from the \$9,885,531 total program expenditures for the fiscal year ended June 30, 2010.

Fund for Improvement of Education: For the current year expenditure testing of 40 samples, we noted that 2 transactions totaling \$78,325 were paid for services rendered in fiscal year 2008-09. The obligations were not properly accrued in the correct fiscal year.

The total exceptions amounted to \$78,325 of \$473,139 sampled from the \$5,089,521 total program expenditures for the fiscal year ended June 30, 2010.

Improving Teacher Quality State Grants: For the current year expenditure testing of 40 samples, we noted that 1 transaction totaling \$34,259 was paid for services rendered in fiscal year 2008-09. Since the District combined the expenditures for 2 grants open during the fiscal year into one program, we were unable to determine if the carryover funds from the fiscal year 2008-09 grant were obligated within the twelve month carryover period and liquidated no later than 90 days after the end of the period of availability, or September 30, 2010.

Total exceptions amounted to \$34,259 of \$2,501,731 sampled from the \$55,610,230 total program expenditures for the fiscal year ended June 30, 2010.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

English Language Acquisition Grant: For the current year expenditure testing of 40 samples, we noted that 1 transaction totaling \$7,326 was paid for goods purchased in fiscal year 2008-09. Since the District combined the expenditures for 2 grants open during the fiscal year into one program, we were unable to determine if the carryover funds from the fiscal year 2008-09 grant were obligated within the twelve month carryover period and liquidated no later than 90 days after the end of the period of availability, or September 30, 2010.

Total exceptions amounted to \$7,326 of \$617,530 sampled from the \$27,229,244 total program expenditures for the fiscal year ended June 30, 2010.

Medical Assistance Program: For the current year expenditure testing of 60 samples, we noted that 3 transactions totaling \$22,785 were paid for services rendered in fiscal year 2008-09. Since the District combined the expenditures for the 2 grants open during fiscal year 2009-10 into one program, we were unable to determine if the carryover funds from the fiscal year 2008-09 grant were obligated within the twelve month carryover period and liquidated no later than 90 days after the end of the period of availability, or September 30, 2010.

The total exceptions amounted to \$22,785 of \$1,189,040 sampled from the \$13,809,186 total program expenditures for the fiscal year ended June 30, 2010.

Cause and Effect

Through discussions with District accounting personnel, we have noted that new project/program codes are not established for recurring grant awards (i.e., entitlements, formula grants, etc.) for each grant award year where the District is expected to receive funding in the subsequent year. Thus, funding is comingled for multiple award years in the general ledger. By not using separate project/program codes each year, there is no clear cutoff of expenditures being charged to a specific award year or budget period, which increases the risk that the District could charge expenditures to the incorrect period, claim the expenditures against two different awards in overlapping periods, or not liquidate the funds within the required time period.

These findings are repeat findings, having been reported previously for June 30, 2005 – June 30, 2009 (F-05-19, F-06-17, F-06-18, F-06-19, F-07-18, F-08-12, F-07-19, F-08-12, F-08-13, and F-09-09).

Questioned Costs

\$150,416

Vocational Education Basic Grants to States: \$7,721

Fund for Improvement of Education: \$78,325

Improving Teacher Quality: \$34,259

English Language Acquisition: \$7,326

Medical Assistance Program: \$22,785

Title I Basic Grants to LEAs: Questioned cost is not applicable because no instances of non-compliance (exceptions) were noted from our sample testing. However, the condition described in

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

the first paragraph of this finding applies to this program, the lack of policies and procedures is a deficiency in internal control over compliance.

Recommendation

We recommend that the District implement policies and procedures to closely monitor the expenditures charged to an appropriate grant award period. The District should also perform additional analysis for the grants that do not have separate program/project codes for each award year to ensure that reported program expenditures for each grant award year were claimed and obligated appropriately.

Views of Responsible Officials and Planned Corrective Actions

The District agrees that certain transactions were either not accrued or liquidated properly. The District will continue with its established procedures to closely monitor the expenditures charged to an appropriate grant award period.

Program Identification

Finding Reference Number:

F-10-10

Federal Program Title, Awarding Agency, Pass-Through Entity, CFDA Number, Award Number:

Title I Grants to Local Educational Agencies: U.S. Department of Education (ED), American Recovery and Reinvestment Act (Recovery Act), Passed through the California Department of Education, CFDA No. 84.010, Grant Agreement S389A090005 (PSA 15005);

Title I Grants to Local Educational Agencies, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.389, Grant Agreement 10-15005-6473;

Compliance Requirement:

Procurement, Suspension and Debarment

State Audit Guide Finding Code:

30000 and 50000

Criteria

Code of Federal Regulations, Title 34 – Education, Part 80 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments – Subpart C – Post-Award Requirements, Section 80.36, Procurement:

- Procurement standards:
 - i. Grantees and subgrantees will use their own procurement procedures, which reflect applicable state and local laws and regulations, provided that the procurements conform to applicable federal law and the standards identified in this section.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

- ii. Grantees and subgrantees will maintain records sufficient to detail the significant history of a procurement. These records will include, but are not necessarily limited to the following: Rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.
- Methods of procurement to be followed:
 - i. Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source, or after solicitation of a number of sources, competition is determined inadequate.
 - a. Procurement by noncompetitive proposals may be used only when the award of a contract is infeasible under small purchase procedures, sealed bids or competitive proposals and one of the following circumstances applies:
 - (A) The item is available only from a single source;
 - (B) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
 - (C) The awarding agency authorizes noncompetitive proposals; or
 - (D) After solicitation of a number of sources, competition is determined inadequate.
 - ii. Cost analysis, i.e., verifying the proposed cost data, the projections of the data, and the evaluation of the specific elements of costs and profits, is required.

Condition

Title I Grants to LEAs: In our procurement sample of 40 expenditures funded by Title I Grants to LEA, we noted the following 1 exception:

- Of the expenditures from purchase orders or contracts between the State competitive bid limit of \$78,500 to \$250,000, which required either Invitation for Bid (IFB) or an approved waiver, we noted that neither the IFB nor a justification for single source justification documentation was provided for 1 sample totaling \$20,000.

Total exceptions amounted to \$20,000 of the \$3,517,391 sampled from the \$7,652,498 of total procured expenditures for the fiscal year ended June 30, 2010.

Title I Grants to LEAs, Recovery Act: In our procurement sample of 25 expenditures Title I Grants to LEA, Recovery Act, we noted the following 2 exceptions:

- Of the expenditures reviewed, we noted that an item was purchased from a Piggyback contract. We were not provided the Request for Procurement Action form (RFPA) and Cost/Benefit analysis for 1 sample totaling \$1,487.
- Of the expenditures from professional services contracts, which selected a contractor based on a single source justification, we noted that the single source justification did not have the proper approvals for 1 sample totaling \$29,139.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

Total exceptions amounted to \$30,626 of the \$361,201 sampled from the \$865,905 of total procured expenditures for the fiscal year ended June 30, 2010.

Cause and Effect

The changes made by the District in its updated procurement manual in the Fall of 2009 does not appear to be fully implemented and operating to effectively monitoring and enforce District procurement policies to ensure that sufficient and appropriate documentation is obtained to acquire the goods or services for the federally funded programs.

These findings are repeat findings, having been reported previously for June 30, 2005 to June 30, 2010 (F-05-20, F-06-20, F-07-20, F-08-14, and F-09-10).

Questioned Costs

\$50,626

Title I Grants to LEA: \$20,000

Title I Grants to LEA, Recovery Act: \$30,626

Recommendation

The District should continue to strengthen its controls over its procurement approval process and document retention policies to ensure that required policies of the District are being followed with proper documentation maintained in the procurement files.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the finding. The District believes that it complied with District policies and procedures for the exceptions noted but has been unable to provide the required documentation. Because of a recent reorganization of Procurement Services the District was unable to locate copies of the required RFPA, cost benefit analysis, and single source justification.

Program Identification

Finding Reference Number:	F-10-11
Federal Catalog of Domestic Assistance Number:	84.048
Federal Program Title:	Vocational Education Basic Grants to States (Perkins III), U.S. Department of Education (USED)
Pass-Through Entity:	California Department of Education
Award Number:	Grant Agreements 09-14894-64733-00 and 09-14893-6733-00

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

Compliance Requirement: Reporting

State Audit Guide Finding Code: 30000 and 50000

Criteria

Code of Federal Regulations Title 34 – Education, Part 80 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, Subpart C – Post – Award Requirements, Section 80.20, Standards for financial management systems:

- A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:
- Permit preparation of reports required by this part and the statutes authorizing the grant, and
- Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions or applicable statutes.

The financial management systems of other grantees and subgrantees must meet the following standards:

- Financial reporting: Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- Accounting records: Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

Condition

Program Reporting: In our procedures performed over programmatic reporting, we noted that the District compiled CDE Form 101: E1 Report of Career Technical Education Enrollment and Program Completion (CDE Form 101 or E1) for both adult education and secondary education by retrieving data submitted by individual schools and the Student Information System (SIS). Further, we noted that the District class code was converted to the CBED code for secondary education.

In order to test the accuracy of the data reported on the E1, for Adult and Secondary Vocational Education, we selected 6 CBEDs and traced student population data reported on the E1 and E2 to SIS and noted discrepancies between the numbers of the students reported. In the E1 report for school year 2008-2009, we were unable to reconcile the data on all 3 CBEDs to the baseline information from SIS. The discrepancies noted in E1 were also carried forward to the number of the students reported in E2 because number of students reported on E1 was the basis for the E2 report.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

CBED	Category	SIS/School Data	CDE E1 Report	Variance Over(Under)
4601	Ethnicity	9,525	11,311	1,786
4601	Special Population	10,555	7,013	(3,542)
5724	Ethnicity	1,968	2,001	33
5724	Special Population	1,340	1,877	537
4600	Ethnicity	1,525	1,275	(250)
4600	Special Population	1,243	1,028	(215)

Cause and Effect

The District's policy does not require documentation be maintained to support numbers reported on E1 and E2 and any reconciliation between the information submitted by the individual schools and SIS. The District does not have policies and procedures in place to ensure accuracy of the conversion from CDE course definition to the District secondary education class code.

This is a repeat finding from June 30, 2006 to June 30, 2009 (F-06-25, F-07-25, F-08-18, and F-09-15).

Questioned Costs

Not applicable. This finding is considered a programmatic non-compliance issue as well as a deficiency in the internal control system over the reporting to CDE.

Recommendation

The District should implement policies and procedures to strengthen its controls over reporting for the Secondary Vocational Education program, to ensure that reports are accurately reconciled to the actual data. The District should consult with CDE to determine if it is required to resubmit the revised reports with corrections.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the finding. The District continues to align the District's CTE course codes with the corresponding CBED codes. It is anticipated that once the alignment has been completed, the corresponding data will be reflected in the 2011-12 reports. Therefore, the reports for the 2010-2011 year will not reflect this correction as the data collected is from periods prior to the corrections.

Program Identification

Finding Reference Number: **F-10-12**

CFDA Numbers: 84.287

Federal Program Titles: Twenty-First Century Community Learning Centers, U.S. Department of Education (ED)

Pass-Through Entity: California Department of Education

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

Award Number: Grant Agreements 08-14349-6473-4A, 08-14535-6473-4A, 08-14349-6473-5A, 08-14535-6473-5A, 09-14349-6473-4A, 09-14349-6473-5A, 09-14535-6473-4A, 09-14535-6473-5A,

Compliance Requirement: Reporting

State Audit Guide Finding Code: 30000

Criteria

Code of Federal Regulations, Title 34 – Education, Part 80 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, Subpart C – Post – Award Requirements, Section 80.20, Standards for financial management systems – Financial Administration:

- A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:
 - Permit preparation of reports required by this part and the statutes authorizing the grant, and
 - Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions or applicable statutes.
- The financial management systems of other grantees and subgrantees must meet the following standards:
 - Financial reporting: Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
 - Accounting records: Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

Condition

In our procedures performed over the attendance reporting to the California Department of Education (CDE), we sampled the two (2) Semiannual Attendance Reports (SAR) to CDE and 36 schools to trace the reported attendance information from the District's SAR submitted to CDE to the "Monthly Attendance Report" (MAR), a report provided directly by the District's individual afterschool providers related to the school attendance data. We noted that the attendance was over-and-under-reported for 11 and 7 schools, respectively.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

	Agency	School Name	Attendance to CDE	Attendance per MAR	Over- Reported
1	Boys & Girls Club of Carson	Canoga Park SH.	27,056	27,053	3
2	Great Beginnings	Ritter El.	16,796	16,792	4
3	LA's Best	Gratts El.	34,732	34,615	117
4	LA's Best	Gledhill El.	33,488	33,441	47
5	Para Los Niños	Pio Pico MS.	49,375	49,373	2
6	Woodcraft Rangers	San Gabriel El.	28,101	27,204	897
7	Woodcraft Rangers	San Miguel El.	34,731	34,646	85
8	Woodcraft Rangers	San Antonio El.	26,663	26,588	75
9	Woodcraft Rangers	Haddon El.	29,589	29,588	1
10	Youth Policy Institute	Wilson SH.	23,940	23,892	48
11	YS Plus	Ochoa LC.	12,160	12,149	11
Total:			316,631	315,341	1,290

	Agency	School Name	Attendance to CDE	Attendance Per MAR	(Under)- Reported
1	After School All Starts L.A.	Belvedere MS.	31,961	31,969	(8)
2	After School All Starts L.A.	Vista MS.	25,321	25,367	(46)
3	EduCare Foundation	Jordan SH.	23,996	24,000	(4)
4	EduCare Foundation	San Fernando SH.	32,950	32,966	(16)
5	Woodcraft Rangers	Sharp El.	27,283	27,284	(1)
6	YDP	24 th St El.	28,113	28,125	(12)
7	Youth Policy Institute	Sylmar SH.	23,336	23,339	(3)
Total			192,960	193,050	(90)

The District explained to us that the under-reporting was due to the eliminations on the duplicated attendance records reported on MARs by its sub-recipients. However, the District did not maintain supporting documentation to support the reconciliation process; therefore, we were unable to verify accuracy of the variances. With respect to the over-reporting, the District did not provide us with any explanations.

Cause and Effect

The District's internal control policy and procedures do not require documentation to be maintained to support the reconciliation between the MAR and SAR and do not that SARs be reviewed and approved by the supervisor prior to submission.

Questioned Costs

Questioned cost is not applicable as the payments for this program is not made based on the basis of attendance.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

Recommendation

The District should strengthen its controls to ensure attendance data is compiled and reported accurately. The District should also maintain sufficient documentation to support its results of the reconciliation between the SAR and MAR.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the finding. The specific attendance report exceptions cited in the audit were in the process of being reviewed, a process that is ongoing throughout the school year. Those files have since been reconciled. The major exception was for a program administered by Woodcraft Rangers which accounted for two-thirds of the exceptions noted. This error rate was due to a change in staff and the need for training new data entry personnel. The process has been completed and that file is now reconciled and the amended State reports in all cases have been filed. A new Attendance Handbook was issued and the agencies have been given training in properly recording attendance. Additionally, each agency is audited once each year, and their attendance, sign in procedures and materials are further audited during CPM visits. The CPM instrument is reviewed at agency sites. The new procedures have standardized the input process and formats for agencies submitting data to Beyond The Bell (BTB). This has resulted in increased accuracy. BTB now conducts audits of the submitted data, checks the input against school records, and edits out errors and/or omissions. BTB is working directly with CDE in resolving this issue.

Program Identification

Finding Reference Number:	F-10-13
Federal Catalog of Domestic Assistance Number:	93.778
Federal Program Title:	Medical Assistance Program (Medicaid; Title XIX), Department of Health and Human Services
Pass-Through Entity:	California Department of Education
Award Number:	Grant Agreement C-10606:08:09
Compliance Requirement:	Reporting
State Audit Guide Finding Code:	30000 and 50000

Criteria

Code of Federal Regulations Title 42 – Public Health, Part 431 – State Organization and General Administration, Subpart A:

- Submit all reports required by the Secretary;
- Follow the Secretary's instructions with regard to the form and content of those reports; and

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

- Comply with any provision that the Secretary finds necessary to verify and assure the correctness of the reports.

Condition

The Medicaid program is a national health care program designed to furnish medical assistance to families; to the aged, blind, disabled; and to individuals whose income and resources are insufficient to meet the cost of necessary medical services. The District is reimbursed for the salaries of the employees who are involved with the eligible activities. To claim the salary expenditures incurred for such activities, employees are required to perform a Time Survey quarterly. The Time Survey is a representative sample of staff's work, which is to be used as the basis of the Medi-Cal Administrative Activities (MAA) claim. The ratio of MAA time to total hours of the employees who participated in the Time Survey is the basis used for claims. That ratio is then applied to total salaries and other expenditures for the reporting period. Calculated expenditures are reduced by 50% to arrive at the reimbursable claims.

During our review of the MAA claims submitted by the District, we noted the District mistakenly computed the 2nd quarter claim using the 4th quarter SAP payroll data and the 2nd quarter time survey. As a result, the total base salary could be over or under-reported for the 2nd quarter, since the basis used in the computation was incorrect.

Additionally, the District's current policies included certain procedures to identify and exclude the employees who were funded by any federal programs in the quarterly claim calculations. Further, through our discussion with the District, we noted that procedures performed for such were only for payroll expenditures recorded in SAP, the District's payroll system, which interfaces with their book of records, IFS. However, we noted that there were adjustments related to payroll that were booked directly in IFS. These adjustments; therefore, were not subjected to this analysis. As such, it is possible that there may have been payroll that were originally funded by non-federal programs and recorded in the SAP that was adjusted in IFS to other federally funded programs.

Cause and Effect

We noted that the control over verification of SAP download was not routinely verified by the Student Health and Human Services Division to ensure the information is for the proper reporting period. SAP information should be verified as it is the basis used for reporting claims. Inaccurate information results in over or under reporting.

Journal entries under the program may also impact how reporting and procedures are to be performed. The District should have controls and procedures in place to ensure all journal entries at the IFS level be incorporated in the claims process.

Questioned Costs

We were unable to determine the questioned cost. The District was in the process of re-computing the claims for the 2nd quarter and the result had not been disclosed as of this report issuance date.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

Recommendation

The District should implement policies and procedures to strengthen its controls over reporting to ensure that reports are accurately reconciled to the accurate data and for the proper reporting period. We recommend that the District implement policies and procedures for inclusion of journal entries recorded on the IFS to be part of the claims process to ensure all activities are accounted for.

Views of Responsible Officials and Planned Corrective Actions

The District Agrees with the finding. The District is re-computing the claims for the 2nd quarter with the correct data and will re-submit the claim. The District will verify that data used in preparing claims is for the correct period.

Program Identification

Finding Reference Number:	F-10-14
Federal Catalog of Domestic Assistance Number(s):	10.553, 10.555, and 10.559
Federal Program Title(s):	Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children, U.S. Department of Agriculture (USDA)
Pass-Through Entity:	California Department of Education
Award Number:	19-64733-0000000-01
Compliance Requirement:	Reporting
State Audit Guide Finding Code:	30000 and 50000

Criteria

Code of Federal Regulations Title 7 – Agriculture, Chapter II – Food and Nutrition Service, Department of Agriculture, Part 210 – National School Lunch Program, Subpart E – State Agency and School Food Authority Responsibilities, Section 210.23, Other Responsibilities:

- Retention of records. State agencies and school food authorities may retain necessary records in their original form or on microfilm. State agency records shall be retained for a period of 3 years after the date of submission of the final Financial Status Report for the fiscal year. *School food authority records shall be retained for a period of 3 years after submission of the final Claim for Reimbursement for the fiscal year.* In either case, if audit findings have not been resolved, the records shall be retained beyond the 3-year period as long as required for the resolution of the issues raised by the audit.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

Title 7 – Agriculture, Chapter II – Food and Nutrition Service, Department of Agriculture, Part 210 – National School Lunch Program, Subpart B – Reimbursement Process for States and School Food Authorities, Section 210.8, Claims for reimbursement:

Internal controls. The school food authority shall establish internal controls which ensure the accuracy of lunch counts prior to the submission of the monthly Claim for Reimbursement. At a minimum, these internal controls shall include: an on-site review of the lunch counting and claiming system employed by each school within the jurisdiction of the school food authority; comparisons of daily free, reduced-price and paid lunch counts against data that will assist in the identification of lunch counts in excess of the number of free, reduced-price, and paid lunches served each day to children eligible for such lunches; and a system for following up on those lunch counts that suggest the likelihood of lunch-counting problems

Condition

Per discussion with District's responsible personnel, we noted that the District's retention policy for the claimed meal tickets is 3 months plus the current month after they were collected. The Meal Ticket Reconciliation forms prepared by the school cafeteria personnel are retained for 3 years plus the year when they are prepared. The purpose of Meal Ticket Reconciliation forms is to serve as daily summary reports to summarize all meal tickets collected. Upon collection of all meal tickets, a school cafeteria staff counts and reports the numbers of respective meal tickets collected during the day and records such data into the District's information system called Food Service Data Capture (FSDC). The data input by the school cafeteria personnel into FSDC is then fed into the District's claiming system called Cafeteria Management System (CMS), which is used to prepare the monthly billing to the California Department of Education (CDE).

From the audit perspective, the original meal tickets collected from the students are the main source to support the meal counts for each day. In our procedures performed to observe the meal service process during our school visits at 42 schools which included 27 elementary, 6 middle and 9 high schools, we noted that 6 out of 42 schools did not comply with the District's three month plus current month retention policy with regards to meal tickets; at two schools, meal tickets for the whole month were missing and at others, tickets for 1, 3 and 5 days were missing. Furthermore, our audit procedures also included recounting meal tickets for a selected week in either February or March 2010 and comparing them against the meal counts reported in the FSDC system, for the remaining 36 schools at which we performed site visits. The recount of tickets showed that 7 schools had over-reported meals by \$194.39 and 10 schools had under-reported meals by \$81.87 for the week we sampled for February 2010.

Cause and Effect

It appears that a lack of over-sight at the school cafeteria level has resulted in confusion relating to meal retention policy and errors between number of tickets collected and reported.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

The reasons for non-retention were attributed to misinterpretation of District policy by the cafeteria managers and negligence resulting in premature disposal of meal tickets.

This is a repeat finding from June 30, 2008 (F-08-20) and June 30, 2009 (F-09-14).

Questioned Costs

The questioned cost other than the known questioned cost of \$112.52, if any, was undeterminable because we were unable to perform the verification procedures of the accuracy of the meal tickets reporting.

Recommendation

Pursuant to findings from previous years audits, which included the same finding, the District had already issued a policy memorandum dated July 16, 2010, effective from that day, addressed to food service managers, mandating that meal tickets must be kept on hand and available for review for three years, plus the current school year, keeping in line with federal compliance requirements. Additionally current year tickets were to be maintained at the school site. However, for our entire audit year, that is fiscal year 2009-10, schools did not maintain meal tickets for the federally required time-period of three years. As such, we recommend that the District strengthen its controls regarding the meal counting process. The District should also ensure all cafeteria managers comply with the District's retention policy.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the finding. The District has sent a memo dated July 14, 2010, effective immediately, from the Chief Operating Officer that requires all meal tickets to be kept for three years plus the current year. All managers were provided a copy of the memo and retrained on the procedures upon returning in September 2010. Area Food Services Supervisors will be required to spot check schools with tickets during the school year to ensure the procedures are being followed accurately.

Program Identification

Finding Reference Number:	F-10-15
Federal Catalog of Domestic Assistance Number:	84.334
Federal Program Title:	Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)
Direct Funding Entity:	U.S. Department of Education

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

Award Number:	Grant Agreements P334A050217 and P334A050178
Compliance Requirement:	Reporting
State Audit Guide Finding Code:	30000 and 50000

Criteria

Code of Federal Regulations, Title 34 – Education, Part 80 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, Subpart C – Post – Award Requirements, Section 80.20, Standards for financial management systems – Financial Administration:

- A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:
 - Permit preparation of reports required by this part and the statutes authorizing the grant, and
 - Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions or applicable statutes.
- The financial management systems of other grantees and subgrantees must meet the following standards:
 - Financial reporting: Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
 - Accounting records: Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

Condition

During our review of the Annual Performance Report for Partnership and State Projects reported for the fiscal 2008-09 (APRs) prepared by Local District 4 (LD4) for the grant number P334A050217, we noted that there was a discrepancy of \$89,833 between the APR and the report generated from the Financial Reporting Database (FRDB). Based on our review of the explanations provided by LD4, we confirmed that certain invoices related to the program period (9/1/08 – 8/31/09) were paid subsequent to 8/31/2009 on the FRDB; therefore, the adjustments made to the APR were necessary

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

and should be required when reporting the expenditures funded by the grant during the program year. However, we noted the following internal control deficiencies:

1. LD4 was aware that the adjustments made to the APR should be deducted from the FRDB in the following year when preparing for the APR for the following year. Since the APR is prepared based on the amount recorded from FRDB plus any adjustments adding to the period, any amounts added to the APR should be reconciled to in the following reporting period to avoid double reporting for the same transactions. However, the reconciliation procedure was not documented.
2. The District's cash disbursement system is based on a cash basis of accounting during the fiscal year and accrual is performed at year end (June 30th); whereas, the reporting period for GEAR-UP is from September 1st through August 31st of each year. Therefore, additional accruals may need to be done separately for APR in order to meet the Period of Availability as well as the reporting requirements. However, based on our discussions with the District's personnel, the District did not have standardized policies and procedures to ensure that reports were accurately reconciled for accruals at the beginning and end of each reporting period to reflect the correct expenditures for the correct reporting period, to meet the compliance requirements for the GEAR-UP program.

Cause and Effect

There appears to be lack of policies and procedures covering the process for accurate reconciliation between the FRDB, accruals and the reporting of the Annual Performance Report.

This is a repeat finding from June 30, 2006 to June 30, 2008 (F-06-25, F-07-27, F-08-17 and F-09-13)

Questioned Costs

Questioned cost is not applicable. The deficiencies noted above did not result in over billing to the grantor. The Local District's program cost was reimbursed based on actual costs incurred and reported in the Financial Reporting Data Base (FRDB) for the period.

Recommendation

The District should implement a policy to formalize the documentation of the procedures for APR reporting and to strengthen its controls over the reporting process.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the finding. LD 4 GEAR-UP has revised the reconciliation procedure to more accurately document adjustments made to the APR from District reports. They will maintain an Expense Tracking Worksheet for each of the matching APR categories: travel, equipment, materials and supplies, consultants and contracts, and other costs. They will also receive and reconcile Financial Reporting Data Base reports on a monthly basis. Prior to reporting matching on the APR, they will create a summary sheet tracking fiscal year encumbrances. They will work directly with the accounting analyst assigned to their grant to accurately report program expenditures on the APR.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

Program Identification

Finding Reference Number:

F-10-16

Federal Program Title, Awarding Agency, Pass-Through Entity, Catalog of Federal Domestic Assistance (CFDA) Number, and Award Number:

Twenty-First Century Community Learning Centers, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.287, Grant Agreements 08-14349-6473-4A, 08-14535-6473-4A, 08-14349-6473-3A, 08-14349-6473-3B, 08-14535-6473-3A, 08-14535-6473-3B, 08-14535-6473-3C, 08-14349-6473-5A, 08-14535-6473-5A, 09-14349-6473-4A, 09-14349-6473-5A, 09-14535-6473-4A, 09-14535-6473-5A, 09-14535-6473-6A, 09-14535-6473-6B, 09-14603-6473-6B, 09-14535-6473-6C, 09-14603-6473-6C, 09-14535-6473-6D, 09-14603-6473-6D;

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP), CFDA No. 84.334, U.S Department of Education (ED), Grant Agreements P334A050217 and P334A050178.

Compliance Requirement:

Sub-recipient Monitoring

State Audit Guide Finding Code:

30000 and 50000

Criteria

United States Code, Title 31 – Money and Finance, Subtitle V – General Assistance Administration, Chapter 75 – Requirements for Single Audits, Section 7502, Audit requirements; exemptions:

- Each pass-through entity shall:
 - (a) provide such subrecipient the program names (and any identifying numbers) from which such assistance is derived, and the federal requirements which govern the use of such awards and the requirements of this chapter;
 - (b) monitor the subrecipient's use of federal awards through site visits, limited scope audits, or other means;
 - (c) review the audit of a subrecipient as necessary to determine whether prompt and appropriate corrective action has been taken with respect to audit findings, as defined by the Director, pertaining to federal awards provided to the subrecipient by the pass-through entity; and
 - (d) require each of its subrecipients of federal awards to permit, as a condition of receiving federal awards, the independent auditor of the pass-through entity to have such access to the subrecipient's records and financial statements as may be necessary for the pass-through entity to comply with this chapter.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

Condition

Twenty-First Century Community Learning Centers: The District contracted with 21 agencies under the Beyond the Bell program funded by the 21st Century Community Learning Centers grants. During our procedures performed over subrecipient monitoring, we noted the following:

Review of Subrecipients' Single Audit Reports: Based on our review of the District's sub recipients Single Audit reports, we noted that 2 agencies did not submit a copy of the financial audit report for the fiscal year 2008-09. The District did not provide us with documentation supporting any follow-up action taken to determine if the 2 agencies were required to have a Single Audit, or were exempt for 2008-09. In addition, we also noted that 1 agency which submitted its 2008 Single Audit report in May 2010 had findings. We were not provided with documentation supporting any follow-up action taken to ensure that the required audits were completed within 9 months of the end of the subrecipient's audit period. We were not provided with documentation supporting the District's follow up actions taken/issued on the audit findings.

On-site Sub-recipients Monitoring Review: According to the District's inter-Office Correspondence regarding the on-site monitoring of its sub recipients, it is required by the District's policy to perform on-site visits of all elementary, middle, and high schools at least once a month. The District maintains a log to track completion of the site visits for each school. Based upon our review of the log, we noted that the visit information was missing for 10 out of 80 elementary, middle, and high schools operated by agencies. The District was unable to provide us with any documentation to substantiate the on-site visits. Therefore, we were not able to determine if site visits were ever performed.

There were no formal policies and procedures in place for those agencies which did have a Single Audit performed to (1) ensure that the required audits were completed within 9 months of the end of the subrecipients' audit period; (2) issue a management decision on audit findings within 6 months after receipt of the subrecipient's audit reports; and (3) ensure that the subrecipient takes timely and appropriate correction action on all audit findings.

Review of Subrecipients' Expenditure and Attendance Report: Based on our re-performance of the District's review of subrecipients' expenditure and attendance reports, we noted that 2 out of 10 sampled agencies did not provide supporting documentation for the expenditure report such as timesheets and payroll registers and the District did not provide us with documentation supporting proper follow up actions were taken to request those documents.

There were no formal policies and procedures in place to review subrecipients' expenditure reports and attendance reports.

GEAR-UP – in our procedures for the subrecipient monitoring, we noted the following deficiencies:

1. Local District 4 contracted with 4 subrecipients under contract P334A050178. Based on our review of the agreements with the subrecipients, we noted that 3 of the agreements contained the appropriate award identification information (i.e. CFDA Number, federal awarding agencies, compliance requirements).

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

2. The District's subrecipients for grant numbers P334A050217 and P334A050178 were contracted to provide matching contributions to the program. The subrecipients provided summary schedules and Personnel Activity Reports to the District to support their matching contributions. However, through our discussions with the program directors, we became aware that the District did not have formal monitoring policies and procedures in place to document their monitoring reviews of its subrecipients' matching costs to ascertain whether or not (1) they were necessary and reasonable for proper and efficient accomplishment of the GEAR-UP program objectives; and, (2) if the cost were allowable under the applicable cost principles and conformed to the provisions of the OMB circular. For the grant year 2008-09 (September 08 – August 09), the total matching contributions derived from the subrecipients amounted to \$418,716 and \$687,810 for grant numbers P334A050217 and P334A050178, respectively. The District's total reported matching contributions for the 2 grants amounted to \$914,862 and \$4,115,894 for P334A050217 and P334A050178, respectively.

Cause and Effect

Proper policies and procedures for subrecipient monitoring do not appear to be in place to ensure that the District is in compliance with the applicable OMB requirements.

These findings are repeat findings, having been previously reported for June 30, 2005 to June 30, 2009 (F-05-30, F-06-28, F-06-29, F-07-29, F-08-21, and F-09-17).

Questioned Costs

Not applicable.

Recommendation

We recommend that the District establish policies and procedure to ensure that the subrecipient monitoring compliance requirement be met with the federal requirements.

Subsequent to our audit fieldwork and exit conference, the District's Procurement Service Branch provided us with a copy of the amendment number one to the original agreements for the 3 agencies. The purpose of the amendment was to extend the contract period for 2010-2011 and the award identification was added to the amendment. It is our recommendation that the District strengthen its controls to ensure that all federal award identification is included on the original pass-through agreements and all amendments.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the finding. Beyond The Bell (BTB) has reviewed Single Audit submissions with agencies at their annual agency review meeting. The Single Audits have been obtained for the two agencies reported as not submitting their audits. BTB will develop written procedures for the required monitoring. The GEAR-UP program managers have developed written sub-recipient monitoring policies and procedures that address Single Audit, matching documentation, and program compliance requirements. Procurement Services Division will notify GEAR-UP and 21st CCLC sponsors of the need to include the required flow-down requirements, and will seek a method of enhancing the existing procurement system to ensure sponsor compliance.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

Program Identification

Finding Reference Number:	F-10-17
Federal Catalog of Domestic Assistance Number(s):	84.010
Federal Program Titles:	Title I Grants to LEAs, U.S. Department of Education (USED)
Pass-Through Entity:	California Department of Education
Award Number	Grant Agreement 10-14329-6473
Compliance Requirement:	Special Tests and Provisions – Highly Qualified Teachers and Paraprofessionals
State Audit Guide Finding Code:	30000 and 50000

Criteria

Title 34 – Education, Secondary Education, Department of Education, Part 200 – Title I – Improving The Academic Achievement of the Disadvantaged, Subpart A – Improving Basic Programs Operated by Local Educational Agencies, Section 200.58, Qualifications of paraprofessionals:

- New paraprofessionals. A paraprofessional covered under paragraph (a) of this section, who is hired after January 8, 2002, must have:
 - (1) Completed at least two years of study at an institution of higher education;
 - (2) Obtained an associate's or higher degree; or
 - (3) (i) Met a rigorous standard of quality, and can demonstrate through a formal State or local academic assessment knowledge of, and the ability to assist in instructing, as appropriate:
 - (a) Reading/language arts, writing, and mathematics or
 - (b) Reading readiness, writing readiness, and mathematics readiness.
 - (ii) A secondary school diploma or its recognized equivalent is necessary, but not sufficient, to meet the requirement in paragraph (c)(3)(i) of this section.
- Existing paraprofessionals. Each paraprofessional, who was hired on or before January 8, 2002, must meet the requirements in paragraph (c) of this section no later than January 8, 2006.

Condition

The non-certificated personnel branch provided us a list of 415 non-highly qualified paraprofessionals employed by the District during the school year of 2009-10. Of the total non-highly qualified paraprofessionals, twenty-four (24) were identified by the Branch as having salaries funded by Title I.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

In addition, in our review of the remaining listed paraprofessionals, we found an additional eleven (11) non-highly qualified paraprofessionals with salaries also funded by Title I.

Further, we randomly selected a sample of 44 paraprofessional positions funded by Title I and not on the above list of non-highly qualified paraprofessionals. We noted that 4 paraprofessionals who did not meet the requirements for highly-qualified status but their names were not listed and identified by the Branch.

Cause and Effect

Due to budget cuts, the District has not yet been able to implement a tracking system as recommended in the prior year audit to monitor the placement/transfer of non-highly qualified paraprofessionals hired before January 8, 2002 to ensure that they were not assigned to Title I schools. In addition, the District indicated lack of funds for administrative personnel necessary to manually track placement of non-highly qualified paraprofessionals.

This is a repeat finding from June 30, 2006 – June 30, 2009 (F-06-33, F-06-34, F-07-34, F-08-23 and F-09-19).

Questioned Costs

\$471,509 (including regular time and benefits)

Recommendation

We recommend that the District implement policies and procedures to ensure that non-highly qualified paraprofessionals are not funded by any NCLB programs where a highly qualified status is required to comply with NCLB requirements.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the finding. The District is in the process of enforcing a policy which will remove any paraprofessional who has not fully complied with the requirements of the Federal No Child Left Behind Act. The policy will ensure that all paraprofessionals are brought into compliance or removed from service as a paraprofessional no later than March 31, 2011.

Program Identification

Finding Reference Number:	F-10-18
Federal Catalog of Domestic Assistance Number(s):	84.365
Federal Program Titles:	English Language Acquisition Program, U.S. Department of Education (USED)
Pass-Through Entity:	California Department of Education
Award Number:	Grant Agreement 10-10084-64733-00

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

Compliance Requirement: Special Tests and Provisions – Parental Notification

State Audit Guide Finding Code: 30000 and 50000

Criteria

Elementary & Secondary Education Act, Subpart 5 – Administration, Part C – General Provisions, Section 3302, Parental Notification:

In General – Each eligible entity using funds provided under this title to provide a language instruction educational program shall, not later than 30 days after the beginning of the school year, inform a parent or the parents of a limited English proficient child identified for participation in, or participating in, such program of:

- (1) The reasons for the identification of their child as limited English proficient and in need of placement in a language instruction educational program;
- (2) The child's level of English proficiency, how such level was assessed, and the status of the child's academic achievement;
- (3) The method of instruction used in the program in which their child is, or will be, participating, and the methods of instruction used in other available programs, including how such programs differ in content, instruction goals, and use of English and a native language in instruction;
- (4) How the program in which their child is, or will be participating will meet the educational strengths and needs of the child;
- (5) How such program will specifically help their child learn English, and meet age-appropriate academic achievement standards for grade promotion and graduation;
- (6) The specific exit requirements for such program, the expected rate of transition from such program into classrooms that are not tailored for limited English proficient children, and the expected rate of graduation from secondary school for such program if funds under this title are used for children in secondary schools;
- (7) In the case of a child with a disability, how such program meets the objectives of the individualized education program of the child; and
- (8) Information pertaining to parental rights that includes written guidance:
 - a) Detailing:
 - The right that parents have to have their child immediately removed from such program upon their request and
 - The options that parents have to decline to enroll their child in such program or to choose another program or method of instruction, if available and
 - Assisting parents in selecting among various programs and methods of instruction, if more than one program or method is offered by the eligible entity.
 - b) Separate Notification – In addition to providing the information required to be provided under subsection (a), each eligible entity that is using funds provided under this title to provide a language instruction educational program, and that has failed to make progress

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

on the annual measurable achievement objectives described in Section 3122 for any fiscal year for which part A is in effect, shall separately inform a parent or the parents of a child identified for participation in such program, or participating in such program, of such failure not later than 30 days after such failure occurs.

- c) Receipt of Information – The information required to be provided under subsections (a) and (b) to a parent shall be provided in an understandable and uniform format and, to the extent practicable, in a language that the parent can understand.
- d) Special rule applicable during school year for a child who has not been identified for participation in a language instruction educational program prior to the beginning of the school year, the eligible entity shall carry out subsections (a) through (c) of this section with respect to the parents of the child within 2 weeks of the child being placed in such a program.

Condition

In our procedures performed over participating limited English proficiency (LEP) students, we requested copies of the required parental notifications for the students participating in the program during the 2009-2010 school year. We also requested copies of the school certification forms for notification sent to parents for failure of Annual Measurable Achievement Objectives (AMAO).

In our sample of 40 participating students for the initial parent notifications, we noted the following:

- 10 notification forms were not provided;
- 1 notification form was not dated;
- 11 notification forms were dated either later than 30 days after the beginning of the school year or 2 weeks of the child's enrollment;
- 2 notification forms were dated before the children's enrollment dates.

In our sample of 40 participating students for annual parental notifications, we noted the following:

- 5 annual parent notifications were not provided;
- 6 annual parent notifications were dated later than 30 days after the beginning of the school year.
- 1 annual parent notification was not dated; therefore, we were not able to determine it was issued on time.

In our samples of certifications of AMAO from 40 schools, we noted the following:

- 5 certifications were dated after October 15, 2009.

Cause and Effect

In general, there does not appear to be effective controls in place to ascertain that sufficient documentation is maintained to support the District's compliance.

This is a repeat finding from June 30, 2006 – June 30, 2009 (F-06-36, F-07-33, F-08-22, and F-09-20).

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

Questioned Costs

Not applicable. This finding is considered a programmatic non-compliance issue as well as a deficiency in the internal control system to properly monitor the parental notification process.

Recommendation

We recommend the District continue to strengthen its policies and procedures to ensure that the schools comply with the requirement that all parental notifications are made in a timely manner and the supporting documentation is maintained on file to support the schools' compliance.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the finding. The District will continue to strengthen policies and procedures to ensure that schools comply with the requirement that all parental notifications are provided in a timely manner as follows:

- Implemented on November 1, 2010 a new English Learner Online Accountability System that provides guidelines regarding parental notification and requires school-site principals to certify that notifications were provided to parents within the required timeline.
- Provide professional development that is designed to ensure that school-site principals and EL Coordinators/Designees receive comprehensive training on federal and state mandates, as well as the District's instructional programs for ELs.
- Work collaboratively with Local District staff to provide on-going professional development to school-site EL Coordinators that focuses on federal and state mandates. Each local district meets with school-site EL Coordinators on a monthly basis

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

Section IV - Findings and Questioned Costs Relating to State Awards

S-10-01 - Regular and Special Day Classes – Elementary Schools – Attendance Computations

State Audit Guide Finding Codes: 10000 and 40000

Schools Affected

- Winnetka Elementary School
- Sunland Elementary School
- Broad Avenue Elementary School

Criteria

California Education Code, Section 46300(a) – In computing average daily attendance of a school district or county office of education, there shall be included the attendance of pupils while engaged in educational activities required of those pupils under the immediate supervision and control of an employee of the district or county office who possessed a valid certification document, registered as required by law.

Condition, Cause and Effect

In our sample of 25 elementary schools, we obtained the Student Monthly Attendance Summary Reports (SMASRs) for a sample of teachers for school month five (5). SMASRs are system-generated reports from the District's Integrated Student Information System (ISIS), a system utilized by the teachers to electronically input, submit and certify student attendance on a daily basis. This system, which replaced the manual daily attendance recording through Student Apportionment Attendance Record Cards, was fully implemented for all of the District's elementary schools during FY 2009-2010. We verified whether these SMASRs were reported accurately in the *Second Principal Report (P2)* and the *Annual Principal Report (P3)*. We obtained the monthly statistical reports where all the SMASRs are summarized, for our sampled schools and verified whether the SMASRs were completely and accurately summarized. We then traced these monthly statistical reports to Revised Annual Attendance Ledgers (i.e. ACES Dump Reports), which in turn were traced to the *Second Principal Report (P2)* and the *Annual Principal Report (P3)*.

To test the integrity of data reported in the sampled SMASRs, we selected a sample of absences from notes, phone logs and other absence records and compared these to the SMASRs to verify that these were not included in the calculation of Average Daily Attendance reported in the P2 and P3. In addition, since the SMASRs are generated through ISIS, we also tested the system's general internal controls which included, but were not limited to appropriate access controls.

Out of the 33,103 days of attendance tested, 550 days of excused absences and 160 days of unexcused absences, we noted the following findings.

- **Winnetka Elementary School** - Of 1,425 days of attendance, 27 excused and 2 unexcused absences sampled, we noted the following exception:

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

- One (1) student was absent for one (1) day, as evidenced by an absence note but was recorded as present in the school's monthly attendance summary.
- **Sunland Elementary School** - Of 1,216 days of attendance, 15 excused and 5 unexcused absences sampled, we noted the following exceptions:
 - Two (2) out of the three (3) teachers selected did not maintain absence notes, logs or any absence records to support absences. Therefore, we were not able to verify whether all absences were not included in the calculation of Average Daily Attendance.
- **Broad Avenue Elementary School** - Of 960 days of attendance, 23 excused and 7 unexcused absences sampled, we noted the following exception:
 - One (1) student was absent for one (1) day, as evidenced by an absence note but was recorded as present in the school's monthly attendance summary.

These findings are repeat findings, having been reported previously for June 30, 2009 (S-09-1) but for different schools.

Questioned Costs

\$87 (0.0175 total ADA overstated x \$4,962)

- Winnetka Elementary School
 - 1 day overstated/122 days in single track school year = 0.0082 ADA
- Sunland Elementary School
 - Impact on ADA cannot be determined
- Broad Avenue Elementary School
 - 1 day overstated/108 days in four (4) track - C school year = 0.0093 ADA

Recommendation

We recommend that the District continue to strengthen its controls over implementing District policies over student attendance reporting. Furthermore, we recommend that the District continue to provide adequate attendance reporting training to the schools so that proper attendance reporting procedures are adhered to.

Views of Responsible Officials and Planned Corrective Actions

In recent staff meetings, schools discussed attendance policies, proper procedures for verification and documentation of absences, and record retention. In addition, schools implemented new procedures, including the regular review and monitoring of attendance reports and absence notes, in order to increase accuracy.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

S-10-02 - Regular and Special Day Classes – Secondary Schools – Attendance Computations

State Audit Guide Finding Codes: 10000 and 40000

Schools Affected:

- White Middle School
- Roosevelt High School

Criteria

California Education Code, Section 46300(a) – in computing average daily attendance of a school district or county office of education, there shall be included the attendance of pupils who were engaged in educational activities required of those pupils under the immediate supervision and control of an employee of the district or county office who possessed a valid certification document, registered as required by law.

Condition, Cause and Effect

In our sample of 13 secondary schools, we obtained the weekly attendance summaries for a sample of teachers for month five (5). The weekly attendance summaries are system-generated reports from the District's Integrated Student Information System (ISIS), a system utilized by the teachers to electronically input, submit and certify student attendance on a daily basis. We verified whether these weekly attendance summaries for the schools sampled were accurately reported in the *Second Principal Report* (P2) and the *Annual Principal Report* (P3). We obtained the monthly statistical reports where all the weekly attendance summaries are summarized, for our sampled schools and verified whether the weekly attendance summaries were completely and accurately summarized. We then traced these monthly statistical reports to the Revised Annual Attendance Ledgers (i.e. ACES Dump Reports), which in turn were traced to the *Second Principal Report* (P2) and the *Annual Principal Report* (P3).

To test the integrity of data reported in the sampled weekly attendance summaries, we selected a sample of absences from notes, phone logs and other absence records and compared these to the weekly attendance summaries to verify that these were not included in the calculation of Average Daily Attendance reported in the P2 and P3. In addition, since the weekly attendance summaries are generated through ISIS, we also tested the system's general internal controls which included, but were not limited to appropriate access controls.

We selected a sample of 33,672 days of attendance, 301 excused absences and 251 unexcused absences for testing and noted the following findings:

- **White Middle School** - Of 1,675 days of attendance, 9 excused and 21 unexcused absences sampled, we noted the following exceptions:
 - Three (3) students were absent for one (1) day for each student, as evidenced by absence notes but were recorded as present in the school's weekly attendance summary.
- **Roosevelt High School** - Of 8,360 days of attendance, 65 excused and 74 unexcused absences sampled, we noted the following exception:

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

- One (1) student was reported as present for one (1) period and absent for the rest of the periods. Absent note indicated student was absent for the day.

These findings are repeat findings, having been reported previously for June 30, 2009 (S-09-02) and June 30, 2008 (S-08-02), but for different schools.

Questioned Costs:

\$122 (0.0246 total ADA overstated x \$4,962)

- White Middle School
 - 3 days overstated/122 days in single track school year = 0.0246 ADA
- Roosevelt High School
 - No impact on ADA

Recommendation

We recommend that the District continue to strengthen its controls over implementing District policies over student attendance reporting. Furthermore, we recommend that the District continue to provide adequate attendance reporting training to the schools so that proper attendance reporting procedures are adhered to.

Views of Responsible Officials and Planned Corrective Actions

To help ensure accuracy of attendance data, White MS will provide in-service training to staff, emphasizing the importance of proper coding of absences. In addition, the school will conduct audits regularly and resolve attendance issues accordingly.

To help improve accuracy of attendance reported, Roosevelt High School will inform all staff of the importance of taking attendance accurately and certifying attendance each period daily. In addition, reminders will be sent to teachers to certify attendance and administrators will monitor and follow up on teachers not submitting attendance.

S-10-03 - Attendance Accounting – Continuation Education – Attendance Computations

State Audit Guide Finding Codes: 10000 and 40000

School Affected

- Mission High School
- Monterey High School

Criteria

Title 5, California Code of Regulations, Section 401(d) – in all classes for adults, continuation schools, and classes, and regional occupational centers and programs, attendance shall be reported to the supervising administrator at least once each school month.

California Education Code, Section 46300(a) – in computing average daily attendance of a school district or county office of education, there shall be included the attendance of pupils while engaged in

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

educational activities required of those pupils and under the immediate supervision and control of an employee of the district or county office who possessed a valid certification document, registered as required by law.

California Education Code, Section 46170 – In continuation high schools and continuation education classes, a day of attendance is 180 minutes of attendance but no pupil shall be credited with more than 15 hours of attendance per school per week, proportionately reduced for those school weeks having weekday holidays on which classes are not held.

Condition, Cause and Effect

In our sample of two (2) continuation schools, we traced the total on *Worksheet for Completing the Statistical Report* and compared the totals to the monthly school's *Statistical Report* totals, which in turn were traced to the *Second Principal Report* (P2) and the *Annual Principal Report* (P3) for the fifth school month. We also employed the same sample of two continuation schools and traced the days reported on the Monthly School *Statistical Report* and compared the totals to the Student Apportionment Attendance Cards and the supporting attendance records maintained by the selected teachers.

We noted the following findings:

- **Mission High School** – Of the 1,878 hours (480 days) of attendance, 19 days of excused absences and 11 days of unexcused absences sampled and tested, we noted the following findings:
 - Attendance for eleven (11) students was overstated by 39 hours or 13 days.
 - One (1) student was absent for one (1) day, as evidenced by an absence note but was recorded as present in the Student Apportionment Attendance Card.
- **Monterey High School** – Of 1,677 hours (440 days) of attendance, 16 days of excused absences and 13 days of unexcused absences sampled and tested, we noted the following findings:
 - Attendance for one (1) student was overstated by seven (7) hours or 2.3 days.
 - One (1) student was marked absent for one (1) day but was present per teacher's attendance sheets.

These findings are repeat findings, having been reported previously June 30, 2009 (S-09-03), but for different schools.

Questioned Costs

\$668 (0.1347 total ADA overstated x \$4,962)

- Mission High School
 - 13 days overstated/121 days in single track school year = 0.1074 ADA
- Monterey High School
 - 3.3 days overstated/121 days in single track school year = 0.0273 ADA

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

Recommendation

We recommend that the District strengthen its review process over the compilation of the *Monthly Statistical Reports* to ensure that the reports accurately reflect student attendance data.

Views of Responsible Officials and Planned Corrective Actions

The District will issue a communication to the schools to clearly address proper attendance accounting for continuation high schools. In addition, when implemented, the business rules formulated for ISIS' attendance module for continuation schools will ensure that only the appropriate instructional time is included in the calculation of each student's daily and weekly attendance.

S-10-04 - Attendance Accounting – Independent Study – Attendance Computations

State Audit Guide Finding Codes: 10000 and 40000

School Affected

- Venice Skill Center AEW

Criteria

California Education Code, Section 51747.5 (b) – School districts and county offices of education may claim apportionment credit for independent study only to the extent of the time value of pupil or student work products, as personally judged in each instance by a certificated teacher.

Condition, Cause and Effect

In our sample of 2 schools with independent study programs, we noted the following finding:

- Venice Skill Center AEW – One (1) student's work output indicated that she should have been credited with 20 hours of attendance. The school's records only showed 8 hours or 2 days. The student's hours were underreported by 12 hours or 3 days.

Questioned Costs

(\$116) [(0.0234) total ADA understated x \$4,962]

- Venice Skill Center AEW
 - 3 days understated/128 days in single track school year = (0.0234) ADA

Recommendation

We recommend that the District strengthen its review process over independent study to ensure proper reporting of attendance through appropriate evaluation of pupils' work based on all required documentation on file.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

Views of Responsible Officials and Planned Corrective Actions

The underreporting of attendance resulted from a data entry error and the misconception that only overstated attendance need to be corrected. To increase accuracy in attendance reporting, this AEWC site will delegate the responsibility of data entry to one person only. In addition, all staff will be informed that all discrepancies in attendance discovered during their monthly review and reconciliation will need to be resolved.

S-10-05 - Attendance Accounting – Dependent Charter School – Attendance Computations

State Audit Guide Finding Codes: 10000 and 40000

School Affected

- Alexander Science Center

Criteria

California Education Code, Section 46300(a) – in computing average daily attendance of a school district or county office of education, there shall be included the attendance of pupils while engaged in educational activities required of those pupils and under the immediate supervision and control of an employee of the district or county office who possessed a valid certification document, registered as required by law.

Condition, Cause and Effect

In our sample of two (2) elementary schools, we obtained the Student Monthly Attendance Summary Reports (SMASRs) for a sample of teachers for school month five (5). SMASRs are system-generated reports from the District's Integrated Student Information System (ISIS), a system utilized by the teachers to electronically input, submit and certify student attendance on a daily basis. This system, which replaced the manual daily attendance recording through Student Apportionment Attendance Record Cards, was fully implemented for all of the District's elementary schools during FY 2009-2010. We verified whether these SMASRs were reported accurately in the *Second Principal Report (P2)* and the *Annual Principal Report (P3)*. We obtained the monthly statistical reports where all the SMASRs are summarized, for our sampled schools and verified whether the SMASRs were completely and accurately summarized. We then traced these monthly statistical reports to Revised Annual Attendance Ledgers (i.e. ACES Dump Reports), which in turn were traced to the *Second Principal Report (P2)* and the *Annual Principal Report (P3)*.

To test the integrity of data reported in the sampled SMASRs, we selected a sample of absences from notes, phone logs and other absence records and compared these to the SMASRs to verify that these were not included in the calculation of Average Daily Attendance reported in the P2 and P3. In addition, since the SMASRs are generated through ISIS, we also tested the system's general internal controls which included, but were not limited to appropriate access controls.

Out of the 3,116 days of attendance tested, 47 days of excused absences and 12 days of unexcused absences, we noted the following finding:

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

- **Alexander Science Center** – Of 1,425 days of attendance, 18 excused and 12 unexcused absences sampled, we noted the following exception:
 - One (1) student was absent for two (2) days, as evidenced by an absent note but was recorded as present in the school's monthly attendance summary.

This is a repeat finding from June 30, 2009 (S-09-05), but for different schools.

Questioned Costs:

\$81 (0.0016 total ADA overstated x \$4,962)

- Alexander Science Center
 - 2 days overstated/122 days in single track school year = 0.016 ADA

Recommendation

We recommend that the District continue to strengthen its review process over dependent charter schools' attendance reporting.

Views of Responsible Officials and Planned Corrective Actions

School will implement new procedures that would improve accuracy in attendance reporting. These procedures will include tighter control over the clearing and documentation of absences, monthly review of attendance reports by administration, and monthly audit of absence notes.

S-10-06 - After School Education and Safety Program

State Audit Guide Finding Codes: 40000

School Affected

Belvedere Middle School	Vista Middle School
Normont Elementary School	Ritter Elementary School
Glassell Park Elementary School	Glenhill Street Elementary School
Columbus Avenue Elementary School	Sharpe Elementary School
Pio Pico Elementary	122 nd St. Elementary School
Haddon Elementary School	San Antonio Elementary School
San Gabriel Elementary School	Hughes Elementary School
Rowan Avenue Elementary School	Ellen Ochoa Learning Center
San Miguel Elementary School	Ascot Elementary School

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

Hughes Elementary School	Marvin Elementary School
24 th Street Elementary School	Liberty Elementary School
Loma Vista Elementary School	Magnolia Elementary School
Harrison Elementary School	Hawaiian Elementary School
Hoover Elementary School	Miramonte Elementary School
Norwood Elementary School	

Criteria

California Education Code 8483(a) – (1) Every after school component of a program established pursuant to this article shall commence immediately upon the conclusion of the regular school day, and operate a minimum of 15 hours per week at least until 6:00 on every regular school day. Every after school component of the program shall establish a policy regarding reasonable early daily release of pupils from the program. For those programs or school sites operating in a community where early release policy does not meet the unique requirements of that community or school, or both, documented evidence may be submitted to the department for an exception and a request for approval of an alternative plan.

(2) It is the intent of the Legislature that elementary school pupils participate in the full day of the program every day during which pupils participate and that pupils in middle school or junior high school attend a minimum of nine hours a week and three days a week to accomplish program goals.

California Education Code 8483.1 (a) – (1) Every before school program component established pursuant to this article shall in no instance operate for less than one and one-half hours per regular school day. Every program shall establish a policy regarding reasonable late daily arrival of pupils to the program.

(2) (A) It is the intent of the Legislature that elementary school pupils participate in the full day of the program every day during which pupils participate and that pupils in the middle or junior high school attend a minimum of six hours a week or three days a week to accomplish program goals, except when arriving late in accordance with the late arrival policy or as reasonably necessary.

(2) (B) A pupil who attends less than one-half of the daily program hours shall not be accounted for the purposes of the attendance.

California Education Code 8482 – The purpose of this program is to create incentives for establishing locally driven before and after school enrichment programs both during schooldays and summer, intersession, or vacation days that partner public schools and communities to provide academic and literacy support and safe, constructive alternatives for youth. The term public school includes charter schools.

Condition, Cause and Effect

On a sample basis, we tested attendance documentation of 40 schools and 2,068 students who participated in the After School Education and Safety Program. We examined the attendance records for the selected

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

students and verified that the attendance reporting was complete and accurate. We also verified whether the selected students complied with the attendance requirements established by the District, as required by the California Education Code. We noted the following exceptions:

After School Component of the Program

On a sample basis, we tested the attendance documentation of 26 schools and 1,791 students who participated in the after school component of the After School Education and Safety Program.

There were a total of 29 students in nine (9) different schools who did not have complete sign-in and sign-out time on the sign-in/sign-out sheets. Some students didn't have either the sign-in time or sign-out time. Some students didn't have both. Due to the missing sign-in or sign-out time, we were unable to determine whether the elementary school students participated in the full day of after school program on everyday during which students participated except as consistent with the established early release policy and whether students in middle or junior high schools attended the after school program a minimum of nine hours a week and three days a week, except as consistent with the established early release policy. There were also some students who did not have proper sign-in/ sign-out, as a result, we were unable to determine how long each student participated in the program. The following are the details of the exceptions:

- **Belvedere Middle School** - Two (2) students signed in, but did not properly sign out for a total of two (2) days.
- **Vista Middle School** – Three (3) students signed in, but did not properly sign out for a total of three (3) days.
- **Normont Elementary School** – 17 students either signed in, but did not properly sign out or signed out but did not properly sign in for a total of 17 days.
- **Ritter Elementary School** – Three (3) students signed out but did not indicate the time they signed out for a total of three (3) days.
- **Glassell Park Elementary School** – Two (2) students signed out but did not indicate the time they signed out for a total of two (2) days.
- **Gledhill Street Elementary School** – One (1) student signed out but did not indicate the time they signed out for a total of one (1) day.
- **Columbus Avenue Elementary School** – One (1) student signed out but did not indicate the time they signed out for a total of one (1) day.
- **Pio Pico Elementary School** – One (1) student signed out but did not indicate the time they signed out for a total of one (1) day.
- **Sharpe Elementary School** – One (1) student reflected in the school's quarterly attendance record (QAR) could not be located on the sign-in sheet for one (1) day. One (1) student's sign-in sheet was missing for one (1) day.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

There were 88 students in nine (9) schools that did not comply with the established early release policy. As a result, the following elementary schools had students that did not participate in the full day of the after school program on every day during which pupils participated, and the following middle schools had students that participated less than nine hours a week and three days a week:

- **122nd St. Elementary School** – 18 students did not participate in the full period of the after school program for a total of 64 days that they participated and there were no early release forms to explain why such requirement was not complied with.
- **Glassell Park Elementary School** – One (1) student did not participate in the full period of the after school program for one(1) day that he participated and there was no early release form to explain why such requirement was not complied with
- **Columbus Avenue Elementary School** – Three (3) students did not participate in the full period of the after school program for a total of three (3) days that they participated. They had early release forms, but the reasons for their early release were not in accordance to the early release policy.
- **Pio Pico Elementary School** – Three (3) students did not participate in the full period of the after school program for a total of three (3) days that they participated and there were no early release forms to explain why such requirement was not complied with.
- **Haddon Elementary School** – 17 students did not participate in the full period of the after school program for a total of 17 days that they participated and there were no early release forms to explain why such requirement was not complied with.
- **San Antonio Elementary School** – 12 students did not participate in the full period of the after school program for a total of 12 days that they participated and there were no early release forms to explain why such requirement was not complied with.
- **San Gabriel Elementary School** – Eight (8) students did not participate in the full period of the after school program for a total of eight (8) days that they participated and there were no early release forms to explain why such requirement was not complied with.
- **Hughes Elementary School** – Four (4) students did not participate in the full period of the after school program for a total of four (4) days that they participated and there were no early release forms to explain why such requirement was not complied with.
- **Rowan Avenue Elementary School** – 21 students did not participate in the full period of the after school program for a total of 21 days that they participated and there were no early release forms to explain why such requirement was not complied with.
- **Ellen Ochoa Learning Center** – One (1) student did not participate in the full period of the after school program for one (1) day that he participated and there was no early release form to explain why such requirement was not complied with.

We also obtained the Quarterly Attendance Reports (QAR) for the same schools we sampled and compared the total attendance reported to the attendance records (e.g. sign in/sign out sheets) for the

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

schools for a sample week during the school year 2009-2010. We also tested the completeness and accuracy of the reports by selecting a sample of the students and tracing the same students to attendance records and vice versa. QARs are reports used by the District to report attendance to the California Department of Education (CDE). We noted the following exceptions:

- **Belvedere Middle School** – Three (3) students were absent for a total of three (3) days, according to the sign in/sign out sheets, but were counted as present in the QAR.
- **Vista Middle School** – QAR was overstated by eight (8) days, compared to the sign in sheets. In addition, one (1) student marked present for one (1) in the QAR was not found in the sign in/sign out sheets. One (1) student was absent for one (1) day but was counted as present in the QAR.
- **Normont Elementary School** – QAR was understated by eight (8) days, compared to the sign in sheets. In addition, one (1) student marked present for one (1) day in the sign-in sheet was not included in the QAR.
- **Ritter Elementary School** – QAR was overstated by three (3) days, compared to the sign in sheets. In addition, two (2) students were absent for a total of two (2) days, according to the sign in/sign out sheets, but were counted as present in the QAR.
- **122nd St. Elementary School** – QAR was overstated by four (4) days, compared to the sign in sheets. In addition, one (1) student marked present for one (1) day in the QAR was not found in the sign in/sign out sheets.
- **Haddon Elementary School** – QAR was understated by 53 days, compared to the sign in sheets. In addition, four (4) students marked present for a total of four (4) days in the QAR were not found in the sign in/sign out sheets. Nine (9) students marked present for nine (9) days in the sign-in sheets were not found in the QAR.
- **Sharpe Elementary School** – QAR was understated by 49 days, compared to the sign in sheets. In addition, four (4) students marked present for four (4) days in the QAR were not found in the sign in/sign out sheets.
- **San Antonio Elementary School** – QAR was understated by 62 days, compared to the sign in sheets. In addition, three (3) students marked present for three (3) days in the sign-in sheets were not found in the QAR.
- **San Gabriel Elementary School** – QAR was understated by 28 days. One (1) student marked present for one (1) in the QAR was marked absent in the sign in/sign out sheets. Five (5) students marked present for a total of five (5) days in the sign-in sheets were found on the QAR.
- **San Miguel Elementary School** – QAR was understated by 7 days, compared to the sign in sheets. In addition, three (3) students marked present for three (3) days in the QAR were not found in the sign in/sign out sheets. One (1) student marked present for one (1) day in the QAR was marked absent in the sign in/sign out sheets. Eight (8) students marked present for eight (8) days in the sign-in sheets were not found on the QAR.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

- **Ascot Elementary School** – QAR was understated by 24 days, compared to the sign in sheets. In addition, three (3) students marked present for a total of three (3) days in the sign-in sheets were not found on the QAR.
- **Hughes Elementary School** – QAR was understated by 12 days, compared to the sign in sheets. In addition, one (1) student marked present for one (1) day in the sign-in sheets was not found on the QAR.
- **Marvin Elementary School** – QAR was understated by 8 days, compared to the sign in sheets. In addition, three (3) students marked present for a total of three (3) days in the sign-in sheets were not found on the QAR.
- **24th Street Elementary School** – QAR was overstated by 25 days, compared to the sign in sheets. In addition, eighteen (18) students marked present for a total of 18 days in the sign-in sheets were not found on the QAR.
- **Ellen Ochoa Learning Center** – QAR was understated by 118 days. Five (5) students marked present for a total of five (5) days in the sign-in sheets were not found on the QAR.

Before School Component of the Program

Condition, Cause and Effect

On a sample basis, we tested the attendance documentation of 14 schools and 277 students who participated in the before school component of the After School Education and Safety Program.

There were nine (9) students in three (3) elementary schools that did not comply with the established late arrival policy.

- **Liberty Elementary School** – One (1) student did not participate in at least one-half of the before school program for one day that he participated and there was no late arrival form to explain why such requirement was not complied with. The student was counted as present in the attendance summary.
- **Loma Vista Elementary School** – One (1) student did not participate in at least one-half of the before school program for one day that he participated and there was no late arrival form to explain why such requirement was not complied with. The student was counted as present in the attendance summary.
- **Magnolia Elementary School** - Seven (7) students did not participate in at least one-half of the before school program for a total of seven (7) days that they participated and there were no late arrival forms to explain why such requirement was not complied with. The students were counted as present in the attendance summary.

We also obtained the Quarterly Attendance Reports (QAR) for the same schools we sampled and compared the total attendance reported to the attendance records (e.g. sign in/sign out sheets) for the schools for a sample week during the school year 2009-2010. We also tested the completeness and accuracy of the reports by selecting a sample of the students and tracing the same students to attendance records and vice versa. QARs are reports used by the District to report attendance to the California

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

Department of Education (CDE). They serve as a summary of the sign in/sign out sheets. We noted the following exceptions:

- **Harrison Elementary School** – QAR was understated by 14 days, compared to the sign in sheets. In addition, one (1) student marked present for one (1) day in the QAR was not found in the sign in sheets. Two (2) students marked present for a total of two (2) days in the sign-in sheets were not found on the QAR.
- **Hawaiian Elementary School** - QAR was understated by 4 days, compared to the sign in sheets. In addition, two (2) students marked present for a total of two (2) days in the QAR were not found in the sign in sheets. One (1) student marked present for one (1) day in the sign-in sheets was not found on the QAR.
- **Hoover Elementary School** - QAR was overstated by 2 days, compared to the sign in sheets. In addition, three (3) students marked present for a total of three (3) days in the sign-in sheets were not found on the QAR.
- **Liberty Elementary School** - QAR was overstated by 31 days, compared to the sign in sheets.
- **Loma Vista Elementary School** - QAR was overstated by 2 days, compared to the sign in sheets. In addition, one (1) student marked present for one (1) day in the sign-in sheets was not found on the QAR.
- **Miramonte Elementary School** - QAR was overstated by 2 days, compared to the sign in sheets.
- **Norwood Elementary School** - QAR was understated by 7 days, compared to the sign in sheets.

Questioned Costs

As a result of the above testing, the total under reporting of attendance was 342 days. The California Department of Education will determine the impact of the above exceptions on the After School Education and Safety Program funding if there is any.

Recommendation

We recommend that the District strengthen its procedures on attendance documentation for the After School Education and Safety program. The District should ensure that the agencies performing the services for these programs are aware of the district policies, specifically on maintaining accurate attendance records. We also recommend for the District to perform agency visits to make sure that the established policies are complied with.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the finding. A new Attendance Handbook was issued and the agencies have been given training in properly recording attendance. The Memorandum of Understanding (MOU) for after school programs has been revised and specifically mentions the responsibility for proper enrollment and attendance procedures. Additionally, each agency is audited once each year, and their attendance, sign in procedures, and materials are further audited during CPM visits. The CPM instrument is reviewed at agency sites. The new procedures have standardized the input process and formats for agencies

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

submitting data to Beyond The Bell (BTB). This has resulted in increased accuracy. BTB now conducts audits of the submitted data, checks the input against school records, and edits out errors and/or omissions. BTB is working directly with CDE in resolving this issue.

S-10-7 After School and Safety Program

State Audit Guide Finding Codes: 40000

Criteria

California Education Code 8482 – The purpose of this program is to create incentives for establishing locally driven before and after school enrichment programs both during schooldays and summer, intersession, or vacation days that partner public schools and communities to provide academic and literacy support and safe, constructive alternatives for youth. The applicants for grants pursuant to this article agree to provide school day attendance rates and Program attendance to the Department of Education.

Condition

We performed procedures to verify that the number of student served reported to CDE by the District for the ASES Program is supported by written records that document pupil participation. We compared the numbers reported to CDE and the numbers supported by the District's Quarterly Attendance Reports (QARs), the documents that summarize the number of students served in the District's ASES Program. We also tested, on a sample basis, the attendance reporting made in these QARs. We noted over/under-reporting of attendance for the following schools:

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

Agency	School Name	Attendance per CDE Report	Attendance per QAR	Over (Under) reported
After School All Stars L.A.	Belvedere Middle School	31,961	31,969	(8)
After School All Stars L.A.	Vista Middle School	25,321	25,367	(46)
Great Beginnings	Ritter Elementary School	16,796	16,792	4
LA's Best	Gratts Elementary School	34,732	34,615	117
LA's Best	Gledhill Elementary School	33,488	33,441	47
Para Los Niños	Pio Pico Elementary School	49,375	49,373	2
Ready Set Go	Harrison Elementary School	6,763	6,719	44
Ready Set Go	Hoover Elementary School	2,798	2,762	36
Ready Set Go	Miramonte Elementary School	16,555	16,567	(12)
Ready Set Go	Norwood Elementary School	5,219	5,218	1
Ready Set Go	75th Street Elementary School	10,170	10,157	13
Ready Set Go	Wadsworth Elementary School	12,479	12,464	15
Woodcraft Rangers	Haddon Elementary School	29,589	29,588	1
Woodcraft Rangers	San Antonio Elementary School	26,663	26,588	75
Woodcraft Rangers	San Gabriel Elementary School	28,101	27,204	897
Woodcraft Rangers	Sharp Elementary School	27,283	27,284	(1)
Woodcraft Rangers	San Miguel Elementary School	34,731	34,646	85
YDP	24th Street Elementary School	28,113	28,125	(12)
YS PLUS (YDP)	Ochoa Learning Center	12,160	12,149	11
		Total		1,269

Questioned Costs

The California Department of Education will determine the impact of the above exceptions on the After School Education and Safety Program funding if there is any.

Recommendation

We recommend that the District strengthen its procedures on attendance documentation for the After School Education and Safety program. The District should ensure that the agencies performing the services for these programs are aware of the district policies, specifically on maintaining accurate attendance records. We also recommend for the District to perform agency visits to make sure that the established policies are complied with.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the finding. The specific attendance report exceptions cited in the audit were in the process of being reviewed, a process that is ongoing throughout the school year. Those files have since been reconciled. The major exception was for a program administered by Woodcraft Rangers which accounted for two-thirds of the exceptions noted. This error rate was due to a change in staff and the need for training new data entry personnel. The process has been completed and that file is now reconciled and the amended State reports in all cases have been filed. A new Attendance Handbook was issued and the agencies have been given training in properly recording attendance. Additionally, each

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

agency is audited once each year, and their attendance, sign in procedures and materials are further audited during CPM visits. The CPM instrument is reviewed at agency sites. The new procedures have standardized the input process and formats for agencies submitting data to Beyond The Bell (BTB). This has resulted in increased accuracy. BTB now conducts audits of the submitted data, checks the input against school records, and edits out errors and/or omissions. BTB is working directly with CDE in resolving this issue.

S-10-08 Kindergarten Continuance

State Audit Guide Finding Codes: 40000

School Affected

- Gridley Elementary School

Criteria

California Education Code, Section 48011 – A child, who consistent with Section 48000, has been admitted to kindergarten maintained by a private or public school in California or any other state, and who has completed one school year therein, shall be admitted to the first grade of an elementary school unless the parent or guardian of the child and the school district agree that the child may continue in kindergarten for not more than an additional year.

Condition, Cause and Effect

Using the same 25 elementary schools sampled for attendance reporting, we obtained the list of kindergarten students for school years 08-09 and 09-10. We examined students who were on both list and for such students, obtained supporting agreement of the parent or guardian and the school to ascertain that the student may continue in kindergarten for not more than an additional school year.

We noted the following exception:

- One (1) student was enrolled in a kindergarten class in Gridley Elementary School for more than one school year but did not have supporting agreement from his parent and the school, to authorize such, as required by California Law.

Questioned Costs

\$6,833 (1.5351 total ADA overstated x \$4,962)

- Gridley Elementary School
 - 157 days overstated/114 days in 3- track B school year = 1.3772 ADA

Recommendation

We recommend that the District strengthen its controls in implementing policies about students who need to stay in kindergarten for more than a year.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

Views of Responsible Officials and Planned Corrective Actions

School has implemented new procedures that would clearly identify students to be retained by May of each year, ensure Parental Agreement form is signed by parent/guardian of each of the students, and guarantee that the signed agreements are maintained properly and are available for audit.



3600 WILSHIRE BOULEVARD, SUITE 1710
LOS ANGELES, CA 90010
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.sompsonandsimpsoncpas.com

SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
CARL P. SIMPSON, CPA

December 14, 2010

The Honorable Board of Education
Los Angeles Unified School District
Los Angeles, California

Members of the Board:

We have audited the financial statements of the **Los Angeles Unified School District** (the District) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 14, 2010. In planning and performing our audit of the basic financial statements of the District, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We believe item FS-10-01 constitutes a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider items FS-10-01 to FS-10-06 to be significant deficiencies in internal control.

Although not considered to be significant deficiencies or material weaknesses, we also noted certain items during our audit, which we would like to bring to your attention. These comments are summarized in the following report to management on pages 306 to 314.

We did not audit the District's response to the findings and comments identified in our audit, and accordingly, we express no opinion on it.



The CPA. Never Underestimate The Value.™



This communication is intended solely for the information and use of the Board of Education, District management, 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.

Very truly yours,

A handwritten signature in cursive script that reads "Simpson & Simpson".

Current Year Management Letter Comments

ML-10-01 - Audit Logging of SAP Infotypes

Observation

SAP audit logging is a useful tool for reporting data element changes by showing their old values, new values and the responsible user. This tool can prove essential to identifying potentially fraudulent or erroneous data changes prior to their being an adverse financial impact or unwanted publicity due to a data security breach. However, we noted that the following critical SAP infotypes are not currently logged:

- 267 - Additional Off-Cycle Payments
- 221 - Payroll Results Adjustments

Impact

Unauthorized or erroneous changes to payroll data may not be detected, potentially resulting in an adverse financial impact to the district.

Recommendation

Payroll and ITD management should enable audit logging for the Additional Off-Cycle Payments (267) and Payroll Results Adjustments (221) SAP infotypes.

Management Response

These infotypes will be added to the Audit Log by November 2010 after BTS completes the Enhancement Pack 4 upgrade.

ML-10-02 - Information Security Function

Observation

Given the size, complexity and magnitude of LAUSD's information technology environment, responsibility for implementing information technology security controls, standards, initiatives and policy (e.g., Data Ownership) should be elevated with the ITD organization. Currently, LAUSD's information security function is embedded within ITD at a level that may not adequately ensure that sufficient independence, autonomy, resources and visibility are given to high risk information security matters and initiatives. Our research reveals that the information security function for similarly sized organizations typically reports directly to or is one level from reporting to the CIO, currently LAUSD's security function is organized three levels below the CIO.

Impact

Critical information security risks may not be sufficiently escalated, addressed and mitigated.

Recommendation

The information security function should be organized at a level commensurate with the level of risk and sensitivity associated with the district's mission critical systems and IT infrastructure. Accordingly, we recommend that the information security function be organized at a higher reporting level within the ITD organization to ensure sufficient independence, resources and visibility are given to security matters.

Management Response

ITD agrees with this finding. The information security function reports directly to the CIO as of August 2010.

ML-10-03 - IFS Data and Program Backups are not Periodically Tested

Observation

Currently, the tape backups for the IFS application are not periodically tested to ensure the system can be recovered if the primary system fails. This condition could potentially impact the District's ability to effectively support accounting operations (i.e., Accounts Payable, Accounts Receivable, financial reporting, etc.) in the event of a system failure. This becomes particularly critical as the District does not own the source code for IFS core functionality.

Impact

Information technology operations may not be able to resume in an effective and timely manner if backup tapes have not been periodically tested for recoverability.

Recommendation

Management should schedule periodic testing of IFS backup data and programs to ensure timely and effective recovery of accounting processing in the event the IFS system fails.

Management Response

ITD agrees with this recommendation and will begin testing the process for restoring IFS data and programs from tape backups. To the extent possible we will test this process on a yearly basis.

ML 10-04 - Construction in Progress and Transfers to Depreciable Capital Assets

Observation

Every year, the District undertakes numerous construction projects to either modernize existing school facilities or build new ones. Facilities Program Management, a department within the District's Facilities Services Division (FSD) facilitates the proper accumulation and recording of the costs related to these construction projects. Also, part of FSD's responsibilities is to inform the General Accounting Branch

***The Honorable Board of Education
Los Angeles Unified School District
December 14, 2010***

whenever a construction of an asset is completed. The General Accounting Branch is in charge of the proper accounting of these assets, once they are put in service.

Construction in progress (CIP) is a District general ledger account that refers to the temporary classification of capital assets that are being built/assembled before being placed in service. The District tracks all its costs related to the building/assembly of such assets until the asset is completed. When the asset is completed or substantially completed, all of the accumulated costs are transferred to another account, to indicate that such assets are ready to be put into service and as such, are to be depreciated. Subsequently, depreciation is accounted for using the most appropriate method to properly account for the asset's wear and tear.

Upon testing the correctness of the project amounts accumulated in CIP and subsequently transferred to depreciable capital assets, we noted that some costs were already transferred to completed projects before the construction of the related asset was completed or substantially completed. Consequently, depreciation of such assets was prematurely recorded. We noted that approximately \$675,148,203 in CIP for projects that were prematurely classified as completed in the previous years resulted in an overstatement of depreciation expenses in prior years of about \$27,486,526. In addition, additional CIP projects not yet complete, amounting to \$296,163,726 were prematurely transferred as completed projects in the current year. The District properly adjusted its financial statements to correct the above errors. Furthermore, we noted certain Information Technology Department (ITD) projects that were transferred as completed this year but were actually completed in the prior years. Depreciation expenses for these related assets that should have been recorded in the prior years amounted to \$8,945,568.

Impact

Lack of proper coordination between the Facilities Services Division and the General Accounting Branch resulted in a significant misstatement of construction in progress, depreciable capital assets and depreciation expenses.

Recommendation

We recommend that the FSD perform a more thorough analysis of costs incurred for New Constructions, Existing Facilities and ITD projects, when deciding whether these projects are completed and are ready to be put into operation and therefore, are to be depreciated. This information should be verified by the facilities group supervisors and communicated to the General Accounting Branch. Same for ITD projects, ITD should thoroughly analyze all existing projects and evaluate each project's completion. The results of the evaluation should be communicated as well to the General Accounting Branch for proper recording of the assets' completion.

Specifically, the District should establish and implement a clearer policy that addresses proper identification of completed projects. Currently, FSD's trigger point in determining a project's completion is a "notice of completion" from the District's major construction contractors. This procedure may be appropriate for the Existing Facilities and ITD projects at Existing Facilities; however, as there are several major construction contractors for phases of a New Construction, the "notice of completion" does not appear to be the best document to trigger completion of those projects. We suggest that the "certificate of

***The Honorable Board of Education
Los Angeles Unified School District
December 14, 2010***

occupancy” seems to be a more accurate trigger of when New Construction projects should be moved to the completed asset category and depreciated.

Management Response

The District policy developed by FSD and General Accounting Branch for identifying completed projects is to utilize the “Notice of Completion (NOC)” document for this determination. Although NOC is an important starting point in the determination of project completion, it is only the first step. The procedure put in place by FSD in January 2010 requires the Facilities Division to review each NOC to determine which projects have actually completed construction. This revised policy will better ensure proper depreciation going forward. A similar review methodology will be done by ITD to thoroughly analyze all current projects and evaluate each project’s completion and communicate that information to General Accounting Branch.

ML 10-05 – Recording of Non-Exchange Transactions

Observation

Revenues from government-mandated non-exchange transactions arise when a governmental entity provides resources to a governmental entity that is a lower level than the entity providing the resources and the provider entity requires the recipient entity to use them for a specific purpose. In these types of transactions, the recipient government should recognize revenue when all eligibility requirements are satisfied. The eligibility requirements are categorized as follows:

- Required characteristics of recipients
- Time requirements
- Reimbursements

If cash or another asset is provided before the eligibility requirements are satisfied, the recipient government should record the transaction as an advance (deferred revenue).

From fiscal years 2007-08 to 2009-10, the District entered into non-exchange transactions with a State agency (Office of Public Schools Construction or OPSC) wherein the District was granted both advanced money to be used for specific purposes required by the State agency and reimbursement of expenses already incurred by the District for the same specific purposes. During our substantive testing of revenues in the capital projects fund, we found that the District did not properly defer recognition of the related revenues for the advanced money received from the State agency. As a result, revenues amounting to \$23,122,755 were reversed by the District in the current year. Upon detail testing of the revenues reversed, we verified that this amount actually consisted of advanced money and reimbursements, which meant that a separate analysis of amounts already spent in each category was needed to be performed in order to determine the correct amount of revenues earned and revenues to be deferred. The amount that pertained to reimbursement (\$15,962,194) should have been recorded as revenues in the period received and the amount that pertained to advanced money (\$7,160,581) should have been initially deferred and

***The Honorable Board of Education
Los Angeles Unified School District
December 14, 2010***

recognized as revenues as the District satisfied the eligibility requirements of the non-exchange transaction. The District properly adjusted its financial statements to correct the above errors.

Impact

Lack of proper coordination between the district personnel in charge of monitoring the expenditures incurred from the advanced money and reimbursements from OPSC and the General Accounting Branch resulted in the incorrect recording of the above non-exchange transactions.

Recommendation

For the recording of all non-exchange transactions that the District enters into, such as the State grants and reimbursements related to emergency repairs, we recommend that there should be more effective coordination between the department(s) monitoring the transactions and the General Accounting Branch. General Accounting has the technical knowledge on how to record the transactions properly and the departments that are responsible for the actual transactions are more familiar with the details and status of the transactions.

Management Response

The District concurs with the general recommendation on coordination and communications on recording of non-exchange transactions and specifically pertaining to the Emergency Repair Program. Facilities will establish a joint committee with representatives from both FSD and the General Accounting Branch to discuss improvements in coordination and communication regarding this issue.

Status of Prior Year's Management Letter Comments

ML-09-01 - CICS System Access

Recommendation

Unnecessary and excessive CICS transaction access should be deleted. Also, CICS transaction access should be reviewed by ITD management on a periodic basis, at least annually, to ensure that inappropriate access is removed/disabled in a timely manner.

Current Status

Corrective action(s) implemented. A list of users to delete from the system was created and inappropriate access was deleted subsequent to management reviews, this occurred prior to June 30, 2010.

ML-09-02 - SAP to IFS System Interface Controls

Recommendation

The year-end SAP to IFS system reconciliation process should be documented to ensure management's criteria are consistently applied in the reconciliation process.

***The Honorable Board of Education
Los Angeles Unified School District
December 14, 2010***

Current Status

Corrective action(s) not implemented. In FY2010 year end closing, BTS is working with the business departments to document the procedures and steps for reconciliation of the SAP to IFS interface. The documentation will be finalized by January 31, 2011.

ML-09-03 - UNIX-AIX Root Password Security

Recommendation

The UNIX operating system root account password should be set to expire every 90 days.

Current Status

Corrective action(s) not implemented. Applying the changes proposed in the original management response affected the proper functioning of the AIX systems. Therefore, the root account cannot be locked as we had hoped.

ML-09-05 - Oracle Security Logging

Recommendation

ITD management should evaluate an efficient method/process for enabling the audit logging of Oracle system privilege use.

Current Status

Corrective action(s) not implemented. Due to resource limitations, completion has been rescheduled for December 31, 2010.

ML-09-06 - Oracle Security Patch Management

Recommendation

ITD management should document security patch application management procedures for Oracle.

Current Status

Corrective action(s) implemented. Security patch application management procedures for Oracle have been incorporated into the "Database and Middleware operations - Configuration Control" procedures.

ML-08-05 Excessive Number of Customized T-Codes in SAP

Recommendations

ITD-BTS and Accounting management should review the 650 custom t-codes to determine which T-codes are no longer required and should be removed from the production environment. We also

***The Honorable Board of Education
Los Angeles Unified School District
December 14, 2010***

recommend that more complete descriptions of the custom t-code functionality be documented for these transactions.

Current Status

Corrective action(s) not implemented. A review of the custom T codes has yet to be performed as a SAP GRC tool has not been procured to support the review and documentation of these transactions. We expect for the tool to be implemented by December 31, 2010. As an additional control process, BTS will require business unit management to document their justification for the creation of any new customized T-codes or transactions.

ML-08-06 - Review of SAP Payroll User Access

Recommendations

Payroll and Human Resources management should review the SAP Payroll roles and assigned transactions to ensure system access is restricted to users solely based on what is required for their respective job functions. A tool can be used to help facilitate identifying and correcting potential segregation of duties conflict.

Current Status

Corrective action(s) implemented. BTS has completed the first of a periodic management review of SAP Payroll roles.

ML-08-13 - Lack of a Business Continuity Plan

Recommendation

Although a Business Impact Analysis (BIA) was completed, a Business Continuity Plan based on risks and threats identified in the BIA should be developed. This plan should address the requirements for alternative processing and timely recovery of mission critical IT services. The plan should be tested on a regular basis to ensure that IT systems can be effectively recovered, shortcomings are addressed and the plan remains relevant.

Current Status

Corrective action(s) not implemented. There is no documented business continuity plan although funding is incorporated in Measure "Q" funding. However, funding is contingent upon issuance of the bond.

ML-08-15 - Network Vulnerability Monitoring

Recommendation

ITD management should periodically run vulnerability scans of the network to ensure network vulnerabilities are identified and contained in a timely manner. Also, ITD management should consider

***The Honorable Board of Education
Los Angeles Unified School District
December 14, 2010***

having a periodic (e.g., annual) independent network vulnerability assessment performed to ensure the network is sufficiently hardened against the latest known network vulnerabilities.

Current Status

Corrective action(s) not implemented. No progress has been made in contracting for an independent network vulnerability assessment. An effort has been started by ITD to identify funding and procure such services by December 31, 2010.

ML 09-07 – Construction in Progress and Transfers to Depreciable Capital Assets

Recommendation

We recommend that the FSD perform more thorough analysis and work more closely with General Accounting Branch when deciding whether expenses are to be capitalized as part of construction in progress. In addition, the District should establish and implement a clearer policy that addresses proper identification of completed projects. The policy should be agreed to by both the General Accounting Branch and the FSD.

Current Status

Partially implemented. As recommended, FSD met with General Accounting Branch several times to discuss the various issues for identifying completed projects and agreed to an improved process so that the General Accounting Branch is better able to identify expenses for capitalizing as construction in process and transfers to depreciable capital assets. As a result of these meetings, enhanced procedures and improved controls were established which include more in depth FSD review of contract completions before the identification of completed projects.

ML 09-08 - Third Party Payroll Deductions

Recommendation

We recommend that the District analyze and identify inaccuracies in the third party liabilities in a timely manner.

The District is aware of the functionality issues of the third party deductions report and the third party postings generated by FI/CO posting process. Also, the Office of Inspector General (OIG) had issued detailed audit report on the Third Party Payroll Deductions process and controls. We recommend that the District implement fully all recommendations in the OIG report.

***The Honorable Board of Education
Los Angeles Unified School District
December 14, 2010***

Current Status

The District maintains clearing of 3PR evaluated transactions. Currently, there are no unevaluated transactions. The 3PR Completeness Check Report and SAP FI Completeness Check Report are being used regularly as part of the normal payroll post processing activities.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2010

Findings Related to the Basic Financial Statements Reported in Accordance with *Government Auditing Standards*

FS-09-01 - Lack of IFS Security Reporting - Material Weakness

State Audit Guide Finding Code: 30000

Recommendation

IFS user access security reports be developed to facilitate management review of user access to IFS transactions. These reports should be reviewed periodically by Accounting Department management to ensure access to sensitive accounting system transactions is appropriate and restricted based upon the user's job function.

Current Status

Corrective action(s) not implemented. A new estimated completion date for the report has been set for December 31, 2010.

FS-09-02 - Lack of Logging and Security Monitoring Control Processes - Significant Deficiency

State Audit Guide Finding Code: 30000

Recommendations

Windows network logs which capture critical activities should be reviewed on a timely basis. If necessary, log filtering tools can be used to enable efficient monitoring and review of access.

Current Status

Corrective action(s) not fully implemented. An ITD employee was provided advanced training in the MARS system and implementation is expected by December 31, 2010.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2010

Findings and Questioned Costs Related to Federal Awards

1. Finding F-09-01 – Allowable Costs – Payroll Certifications and Documentation for Specially Funded Employee Positions

Finding F-07-01 – Allowable Costs – Payroll Certifications and Documentation for Specially Funded Employee Positions

Finding F-06-01 – Allowable Costs – Payroll Certifications and Documentation for Specially Funded Employee Positions

Program Identification:

Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children, U.S. Department of Agriculture (USDA), Passed through the California Department of Education, CFDA No. 10.553, 10.555, and 10.559, Grant Agreement 19-64733- 0000000-01;

Title I Grants to Local Educational Agencies: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.010, Grant Agreement S010A070005 (09-14329-6473);

Special Education Cluster: Grants to States, Preschool Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.027, and 84.173, Grant Agreements 08-13379-6473-01 and 08-13682- 64733-01;

Vocational Education Basic Grants to States: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.048, Grant Agreements 08-14894-64733-00, 08- 14893-74435-00, and 08-14893-6733-00;

Safe and Drug-Free Schools and Communities: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.186, Grant Agreements Q186A080005 and 08-14109-64733-00;

Fund for the Improvement of Education: U.S. Department of Education (ED), CFDA No. 84.215, Grant Agreements V215L052108, and S215L060084;

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP): U.S. Department of Education (ED), CFDA No. 84.334, Grant Agreements P334A050008 and P334A050178;

Reading First State Grants; U.S. Department of Education (ED): Passed through the California Department of Education, CFDA No. 84.357, Grant Agreement 07-14328-6473-00;

English Language Acquisition Grants, U.S. Department of Education (ED): Passed through the California Department of Education, CFDA No. 84.365, Grant Agreement 09-10084-6473;

Improving Teacher Quality State Grants, U.S. Department of Education (ED): Passed through the California Department of Education, CFDA No. 84.367, Grant Agreement PCA14344/14341;

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2010

Child Care Development Fund Cluster: Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund; U.S. Department of Health and Human Services, Passed through the California Department of Education, CFDA Nos. 93.575 and 93.596, Contract CCTR-8159;

Workforce Investment Act, Title II: Adult Education and Family Literacy Act, Pass through the California Department of Education, CFDA No. 84.002, Grant Agreements 08-14508-64733-00 and 08-14109-64733-00;

State Administrative Matching Grants for Food Stamp Program: U.S. Department of Agriculture (USDA), Passed through the California Department of Health Services, CFDA No. 10.561, Grant Agreement 07-65325;

Child and Adult Care Food Program: U.S. Department of Agriculture (USDA), Passed through the California Department of Education, CFDA No. 10.558, Grant Agreement 19-2016-3; Title I Grants to Local Educational Agencies: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.010, Grant Agreement S010A070005 (09-14329-6473);

Twenty-First Century Community Learning Centers: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.287, Grant Agreements 07-14349-6473-3A and 07-14349-6473-4A;

State Grants for Innovative Programs: U.S. Department of Education (ED), Passed Through the California Department of Education, CFDA No. 84.298, Pass-Through Identification No. 1964733, Grant Agreement S298A060005;

Education Technology State Grants: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.318, Grant Agreements 07-14368-6437, 06-14368-6473-14368 and 2006/07-14334-6437.

Recommendation

We recommend that the District continue to provide ongoing training to appropriate personnel on the updated procedures. We also recommend that the District meet with the School Administrative Assistants who oversee time reporting in schools, and inform them of the changes.

Current Status

Partially implemented

District's Explanation If Not Implemented

F-06-01: A review determined that the programs costs incurred for the Child Development Fund and Special Education program were also supported by the District's General Fund; these supports exceeded the remaining questioned costs for these programs.

- Special Education: The total expenditures funded by General Fund amounted to \$91 million each for fiscal years 2006-07 and 2005-06.
- Child Care Development Fund: The total transfer from General Fund to the Child Development Fund amounted to \$8.7 million and \$6.9 million for fiscal years 2006-0 and 2005-06.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2010

F-07-01: The District is working with CDE to resolve.

F-09-01: The District reviewed the questioned costs for F-09-01 and provided sufficient documentation to its auditors to remove some of the items. The following table provides the results of this review.

Programs	<i>Inadequate Support Only</i>			Total Repayment	(Overpaid) / DUE TO CDE
	Original Questioned Cost	Provided Additional Documentation	Revised Questioned Cost		
Child Nutrition Cluster	\$ 4,554	\$ (3,164)	\$ 1,390	\$ -	\$ 1,390
Title 1 Grants to LEA	445	(281)	164	(445)	(281)
Special Education Cluster	15,091	(8,591)	6,500	-	6,500
Vocational Education Basic	8,605	(8,433)	172	-	172
Safe & Drug Free Schools	2,188	(81)	2,107	(2,188)	(81)
Fund for Improvement of Ed	3,231	(1,349)	1,882	(3,231)	(1,349)
GEAR-UP	967	(918)	49	(967)	(918)
Reading First State Grants	25,154	(25,154)	-	(31,825)	25,154
English Language Acquisition	17,773	(9,267)	8,506	(17,773)	(9,267)
Improving Teacher Quality	756	-	756	(756)	-
Child Care & Development	1,338	(1,251)	87	-	87
Workforce Investment Act	800	(800)	-	(800)	(800)
Totals	\$ 80,902	\$ (59,289)	\$ 21,613	\$ (57,985)	\$ (20,607)

Programs	Amount Refunded		Warrant / JE	Warrant / JE
	By Check	Through JE	Date	Number
Title 1 Grants to LEA	\$ -	\$ 445	08-27-10	11SFPMC004
Safe & Drug Free Schools	-	2,188	08-27-10	11SFPEP001
Fund for Improvement of Ed	-	3,231	08-27-10	11SFPCJ001
GEAR-UP	-	967	08-27-10	11SFPEP001
Reading First State Grants	31,825	-	09-28-10	18352598
English Language Acquisition	6,298	11,475	9-28-10/8-27-10	18352598/11SFPMC004
Improving Teacher Quality	756	-	09-28-10	18352598
Workforce Investment Act	-	800	08-27-10	11SFPEP001
Totals	\$ 38,879	\$ 19,106		

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2010

Reading First State Grants – The original questioned cost of \$25,154 was cited because employees had submitted Semi-Annual Certifications pursuant to District policy. The District believes that it overpaid the return of funds by \$25,154.

English Language Acquisition – The original questioned costs of \$17,773 included employees who had submitted Semi-Annual Certification pursuant to District policy. The District believes that it overpaid the return of funds by \$9,267.

F-09-01 Notes:

- 1.) The Child Care and Development Fund's encroachment on the General Fund totaled over \$14 million in 2005-06 and 2006-07. The District believes that the questioned costs of \$87 in 2008-09 should not be repaid due to the remaining balances of the encroachment in prior years.
- 2.) The Special Education Cluster's encroachment on the General Fund was \$107 million in 2008-09, as such the District has in effect repaid the questioned costs.
- 3.) The District will apply any overpayment of funds to any outstanding prior year or subsequent year audit findings.
- 4.) The District will process repayment of \$1,390 for the Child Nutrition Cluster.

2. Finding F-07-02 – Allowable Costs – Unsupported Adjusting Journal Vouchers Recorded to Payroll Expenditure

Program Identification:

Title I Grants to Local Educational Agencies, *U.S. Department of Education (ED)*, Passed through the California Department of Education, CFDA No. 84.010, Grant Agreement 06- 14329-6473;

Vocational Education Basic Grants to States: *U.S. Department of Education (ED)*, Passed through the California Department of Education, CFDA No. 84.048, Grant Agreements 06/07- 13924-64733-00 and 06-13923-64733-00;

Twenty-First Century Community Learning Centers, *U.S. Department of Education (ED)*, Passed through the California Department of Education, CFDA No. 84.287, Grant Agreements 05-14349 6473-2A, 05 14349-6473-3A, and 06-14349-6473-1A;

Reading First State Grants, *U.S. Department of Education (ED)*, Passed through the California Department of Education, CFDA No. 84.357, Grant Agreement 04-14328-6473-00;

English Language Acquisition Grants, *U.S. Department of Education (ED)*, Passed through the California Department of Education, CFDA No. 84.365, Grant Agreements 03-14346-6473- 00 and 10084-6474-00;

Improving Teacher Quality State Grants, *U.S. Department of Education (ED)*, Passed through the California Department of Education, CFDA No. 84.367, Grant Agreement S367A040005A;

Child Care and Development Fund: Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund; U.S. Department of Health and Human Services, Passed through the California Department of Education, CFDA Nos. 93.575 and 93.596, Contract CCTR-6164

Recommendation

We recommend the District enhance policies and procedures to ensure that all payment vouchers are adequately supported before recording them in the general ledger. We also recommend the District

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2010

establish policies and procedures to ensure that salary allocations are made based on actual time and effort documentation and not based on estimated budgeted information.

Current Status

Partially Implemented

District's Explanation If Not Implemented

The District provided its auditors copies of all journal vouchers and SAP and/or QMF print outs detailing the employee names for the payroll expenditures transferred with the period of the payroll incurred. Revised questioned costs are as follows:

Title I: \$6,252.20

Vocational Ed: TBD

21st Century: \$0

English Language: \$0

Improving Tchr Quality: \$0

Child Care: \$0

Reading First: TBD

The District believes that the questioned cost for Reading First Program and Vocational Ed were overstated. The JV's selected by the prior auditors represented only one portion of related and offsetting JV's. District staff is performing additional analysis and will provide additional documentation.

3. Finding F-09-02 – Allowable Costs – Unsupported Adjusting Journal Vouchers Recorded to Non payroll Expenditure

Program Identification:

Title I Grants to Local Educational Agencies: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.010, Grant Agreement S010A070005 (09-14329-6473).

Recommendation

We recommend that the District provide additional guidance/training to ensure appropriate documentation is maintained to support expenditures charged to federally funded programs. The District should also strengthen its controls over its charges to the federally funded programs to ensure that the reimbursement is in accordance with federal guidelines.

Current Status

Partially implemented

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2010

District's Explanation If Not Implemented

Prior to Journal Vouchers being processed, Accounting & Disbursements will ask the program administrator to review to ensure that they are appropriate.

The District believes part of the questioned costs can be supported by additional documentation.

As of the publication date of this report, initial documentation has been reviewed. However, auditors have requested additional documents which will be reviewed subsequent to the issuance of this report. Final questioned costs, if any will be determined and repaid.

4. Finding F-09-03 – Allowable Costs – Not Allowable Activities and Unsupported Documentation to Non Payroll Expenditures

Program Identification:

Safe and Drug-Free Schools and Communities: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.186, Grant Agreements Q186A080005 and 08-14109-64733-00;

Fund for the Improvement of Education: U.S. Department of Education (ED), CFDA No. 84.215, Grant Agreements V215L052108, and S215L060084.

Recommendation

We recommend that the District provide additional guidance/training to ensure appropriate documentation is maintained to support expenditures charged to federally funded programs. The District should also strengthen its controls over its charges to the federally funded programs to ensure that the reimbursement is in accordance with federal guidelines.

Current Status

Implemented

5. Finding F-07-03 – Allowable Costs – Approval of Nonpayroll Expenditures

Finding F-06-02 – Allowable Costs – Approval of Nonpayroll Expenditures

Program Identification:

Special Education Cluster: Grants to States, Preschool Grants; U.S. Department of Education, Passed through the California Department of Education, CFDA Nos. 84.027 and 84.173, Grant Agreements 06-13430-6473-01, 06-13682-6473-01, 06-23761-6473-01, and 06-13379-6473-01;

Vocational Education – Basic Grants to States: U.S. Department of Education (DOE), Passed through the California Department of Education (CDE), Carl D. Perkins Vocational and Technical Education Act of 1998 (CFDA 84.048), PCA 13924 and 13923;

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2010

Reading First State Grants: U.S. Department of Education (DOE), Elementary and Secondary Act Title I, Part B; Passed through the California Department of Education (CDE) as Reading First (CFDA 84.357), PCA 14328;

English Language Acquisition Grants: U.S. Department of Education (DOE), Elementary and Secondary Act Title III, Part A; Passed through the California Department of Education (CDE) as Limited English Proficient Student Program (CFDA 84.365), PCA 14346;

Improving Teacher Quality State Grants: U.S. Department of Education (DOE), Elementary and Secondary Act Title II, Part A; Passed through the California Department of Education (CDE) as Teacher and Principal Training and Recruiting (CFDA 84.367), PCA 14341;

Child Care Cluster: U.S. Department of Health and Human Services (HHS), Child Care and Development Block Grant (CFDA 93.575), Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CFDA 93.596), Passed through the California Department of Education (CDE), General Child Care and Development Programs, Contract No. CCTR-5163, Project No. 19-6473-00-5.

Recommendation

We recommend that the District strengthen controls to ensure that all expenditures contain evidence of appropriate review and approval to ensure only allowable expenditures are charged to federally funded programs.

Current Status

Implemented

6. Finding F-08-03 – Allowable Costs – No Control to Adjust the Year-End Over Accrued Expenditures

Program Identification:

Title I Grants to Local Educational Agencies: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.010, Grant Agreement S010A070005 (07-14329-6473);

Vocational Education Basic Grants to States: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.048, Grant Agreement 07/08- 14893-74435-00, 07/08-14893-64733-00 and 07-14894-64733-00;

Safe and Drug-Free Schools and Communities: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.186, Grant Agreement Q186A070005;

Fund for the Improvement of Education: U.S. Department of Education (ED), CFDA No. 84.215, Grant Agreements Q215E060268, V215L052108 and S215L060084;

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2010

State Grants for Innovative Programs: U.S. Department of Education (ED), Passed Through the California Department of Education, CFDA No. 84.298, Pass-Through Identification No. 1964733, Grant Agreement S298A06005;

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP): U.S. Department of Education (ED), CFDA No. 84.334, Grant Agreements P334A050205-07 and P334A050205-07;

Improving Teacher Quality State Grants: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.367, Grant Agreement S367A070005A;

English Language Acquisition Grants: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.365, Grant Agreement T365A070005.

Recommendation

We recommend that the District establish controls to ensure that appropriate procedures for accuracy of the year-end accruals be established to avoid over accrual. The District should consider revising its policies and procedures to reconcile the subsequent payments of accruals in a more timely manner to avoid overcharging expenditures to Federal programs.

Current Status

Implemented

7. Finding F-06-05 – Allowable Costs – Classification of Indirect Program Expenditure as Direct

Program Identification:

Safe and Drug-Free Schools and Communities: U.S. Department of Education (DOE), Passed through the California Department of Education (CDE), Title VI, Part A, Safe and Drug-Free;

Twenty-First Century Community Learning Centers: U.S. Department of Education (DOE), Elementary and Secondary Act Title IV, Part B; Passed through the California Department of Education (CDE) as 21st Century Community Learning Centers Grant (CFDA 84.287), PCA 14349;

State Grants for Innovative Programs: U.S. Department of Education (DOE), Passed through the California Department of Education (CDE), Title V, Part A, Innovative Education Program Strategies (CFDA 84.298).

Recommendation

We recommend that the District provide additional guidance/training to ensure program personnel have sufficient information to assist them with classifying its federally funded expenditures.

Current Status

Implemented

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2010

8. Finding F-05-02 – Allowable Costs – Missing Documentation to Support Program Expenditures

Program Identification:

Child Nutrition School Programs: U.S. Department of Agriculture (USDA), Passed through the California Department of Education (CDE), School Breakfast Program (CFDA 10.553), National School Lunch Program (CFDA 10.555), Donated Commodities (CFDA 10.555), Summer Food Service Program for Children (CFDA 10.559), Agreement #19-64733-0000000-01

Recommendation

We recommend that the District strengthen its controls over its document retention policies to ensure that sufficient documentation is maintained to support expenditures charged to its federal funded program in accordance with federal guidelines.

Current Status

Implemented

9. Finding F-07-08 – Allowable Costs – Controls over Calculation of Indirect Costs Charged to Program

Program Identification:

Twenty-First Century Community Learning Centers: U.S. Department of Education (ED); Passed through the California Department of Education, CFDA No. 84.287, Grant Agreements 05-14349-6473-2A and 06-14349-6473-1A;

GEAR-UP: U.S. Department of Education (ED), CFDA No. 84.334, Grant Agreements P334A000061-05, P334A050178-06, and P334A050205.

Recommendation

We recommend that the District provide additional guidance/training to its accountants to ensure that grants required to use the restricted indirect cost rate are calculated using the appropriate direct cost base in accordance with federal guidelines.

Current Status

The District disagrees with the finding. Upon further review, it appears that the finding was based upon guidelines that were issued by CDE, in conjunction with its revised MOU with the federal government, that were to be effective in the 2007-08 fiscal year. Two letters from CDE on this issue were provided to the Department of Education (DOE), as well as excerpts from the California School Accounting Manual on Indirect Cost Rates from July 2005 and March 2008. The March 2008 document incorporates the language of the revised memorandum of understanding (MOU) on this issue under Excluded Costs (915-3). The indirect costs were calculated in accordance with the MOU between CDE and DOE for the 2006-07 fiscal year. The District's original response to the auditors recommendation indicates that the District had issued a new policy bulletin to incorporate the

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2010

guidance issued from CDE to be effective with the 2007-08 fiscal year, which was done. District does not believe that the calculation of the questioned costs should be effective in the 2006-07 year. The District is also waiting for a Program Determination Letter from USDE on this issue.

10. Finding F-07-09 – Cash Management – Interest Income from Advances not Returned to Federal Government

Finding F-06-07 – Cash Management – Interest Income from Advances not Returned to Federal Government

Program Identification:

Public Assistance Grants: Department of Homeland Security (DHS), (CFDA 83.544), Passed through the California Governor's Office of Emergency Services (OES), FEMA 1008-DR, P.A. 037-91146, OES 93708.4;

WIA - Adult Basic Education: U.S. Department of Education (ED), Passed through the California Department of Education (CDE) Adult Education – State Grant Program (CFDA 84.002), Grant ID#29-R419-06AF;

Title I Grants to Local Educational Agencies: U.S. Department of Education (ED), Elementary and Secondary Act Title I, Part A; Passed through the California Department of Education (CDE) as Title I, Part A of the No Child Left Behind Act of 2001 (CFDA 84.010), PCA 14329;

Vocational Education Basic Grants to States: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.048, Grant Agreements 07/08- 14893-74435-00, 07-14894-64733-00 and 07/08-14893-64733-00;

Safe and Drug-Free Schools and Communities: U.S. Department of Education (ED), Passed through the California Department of Education (CDE), Title VI, Part A, Safe and Drug-Free Schools & Communities (CFDA 84.186);

Twenty-First Century Community Learning Centers: U.S. Department of Education (ED), Elementary and Secondary Act Title IV, Part B; Passed through the California Department of Education (CDE) as 21st Century Community Learning Centers Grant (CFDA 84.287), PCA 14349;

State Grants for Innovative Programs: U.S. Department of Education (ED), Passed Through the California Department of Education, CFDA No. 84.298, Pass-Through Identification No. 1964733; Grant Agreement S298A06005;

Education Technology State Grants: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.318, Grant Agreements 07-14368-6437, 06-14368-6473-14368 and 2006/07-14334-6437;

Reading First State Grants: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.357, Grant Agreement 04-14328-6473-00;

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2010

English Language Acquisition Grants: U.S. Department of Education (ED), Elementary and Secondary Act Title III, Part A; Passed through the California Department of Education (CDE) as Limited English Proficient Student Program (CFDA 84.365), PCA 14346;

Improving Teacher Quality State Grants: U.S. Department of Education (ED), Elementary and Secondary Act Title II, Part A; Passed through the California Department of Education (CDE) as Teacher and Principal Training and Recruiting (CFDA 84.367), PCA 14341.

Recommendation

We recommend that the District strengthen controls to ensure the accuracy of the interest income calculation. The District may also consider recouping the interest income of \$118,309 from CDE.

Current Status

Partially implemented

District's Explanation if Not Implemented

The District implemented a sub-fund in January 2010 for its federal programs to more accurately account for interest. However, due to the mid-fiscal year implementation, and adjustments and reconciliations needed to transition into the new sub-fund, the calculation had to be done manually by LAUSD staff for the 2009-2010 fiscal year.

The District is currently reviewing payments of interest income made. Any unpaid interests will be remitted.

11. Finding F-09-04 – Eligibility- Lack of Effective and Timely Monitoring to CCTR Centers

Program Identification:

Child Care Development Fund Cluster: Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund; U.S. Department of Health and Human Services, Passed through the California Department of Education, CFDA Nos. 93.575 and 93.596, Contract CCTR-8159.

Recommendation

We recommend the District strengthen its monitoring process to ensure that student files are reviewed on a regular basis in order to comply with the contract and records provision. The District should also provide training sessions for the center managers to ensure that they are aware of the federal requirements in relation to eligibility and that the required documentation is being maintained.

Current Status

Partially implemented

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2010

District's Explanation if Not Implemented

Local District Early Childhood Education (ECE) Directors met with the Office Managers and Administrators to review the current bulletins and guidelines on income verification and recertification (Bulletin 4358.0 and Bulletin 4365.0). In addition, ECE fiscal staff regularly conducts one-on-one training of new Office Managers and Administrators and provides updated information to reinforce the mandates of the Child Development Programs.

The District will work with CDE to determine the amount that should be adjusted in the fiscal reports as a result of the 4 exceptions noted by the auditor.

12. Finding F-09-05 – Eligibility – Not CDE Approved Schools Funded by Reading First Grants

Program Identification:

Reading First State Grants; U.S. Department of Education (ED): Passed through the California Department of Education, CFDA No. 84.357, Grant Agreement 07-14328-6473-00.

Recommendation

Since this is the last year for the Reading First Program under No Child Left Behind, we recommend that the District resolve the questioned cost with CDE directly.

Current Status

Implemented

13. Finding F-09-06 – Equipment – Equipment Management Policies

Program Identification:

Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children, U.S. Department of Agriculture (USDA), Passed through the California Department of Education, CFDA No. 10.553, 10.555, and 10.559, Grant Agreement 19-64733- 0000000-01;

Child and Adult Care Food Program: U.S. Department of Agriculture (USDA), Passed through the California Department of Education, CFDA No. 10.558, Grant Agreement 19-2016-3A.

Recommendation

We recommend FSB strengthen processes and controls by providing adequate supervision/training to ensure that inventory management be performed properly by the cafeteria staff. FSB should also update the Filemaker to include information required by Federal Regulations.

Current Status

Implemented

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2010

14. Finding F-08-07 – Matching, Level of Effort, and Earmarking – Administrative Cost

Finding F-07-15 – Matching, Level of Effort, and Earmarking – Administrative Cost

Finding F-06-15 – Matching, Level of Effort, and Earmarking – Administrative Cost

Program Identification:

Vocational Education Basic Grants to States: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.048, Grant Agreements 07- 14894-64733-00, 07/08-14893-74435-00 and 07/08-14893-64733-00;

Twenty-First Century Community Learning Centers: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.287, Grant Agreements 07-14349-6473-3A and 07-14349-6473-4A;

Reading First State Grants: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.357, Grant Agreements 07-14328-6473-00;

English Language Acquisition Grants: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.365, Grant Agreement T365A070005.

Recommendation

We recommend that the District strengthen its policies and procedures to ensure that administrative costs are appropriately computed and not charged over the allowable maximum per grant.

Current Status

Partially Implemented

District's Explanation if Not Implemented

In order to more accurately calculate administrative cost and ensure the District does not exceed allowable limits, the District created an identifier and used "L-codes" to budget positions defined as administrative costs. The District will also issued policy guidelines to program administrators regarding documentation for positions that may perform direct as well as indirect activities.

15. F-09-07 – Matching, Level of Effort, Earmarking, and Reporting – Matching Funds Reported

F-08-08 – Matching, Level of Effort, Earmarking, and Reporting – Matching Funds Reported

F-07-12 – Matching, Level of Effort, Earmarking, and Reporting – Matching Funds Reported

F-06-13 – Matching, Level of Effort, Earmarking, and Reporting – Matching Funds Reported

F-05-16 – Matching, Level of Effort, Earmarking, and Reporting – No Support for District Matching Funds Reported

Program Identification:

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2010

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP): U.S. Department of Education (ED), Grant Agreements P334A050008 and P334A050178;

State Administrative Matching Grants for Food Stamp Program: U.S. Department of Agriculture (USDA), Passed through the California Department of Health Services, CFDA No. 10.561, Grant Agreement 07-65328;

Fund for the Improvement of Education: U.S. Department of Education (ED), Elementary and Secondary Act Title V, Part D; Project Title: Smaller Learning Communities (CFDA ED), CFDA No. 84.334, Grant Agreements P334A050178-07 and P334A050205-07.

Recommendation

The District should establish sufficient controls, policies and procedures to ensure that (1) adequate support for matching be maintained; (2) the sources of matching contributions are from an allowable source; (3) the values placed on contributions (including third party in-kind contributions) are supported and accurate; and (4) the activities used for matching contributions are allowable costs/cost principles requirements and properly documented.

Current Status

Implemented. The District is waiting for the Program Determination Letter from USDE regarding GEAR-UP and FIE.

16. Finding F-09-08 – Matching, Level of Effort, and Earmarking – Administrative Cost plus the Indirect Cost Rate Limitation

Finding F-08-09 – Matching, Level of Effort, and Earmarking – Administrative Cost over the Restricted 2% Limit

Finding F-07-16 – Matching, Level of Effort, and Earmarking – Program Administrative Costs plus the Indirect Cost Rate Limitation

Finding F-06-14 – Matching, Level of Effort, and Earmarking – Administrative Cost

Finding F-05-17 – Matching, Level of Effort, and Earmarking – Administrative Cost over the Restricted 2% Limit

Program Identification:

Vocational Education Basic Grants to States: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.048, Grant Agreements 08-14894-64733-00, 08-14893-74435-00, and 08-14893-6733-00;

Twenty-First Century Community Learning Centers: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.287, Grant Agreements 08-14535-6473-4A, 08-14349-6473-3A, 08-14349-5A, and 08-14535-6473-5A;

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2010

Reading First State Grants: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.357, Grant Agreement 07-14328-6473-00;

English Language Acquisition Grants: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.365, Grant Agreement 09-10084-6473;

Safe and Drug-Free Schools and Communities: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.186, Grant Agreements Q186A080005 and Q215E60268;

Workforce Investment Act, Title II: Adult Education and Family Literacy Act, Pass through the California Department of Education, CFDA No. 84.002, Grant Agreements 08-14508-64733-00 and 08-14109-64733-00;

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP): U.S. Department of Education (ED), CFDA No. 84.334, Grant Agreements P334A050008 and P334A050178.

Recommendation

We recommend that the District establish policies and procedures to ensure that administrative cost are appropriately computed and accounted for separately by each federal program. The policies and procedures should also require employees whose duties crossover with multiple activities/functions which are apart from their original job descriptions, be required to prepare a personal activity report (PAR) in accordance with OMB A-87 to clearly identify the employees' daily activities supporting the hours worked outside of their normal positions.

Current Status

Partially Implemented

District's Explanation if Not Implemented

The District believes it is properly accounting for costs and appropriate expenses to the programs. However, in order to more accurately calculate administrative cost and ensure the District does not exceed allowable limits, the District created an identifier and used "L-codes" to budget positions defined as administrative costs. The District will also issue policy guidelines to program administrators regarding documentation for positions that may perform direct as well as indirect activities.

Reading First: There is no longer a need to set up the required program code for administrative costs because the grant had ended Aug 31, 2009.

English Language Acquisition: Charges questioned in audit finding F-09-08 have been reversed for this program.

GEAR-UP: Program coordinators disagree with the finding. Directors, Assistant Directors, and Office Technicians who are paid under this program work directly with students and should not be considered indirect costs. Their job duties and descriptions are available for auditor review. The District is waiting for a Program Determination Letter from USDE.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2010

17. Finding F-07-17 – Matching, Level of Effort, and Earmarking – Professional Development Earmark

Finding F-06-16 – Matching, Level of Effort, and Earmarking – Highly Qualified Professional Development Earmark

Program Identification:

Education Technology State Grants: U.S. Department of Education (DOE), Elementary and Secondary Act Title II, Part D; Passed through the California Department of Education (CDE) as Enhancing Education through Technology (CFDA 84.318).

Recommendation

We recommend that the District strengthen controls to ensure that only allowable expenditures are reported as professional development and that all documentation required to support the amounts claimed is maintained and available for audit.

Current Status

Implemented

18. Finding F-08-10 – Matching, Level of Effort, and Earmarking – Supplement not Supplant

Program Identification:

Title I Grants to Local Educational Agencies: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.010, Grant Agreement S010A070005.

Recommendation

The District should strengthen procedures and controls over expending Title 1 funds to Targeted Assistance Schools to ensure that expenditures are appropriately incurred to supplement, not supplant, the state/local funds at the schools.

Current Status

Implemented

19. Finding F-09-09 – Period of Availability – Program Code Controls

Finding F-08-12 – Period of Availability – Program Code Controls

Finding F-07-18 – Period of Availability – Program Code Controls

Finding F-06-17 – Period of Availability – Program Code Controls

Program Identification:

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2010

Title I Grants to Local Educational Agencies: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.010, Grant Agreement 09-14329-6473;

Special Education Cluster: Grants to States, Preschool Grants, U.S. Department of Education, Passed through the California Department of Education, CFDA No. 84.027, and 84.173, Grant Agreements 08-13379-6473-01 and 08-13682-6473-01;

Safe and Drug-Free Schools and Communities: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.186, Grant Agreement Q186A060005;

State Grants for Innovative Programs: U.S. Department of Education (ED), Passed Through the California Department of Education, CFDA No. 84.298, Pass-Through Identification No. 1964733, Grant Agreement S298A060005;

English Language Acquisition Grants: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.365, Grant Agreements T365A070005 (03-14346 6473-00 and 10084-6474-00);

Improving Teacher Quality State Grants: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.367, Grant Agreement S367A070005A;

Vocational Education Basic Grants to States: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.048, Grant Agreements 07/08-14893-74435-00, 07/08-14893-64733-00, and 07/08-14894-64733-00;

Education Technology State Grants: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.318, Grant Agreements 06-14368-6473, 07-14368-6437, and 2006/07-14334-6437;

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP): U.S. Department of Education (ED), Higher Education Act Title IV, Part A; (CFDA 84.334), Project Title: Gear-up, Award No. P334A000061.

Recommendation

We recommend that the District implement policies and procedures to closely monitor the expenditures charged to an appropriate grant award period. The District should also perform additional analysis for the grants that do not have separate program/project codes for each award year to ensure that reported program expenditures for each grant award year were claimed and obligated appropriately.

We further recommend that the District strengthen controls over its monitoring of outstanding obligations to ensure that all obligations are liquidated under the award not later than 90 days after the end of the funding periods; and unliquidated obligations are reconciled and adjusted so that the balance remaining in encumbrance is properly returned to the grantor.

Current Status

Partially Implemented

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2010

District's Explanation if Not Implemented

The District will continue with its established procedures to closely monitor the expenditures charged to an appropriate grant award period.

20. Finding F-09-09 – Period of Availability – Expenses Not Claimed in Proper Period and Liquidation of Obligations

Finding F-08-13 – Period of Availability–Expenses Not Claimed in Proper Period and Liquidation of Obligations

Finding F-07-19 – Period of Availability–Expenses Not Claimed in Proper Period and Liquidation of Obligations

Finding F-06-18 – Period of Availability – Expenses Not Claimed in Proper Period

Finding F-06-19 – Period of Availability – Liquidation of Obligations

Finding F-05-19 – Period of Availability – Expenses Not Claimed in Proper Period

Program Identification:

Title I Grants to Local Educational Agencies: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.010, Grant Agreement 09-14329-6473;

Special Education Cluster: Grants to States, Preschool Grants, U.S. Department of Education, Passed through the California Department of Education, CFDA No. 84.027, and 84.173, Grant Agreements 08-13379-6473-01 and 08-13682-6473-01;

Safe and Drug-Free Schools and Communities: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.186, Grant Agreement Q186A060005;

State Grants for Innovative Programs: U.S. Department of Education (ED), Passed Through the California Department of Education, CFDA No. 84.298, Pass-Through Identification No. 1964733, Grant Agreement S298A060005;

English Language Acquisition Grants: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.365, Grant Agreements T365A070005 (03-14346-6473-00 and 10084-6474-00);

Improving Teacher Quality State Grants: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.367, Grant Agreement S367A070005A;

Vocational Education Basic Grants to States: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.048, Grant Agreements 07/08-14893-74435-00, 07/08-14893-64733-00, and 07/08-14894-64733-00;

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2010

Education Technology State Grants: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.318, Grant Agreements 06-14368-6473, 07-14368-6437, and 2006/07-14334-6437;

Twenty-First Century Community Learning Centers: U.S. Department of Education (ED), Elementary and Secondary Act Title IV, Part B; Passed through the California Department of Education (CDE) as 21st Century Community Learning Centers Grant (CFDA 84.287), PCA 14349;

Reading First State Grants: U.S. Department of Education (ED), Elementary and Secondary Act Title I, Part B; Passed through the California Department of Education (CDE) as Reading First (CFDA 84.357), PCA 14328;

Child Care and Development Fund: Child Care and, Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund; U.S. Department of Health and Human Services, Passed through the California Department of Education, CFDA Nos. 93.575 and 93.596, Contract CCTR-6164.

Recommendation

We recommend that the District implement policies and procedures to closely monitor the expenditures charged to an appropriate grant award period. The District should also perform additional analysis for the grants that do not have separate program/project codes for each award year to ensure that reported program expenditures for each grant award year were claimed and obligated appropriately.

We further recommend that the District strengthen controls over its monitoring of outstanding obligations to ensure that all obligations are liquidated under the award not later than 90 days after the end of the funding periods; and unliquidated obligations are reconciled and adjusted so that the balance remaining in encumbrance is properly returned to the grantor.

Current Status

Partially Implemented

District's Explanation if Not Implemented

The District will continue with its established procedures to closely monitor the expenditures charged to an appropriate grant award period.

21. Finding F-09-10 – Procurement, Suspension, and Debarment – No Evidence of Required Quotations or Waivers for Competitive Bidding

Finding F-08-14 – Procurement, Suspension, and Debarment – No Evidence of Required Quotations or Waivers for Competitive Bidding

Finding F-07-21 – Procurement, Suspension, and Debarment – No Evidence of Required Quotations or Waivers for Competitive Bidding

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2010

Finding F-06-21 – Procurement, Suspension, and Debarment – No Evidence of Required Quotations or Waivers for Competitive Bidding

Finding F-05-21 – Procurement, Suspension, and Debarment – No Evidence of Required Quotations or Waivers for Competitive Bidding

Program Identification:

Food Stamp Cluster: State Administrative Matching Grants for Food Stamp Program, U.S. Department of Agriculture (USDA), Passed through the California Department of Health Services, CFDA No. 10.561, Grant Agreement 19-64733-0000000-01;

Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children, U.S. Department of Agriculture (USDA), Passed through the California Department of Education, CFDA No. 10.553, 10.555, and 10.559, Grant Agreement 19-64733- 0000000-01;

Title I Grants to Local Educational Agencies: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.010, Grant Agreement 09-14329-6473;

Vocational Education Basic Grants to States: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.048, Grant Agreements 08-14893-64733-00, 08- 14893-74435-00, and 08-14894-64733-00;

Special Education Cluster: Grants to States, Preschool Grants, U.S. Department of Education, Passed through the California Department of Education, CFDA Nos. 84.027, and 84.173, Grant Agreement 08-13682-6473-01 and 08-13379-6473-01;

Safe and Drug-Free Schools and Communities: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.186, Grant Agreement Q186A080005 and 08-14109-64733-00;

Fund for the Improvement of Education: U.S. Department of Education (ED), CFDA No. 84.215, Grant Agreements V215L052108, S215L080570, and S215L060084;

Twenty-First Century Community Learning Centers: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.287, Grant Agreements 07-14535-6473-4A, 08-14349-6473-4A, 08-14349-6473-5A, and 08-14535-6473-5A;

Education Technology State Grants: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.318, Grant Agreements 05-14334-6473, 06-14368-6473, 07-14368-6437, and 08-14368-64733;

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP): U.S. Department of Education (ED), CFDA No. 84.334, Grant Agreements P334A050178-08, P334A050008-08, and P334A050205-08;

Reading First State Grants: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.357, Grant Agreement 07-14328-6473-00;

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2010

English Language Acquisition Grants: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.365, Grant Agreement 09-10084-6473;

Improving Teacher Quality State Grants: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.367, Grant Agreement PCA 14344/14341;

Child and Adult Care Food Program: U.S. Department of Agriculture (USDA), Passed through the California Department of Education, CFDA 10.558, Grant Agreement 19-2016-3A;

State Grants for Innovative Programs: U.S. Department of Education (ED), Passed Through the California Department of Education, CFDA No. 84.298, Pass-Through Identification No. 1964733, Grant Agreement S298A06005;

Child Care and Development Fund: Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund; U.S. Department of Health and Human Services, Passed through the California Department of Education, CFDA Nos. 93.575 and 93.596, Contract CCTR-6164.

Recommendation

We recommend the District strengthen its controls over its procurement approval process and document retention policies to ensure that required policies of the District are being followed with proper documentation maintained in the procurement files.

Current Status

Partially implemented

District's Explanation if Not Implemented

Procurement Services Division (PSD) has instructed staff to ensure that proper documentation be maintained in the procurement file, is considering post-audits of staff files prior to archiving, and is exploring use of Filenet to assist in document retention.

Procurement Manual has been updated annually since 2008. Each version of the Procurement Manual is posted on the Procurement Services Group website at www.psg.lausd. PSD provided training as requested by the various District offices. Program administrators have reviewed the questioned expenditures and have determined that most of the expenditures were appropriate. For those that were not, District is processing their repayment.

22. Finding F-09-11 – Procurement, Suspension, and Debarment – No Certification and No Documentation to Investigation

Program Identification:

Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children, U.S. Department of Agriculture (USDA), Passed through the California Department of Education, CFDA No. 10.553, 10.555, and 10.559, Grant Agreement 19-64733- 0000000-01;

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2010

Food Stamp Cluster: State Administrative Matching Grants for Food Stamp Program, U.S. Department of Agriculture (USDA), Passed through the California Department of Health Services, CFDA No. 10.561, Grant Agreement 19-64733-0000000-01;

Title I Grants to Local Educational Agencies: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.010, Grant Agreement 09-14329-6473;

Special Education Cluster: Grants to States, Preschool Grants, U.S. Department of Education, Passed through the California Department of Education, CFDA Nos. 84.027, and 84.173, Grant Agreement 08-13682-6473-01;

Vocational Education Basic Grants to States: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.048, Grant Agreement 08-14894-64733-00;

Twenty-First Century Community Learning Centers: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.287, Grant Agreements 07-14535-6473-4A and 08-14535-6473-5A;

English Language Acquisition Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.365, Grant Agreement 09-10084-6473;

Reading First State Grants: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.357, Grant Agreement 07-14328-6473-00;

Fund for the Improvement of Education: U.S. Department of Education (ED), CFDA No. 84.215, Grant Agreements U215X070162 and S215L080570;

Safe and Drug-Free Schools and Communities: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.186, Grant Agreement Q186A080005 and 08-14109-64733-00;

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP): U.S. Department of Education (ED), CFDA No. 84.334, Grant Agreements P334A050178 and P334A050008;

Improving Teacher Quality State Grants: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.367, Grant Agreement PCA 14344/14341.

Recommendation

We recommend that the District continue to monitor the internal controls as documented in the new procurement policy manual to ensure compliance with federal suspension and debarment regulations. It is also our recommendation that the District continue to provide training to the appropriate procurement staff on the new procurement manual and hold periodic meetings for any future updates or revisions.

Current Status

Partially implemented

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2010

District's Explanation If Not Implemented

Procurement Services Division (PSD) has instructed staff to ensure that proper documentation be maintained in the procurement file, is considering post-audits of staff files prior to archiving, and is exploring use of FileNet to assist in document retention.

Procurement Manual has been updated annually since 2008. Each version of the Procurement Manual is posted on the Procurement Services Group website at www.psg.lausd. PSD provided training as requested by the various District offices.

Program administrators have reviewed the questioned expenditures and have determined that most of the expenditures were appropriate. For those that were not, District is processing their repayment.

23. Finding F-09-12 – Program Income – Incorrect Computation of Parent Fees and Controls over Cash Receipts Collected at School Sites

Finding F-08-16 – Program Income – Incorrect Computation of Parent Fees and Controls over Cash Receipts Collected at School Sites

Finding F-07-22 – Program Income – Controls over Cash Receipts Collected at School Sites

Finding F-06-23 – Program Income – Controls over Cash Receipts Collected at School Sites

Finding F-05-23 – Program Income – Controls over Cash Receipts Collected at School Sites

Program Identification:

Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children, U.S. Department of Agriculture (USDA), Passed through the California Department of Education, CFDA Nos. 10.553, 10.555, and 10.559, Grant Agreement 19-64733- 0000000-01;

Child Care and Development Fund: Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund; U.S. Department of Health and Human Services, Passed through the California Department of Education, CFDA Nos. 93.575 and 93.596, Contract CCTR-7163.

Recommendation

We recommend the District strengthen controls over cash and meal ticket collections and reporting process.

Current Status

Implemented

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2010

24. Finding F-09-13 – Reporting – Discrepancies between APRs and the Report generated from the FRDB

Finding F-08-17 – Reporting – Discrepancies between APRs and the Report generated from the FRDB

Program Identification:

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP): U.S. Department of Education (ED), CFDA No. 84.334, Grant Agreements P334A050008 and P334A050178.

Recommendation

Local District 2 should strengthen its controls over APR reporting to ensure that reports are accurately reconciled to the actual expenditures for the correct reporting period. Local District 2 should contact the grantor for clarification and guidance for the reporting requirements. They should also consult with the grantor to determine if an amended report should be prepared to correct the prior periods.

Current Status

Partially implemented

District's Explanation if Not Implemented

Program administrators are working directly with accounting personnel to verify expenditure data submitted in the APR.

25. Finding F-09-14 – Reporting – Not Retaining the Meal Tickets Collected

Program Identification:

Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children, U.S. Department of Agriculture (USDA), Passed through the California Department of Education, CFDA Nos. 10.553, 10.555, and 10.559, Grant Agreement 19-64733- 0000000-01.

Recommendation

The District should revise its retention policies to comply with the federal compliance with respect to the retention period.

Current Status

Implemented

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2010

26. Finding F-09-15 – Reporting – Financial and Performance Reporting

Finding F-08-18 – Reporting – Financial and Performance Reporting

Finding F-07-25 – Reporting – Performance Reporting

Finding F-07-27 – Reporting – Performance Reporting

Finding F-06-25 – Reporting – Financial and Performance Reporting

Program Identification:

Vocational Education Basic Grants to States: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.048, Grant Agreement 08-14894-64733-00;

State Administrative Matching Grants for Food Stamp Program: U.S. Department of Agriculture (USDA), CFDA 10.561, Passed through the California Department of Health Services (DHS) as California Nutrition Network, Agreement No. 04-35450;

Fund for the Improvement of Education: U.S. Department of Education (ED), Elementary and Secondary Act Title V, Part D; (CFDA 84.215), Project Title: Teaching American History, Award No. U215X030096;

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP): U.S. Department of Education (ED) Pass-Through Entity: California Department of Education Award Number: Grant Agreements P334A050178, and P334A050205.

Recommendation

The District should implement policies and procedures to strengthen its controls over reporting for the Secondary Vocational Education program, to ensure that reports are accurately reconciled to the actual data. The District should consult with CDE to determine if it is required to resubmit the revised reports with corrections.

Current Status

Partially implemented

District's Explanation if Not Implemented

The District continues to align the District's CTE course codes with the corresponding CBED codes. It is anticipated that once the alignment has been completed, the corresponding data will be reflected in the 2011-12 reports. Therefore, the reports for the 2010-2011 year will not reflect this correction as the data collected is from periods prior to the corrections.

27. Finding F-09-16 – Reporting – Not Sufficient Control over the Review and Approval of Monthly Attendance Sheets

Finding F-08-19 – Reporting – Not Sufficient Control over the Review and Approval of Monthly Attendance Sheets

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2010

Program Identification:

Twenty-First Century Community Learning Centers: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.287, Grant Agreements 07-14349-6473-4A, 08-14349-6473-3A, 08-14349-6473-4A and 08-14349-6473-5A.

Recommendation

The District should strengthen its controls to ensure attendance data is compiled and reported accurately and include only schools authorized for the program. The District should also maintain sufficient documentation to support its results of the reconciliation between the SAR and QAR.

Current Status

Partially implemented

District's Explanation if Not Implemented

Policies and procedures will be adjusted to ensure a reconciliation is done and that supporting documentation is kept. Program staff will work directly with CDE staff to address this finding.

28. Finding F-07-28 – Reporting – Financial Reporting

Program Identification:

Special Education Cluster: Grants to States Preschool Grants, U.S. Department of Education (ED) Pass-Through Entity: California Department of Education Award Number and Year Awarded: Grant Agreements 06-13430-6473-01 and 06-13682-6473-01.

Recommendation

We recommend that the District strengthen its current controls over reporting to ensure that supporting documentation is maintained for all reports submitted. Furthermore, we recommend that the District perform reconciliation of expenditures reported on the mid-year expenditure report and the year-end expenditures per the general ledger.

Current Status

Implemented. The District provided mid-year and final expenditure reports and documentation supporting the data reported in the reports for all four grants cited.

29. Finding F-09-17 – Subrecipient Monitoring – Monitoring Procedures Performed

Finding F-08-21 – Subrecipient Monitoring – Monitoring Procedures Performed

Finding F-07-29 – Subrecipient Monitoring – Monitoring Procedures Performed

Finding F-06-28 – Subrecipient Monitoring – Monitoring Procedures Performed

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2010

Finding F-05-30 – Subrecipient Monitoring – Monitoring Procedures over Subrecipients

Program Identification:

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP), CDFA No. 84.334, U.S. Department of Education (ED), Grant Agreements P334A050008 and P334A050178.

Twenty-First Century Community Learning Centers, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.287, Grant Agreements 07-14349-6473-4A, 07-14535-6473-4A, 08-14349-6473-3A, 08-14349-6473-4A, 08-14535- 6473-4A, 08-14349-6473-5A, and 08-14535- 6473-5A.

Recommendation

We recommend that the District establish policies and procedure to ensure that the subrecipient monitoring compliance requirement be met with the federal requirements.

Current Status

Partially implemented

District's Explanation if Not Implemented

Policies and procedures will be adjusted to ensure a reconciliation is done and that supporting documentation is kept. Program staff will work directly with CDE staff to address this finding.

30. Finding F-07-29 – Subrecipient Monitoring – Monitoring Procedures Performed

Finding F-06-29 – Subrecipient Monitoring – Monitoring Procedures Performed

Program Identification:

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP): U.S. Department of Education (ED), CFDA No. 84.334, Grant Agreements P334A000061-05, P334A050178-06, and P334A050205.

Recommendation

We recommend the District revise its current contract template to include the required references for Federal pass-through funds and also issue addendums to existing contracts to ensure that the subrecipients are properly notified of the various requirements of participating in federally funded programs. We also recommend that the District implement policies and procedures to identify subrecipients that will be subject to their own A-133 audit and the collection of those audits with follow-up on any findings related to the pass-through program.

Current Status

Implemented

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2010

31. Finding F-09-18 – Special Tests and Provisions – Annual Verification of Eligibility

Program Identification:

Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children, U.S. Department of Agriculture (USDA), Passed through the California Department of Education, CFDA No. 10.553, 10.555, and 10.559, Grant Agreement 19-64733- 0000000-01;

Child and Adult Care Food Program: U.S. Department of Agriculture (USDA), Passed through the California Department of Education, CFDA No. 10.558, Grant Agreement 19-2016-3A.

Recommendation

We recommend the District's Information Technology staff ascertain the reason for the malfunction and modify the software suitably to resolve this issue.

Current Status

Implemented

32. Finding F-09-20 – Special Tests and Provisions (Parent Notification Letters) – Support for Notifications

Program Identification:

English Language Acquisition Grants: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.365, Grant Agreement 09-10084-6473-00.

Recommendation

We recommend the District continue to strengthen its policies and procedures to ensure that the schools comply with the requirement that all parental notifications are made in a timely manner and that supporting documentation be maintained on file to support the schools' compliance.

Current Status

Implemented

33. Finding F-07-31 – Special Tests and Provisions (Participation of Private School Children) – Per-Pupil Allocations offered to Participating Private Schools

Program Identification:

Safe and Drug Free Schools and Communities: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.186, Grant Agreement Q186A060005;

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2010

English Language Acquisition Grants: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.365, Grant Agreements 03-14346-6473- 00, and 10084-6474-00;

Improving Teacher Quality State Grants: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.367, Grant Agreement S367A040005A.

Recommendation

We recommend that the District enhance its policies and procedures to ensure participating private schools are timely notified of any changes in per-pupil allocation amounts available.

Current Status

Implemented – Provided response to CDE.

34. Finding F-09-19 – Special Tests and Provisions Highly Qualified Teachers and Paraprofessionals

Finding F-08-23 – Special Tests and Provisions Highly Qualified Teachers and Paraprofessionals

Finding F-07-34 – Special Tests and Provisions Highly Qualified Teachers and Paraprofessionals

Finding F-06-33 – Special Tests and Provisions (Highly Qualified Teachers) – Qualifications

Finding F-06-34 – Special Tests and Provisions (Highly Qualified Paraprofessionals) – Qualifications

Program Identification:

Title I Grants to Local Educational Agencies: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.010, Grant Agreement 09-14329-6473.

Recommendation

We recommend that the District continue to implement policies and procedures to ensure the remainder of its teachers obtain their highly qualified status to comply with NCLB requirements. We also recommend that the District implement policies and procedures to ensure that non-highly qualified paraprofessionals hired before January 8, 2002 are not placed in Title I schools where a highly qualified status is required to comply with NCLB requirements.

Current Status

Implemented for highly qualified teachers.

Partially implemented for paraprofessionals.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2010

District's Explanation if Not Implemented

The District is in the process of enforcing a policy which will remove any paraprofessional who has not fully complied with the requirements of the Federal No Child Left Behind Act. The policy will ensure that all paraprofessionals are brought into compliance or removed from service as a paraprofessional no later than March 31, 2011

LOS ANGELES UNIFIED SCHOOL DISTRICT
Status of Prior Year Findings and Recommendations
June 30, 2010

Findings and Questioned Costs Relating to State Awards

(1) S-09-01 Regular and Special Day Classes – Elementary Schools – Attendance Computations

State Audit Guide Finding Codes: 10000 and 40000

Schools Affected

Carson Elementary School	Hammel Elementary School
Allesandro Elementary School	Sheridan Elementary School
Pomelo Elementary School	Arroyo Seco Museum Science Elementary School
54 th Elementary School	Castle Heights Elementary School
West Hollywood Elementary School	Eagle Rock Elementary School
Bright Elementary School	Middleton Elementary School
107 th Street Elementary School	Lankershim Elementary School
Humphreys Elementary School	Mariposa Nabi PC

Recommendation

We recommend that the District ensure that its schools strengthen the review process over student attendance reporting, which includes but is not limited to the compilation of the Student Apportionment Attendance Cards, Monthly Control Cards, and Monthly Statistical Reports so that they accurately reflect student attendance data.

Current Status

Corrective actions were implemented by the subject schools.

(2) S-09-02 Regular and Special Day Classes – Secondary Schools – Attendance Computations

State Audit Guide Finding Codes: 10000 and 40000

Schools Affected:

- Bancroft Middle School
- Porter Middle School
- Widney High School
- Gardena High School

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2010

- Washington Preparatory Senior High School
- Cleveland Senior High School

Recommendation

We recommend that the District strengthen its review process over the compilation of the *Monthly Statistical Reports* to ensure that the report accurately reflects student attendance data. Also, we recommend that the District implement procedures to ensure original attendance documentation are signed timely and retained for the required period of time; implement procedures to strengthen the controls to ensure teacher submitting attendance daily as required. Furthermore, we recommend that the District provide adequate attendance reporting training to the schools so that proper attendance reporting procedures are adhered to.

Current Status

Corrective actions were implemented by the subject schools.

(3) S-09-03 Attendance Accounting – Continuation Education – Attendance Computations

State Audit Guide Finding Codes: 10000 and 40000

School Affected

- Independence High School
- Pueblo de Los Angeles High School

Recommendation

We recommend that the District strengthen its review process over the compilation of the *Monthly Statistical Reports* to ensure that the report accurately reflects student attendance data.

Current Status

Corrective actions were implemented by the subject schools.

(4) S-09-04 Attendance Accounting – Independent Study – Attendance Computations

State Audit Guide Finding Codes: 10000 and 40000

School Affected

- Youth Opportunity Unlimited

Recommendation

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2010

We recommend that the District strengthen its review process over independent study to ensure all required documentation on file for students in order for proper reporting of attendance.

Current Status

Corrective action was implemented.

(5) S-09-05 Attendance Accounting – Dependent Charter School – Attendance Computations

State Audit Guide Finding Codes: 10000 and 40000

Schools Affected

- Canyon Elementary School
- Westwood Elementary School

Recommendation

We recommend that the District strengthen its review process over dependent charter schools to ensure accuracy of supporting documentation in order for proper reporting of attendance.

Current Status

Corrective actions were implemented by the subject schools.

(6) S-09-06 – After School Education and Safety Program

State Audit Guide Finding Codes: 40000

School Affected

• Plava Del Rev Elementary School	Miller Elementary School
• Brockton Elementary School	Broadous Elementary School
• 10 th St Elementary School	Bvrd Middle School
• Eagle Rock Elementary School	Henry Middle School
• Budlong Elementary School	Lawrence Middle School
• Pio Pico Elementary School	Virgil Middle School
• Fernangeles Elementary School	Clinton Middle School
• 135 th Elementary School	Sun Valley Middle School

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2010

• Langdon Elementary School	Woodland Hills Middle School
• 75 th Street Elementary	Griffith Middle School
• Danube Elementary	Edison Middle School
• Coughlin Elementary	Wright Middle School
• 122 nd Elementary	Carver Middle School
• Sixty-Six Street Elementary	Beach Ave. Elementary

Recommendation

We recommend that the District strengthen its procedures on attendance documentation for the After School Education and Safety program. Furthermore, the District should provide more training on the policies and procedures to the after school providers.

Current Status

Implemented. Beyond The Bell has updated their attendance reporting manual and provided training to all agencies. Additionally, they are working directly with CDE to resolve this finding by providing detailed descriptions of attendance policies, step-by-step attendance procedures, evidence that after school site staff is trained and details of site visits.

(7) S-09-07 - Teacher Credentialing

State Audit Guide Finding Codes: 40000 and 71000

Schools Affected

- Independence High School
- Pueblo De Los Angeles High School

Recommendation

We recommend that the school and District implement controls to ensure that the teachers who provide instruction to classes with over 20% English learners have the required English teaching credentials.

Current Status

All teachers at Independence High School and Pueblo de Los Angeles High School hold an EL authorization.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

THE INFORMATION IN THIS APPENDIX E CONCERNING THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE DISTRICT AND THE UNDERWRITERS BELIEVE TO BE RELIABLE, BUT THE DISTRICT AND THE UNDERWRITERS TAKE NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the general obligation bonds of the District to be issued as its 2011 General Obligation Refunding Bonds, Series A-1 (the “Series A-1 Refunding Bonds”) and its 2011 General Obligation Refunding Bonds, Series A-2 (the “Series A-2 Refunding Bonds” and, together with the Series A-1 Refunding Bonds, the “Refunding Bonds”). The Refunding Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each coupon and maturity of Series A-1 Refunding Bonds and Series A-2 Refunding Bonds and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com and www.dtc.org. Information on these websites is not incorporated herein.

Purchases of the Refunding Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Refunding Bonds on DTC’s records. The ownership interest of each actual purchaser of each Refunding Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Refunding Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive

certificates representing their ownership interests in the Refunding Bonds, except in the event that use of the book-entry system for the Refunding Bonds is discontinued.

To facilitate subsequent transfers, all Refunding Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Refunding Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Refunding Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Refunding Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Refunding Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Refunding Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of the Refunding Bonds may wish to ascertain that the nominee holding the Refunding Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. The conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to Indirect Participants and by DTC Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Any failure of DTC to advise any DTC Participant, or of any DTC Participant or Indirect Participant to notify a Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Refunding Bonds called for redemption or of any other action premised on such notice. Redemption of portions of the Refunding Bonds by the District will reduce the outstanding principal amount of Refunding Bonds held by DTC. In such event, DTC will implement, through its book-entry system, a redemption by lot of interests in the Refunding Bonds held for the account of DTC Participants in accordance with its own rules or other agreements with DTC Participants and then DTC Participants and Indirect Participants will implement a redemption of the Refunding Bonds for the Beneficial Owners.

Redemption notices shall be sent to DTC. If less than all of the Refunding Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Refunding Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Paying Agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Refunding Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest on the Refunding Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent, on payable date in accordance with their respective

holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee) nor the Paying Agent or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal of, premium, if any, and interest on the Refunding Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

THE DISTRICT, THE COUNTY, THE PAYING AGENT OR THE UNDERWRITERS CAN NOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, THE PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE REFUNDING BONDS PAID TO DTC OR ITS NOMINEE AS THE REGISTERED OWNER, OR WILL DISTRIBUTE ANY REDEMPTION NOTICES OR OTHER NOTICES, TO THE BENEFICIAL OWNERS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. NEITHER THE DISTRICT, THE COUNTY, THE PAYING AGENT NOR THE UNDERWRITERS ARE RESPONSIBLE OR LIABLE FOR THE FAILURE OF DTC OR ANY PARTICIPANT TO MAKE ANY PAYMENT OR GIVE ANY NOTICE TO A BENEFICIAL OWNER WITH RESPECT TO THE REFUNDING BONDS OR AN ERROR OR DELAY RELATING THERETO.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

DTC may discontinue providing its services as depository with respect to the Refunding Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

In the event that the book entry system is discontinued as described above, the requirements of the Paying Agent Agreement will apply.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX F

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon the delivery of the Refunding Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, proposes to render its final approving opinion with respect to the Refunding Bonds in substantially the following form:

November 1, 2011

Los Angeles Unified School District
Los Angeles, California

Los Angeles Unified School District
(County of Los Angeles, California)
2011 General Obligation Refunding Bonds, Series A-1 and Series A-2
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Los Angeles Unified School District (the “District”), which is located in the County of Los Angeles (the “County”), in connection with the issuance by the District of \$206,735,000 aggregate principal amount of Los Angeles Unified School District (County of Los Angeles, California) 2011 General Obligation Refunding Bonds, Series A-1 (the “Series 2011A-1 Bonds”) and \$201,070,000 aggregate principal amount of Los Angeles Unified School District (County of Los Angeles, California) 2011 General Obligation Refunding Bonds, Series A-2 (the “Series 2011A-2 Bonds”) and together with the Series 2011A-1 Bonds, the “Series 2011A Bonds”), pursuant to the Paying Agent Agreement, dated as of November 1, 2011 (the “Paying Agent Agreement”), by and between the District and U.S. Bank National Association, as paying agent (the “Paying Agent”). Capitalized undefined terms used herein have the meanings ascribed thereto in the Paying Agent Agreement.

In such connection, we have reviewed the Paying Agent Agreement, the Tax Certificate of the District, dated the date hereof (the “Tax Certificate”), certificates of the District, the Paying Agent and others, and such other documents and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Series 2011A Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Paying Agent Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to ensure that future actions, omissions or

events will not cause interest on the Series 2011A Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Series 2011A Bonds, the Paying Agent Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against school districts or counties in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated September 27, 2011, or other offering material relating to the Series 2011A Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Series 2011A Bonds constitute valid and binding obligations of the District.
2. The Paying Agent Agreement has been duly authorized, executed and delivered by, and constitutes a valid and binding obligation of, the District.
3. The Board of Supervisors of the County has power and is obligated to levy ad valorem taxes without limitation as to rate or amount upon all property within the District's boundaries subject to taxation by the District (except certain personal property which is taxable at limited rates) for the payment of the Series 2011A Bonds and the interest thereon.
4. Interest on the Series 2011A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Series 2011A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2011A Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX G

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Los Angeles Unified School District (the “District”) in connection with the issuance of its Refunding Bonds, which are being issued pursuant to the Resolution and a Paying Agent Agreement dated as of November 1, 2011 by and between the District and U.S. Bank National Association, as Paying Agent. The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the Refunding Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2 12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Paying Agent Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 4 and 5 of this Disclosure Certificate.

“CUSIP Numbers” shall mean the Committee on Uniform Security Identification Procedure’s unique identification number for each public issue of a security.

“Beneficial Owner” shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“County” shall mean the County of Los Angeles, California.

“Dissemination Agent” shall mean Digital Assurance Certification, L.L.C., or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“Disclosure Counsel” shall mean an attorney-at-law, or a firm of such attorneys, of nationally recognized standing in matters pertaining to the disclosure obligations under Rule 15c-2 of the Securities and Exchange Commission of the United States of America, duly admitted to the practice of law before the highest court of any state of the United States of America.

“EMMA System” shall mean the MSRB’s Electronic Municipal Market Access system.

“Holder” shall mean either the registered owners of the Refunding Bonds, or if the Refunding Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

“Listed Events” shall mean any of the events listed in Section 6(b) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate.

“Official Statement” shall mean the Official Statement dated September 27, 2011 with respect to the Refunding Bonds.

“Participating Underwriters” shall mean any of the original underwriters of the Refunding Bonds required to comply with the Rule in connection with offering of the Refunding Bonds.

“Paying Agent Agreement” shall mean the Paying Agent Agreement dated as of November 1, 2011 by and between the District and U.S. Bank National Association, as Paying Agent.

“Refunding Bonds” shall mean, collectively, the District’s \$206,735,000 2011 General Obligation Refunding Bonds, Series A-1 and \$201,070,000 2011 General Obligation Refunding Bonds, Series A-2.

“Resolution” shall mean the resolution of the Board of Education of the District adopted on September 13, 2011 authorizing the issuance of the Refunding Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Transmission of Notices, Documents and Information. (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB’s Electronic Municipal Markets Access (EMMA) system, the current internet address of which is <http://emma.msrb.org>.

(b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB.

Section 4. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than 240 days following the end of the District’s fiscal year (currently ending June 30), commencing with the report for the 2010-11 Fiscal Year (which is due not later than February 24, 2012), provide to the MSRB through its EMMA System an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Certificate; provided, that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 6(c).

(b) Not later than thirty (30) days (not more than sixty (60) days) prior to the date on which the Annual Report is to be provided pursuant to subsection (a), the Dissemination Agent shall give notice to the District that the Annual Report is so required to be filed in accordance with the terms of this Disclosure Certificate. Not later than fifteen (15) days prior to said date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If the District is unable to provide to the MSRB through its EMMA System an Annual Report by the date required in subsection (a), the Dissemination Agent shall send a notice of such fact to the MSRB through its EMMA System.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the EMMA System the date on which such Annual Report shall be due and notify the District of such date; and

(ii) (if the Dissemination Agent is other than the District) file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and that it was provided to the MSRB through the EMMA System.

Section 5. Content of Annual Reports. The District's Annual Report shall contain or include by reference the following:

(a) Audited financial statements of the District for the preceding fiscal year, prepared in accordance with the laws of the State of California and including all statements and information prescribed for inclusion therein by the Controller of the State of California. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 4(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statement of the District, the Annual Report shall also include the following:

(i) Adopted general fund budget of the District for the current fiscal year.

(ii) District average daily attendance.

(iii) District outstanding debt.

(iv) Information regarding total assessed valuation of taxable properties within the District, if and to the extent provided to the District by the County.

(v) Information regarding total secured tax charges and delinquencies on taxable properties within the District, if and to the extent provided to the District by the County.

(vi) Information regarding total assessed valuation and parcels by land use.

(vii) Information regarding the assessed valuation per parcel of single family homes.

(viii) Information regarding the largest local secured taxpayers.

(c) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the MSRB through its EMMA System. If the document included by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each such other document so included by reference.

(d) The descriptions contained in clause (b) above of financial information and operating data constituting to be included in the Annual Report are of general categories or types of financial

information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, or due to changes in accounting practices, legislative or organizational changes, a statement to that effect shall be provided in lieu of such information. Comparable information shall be provided if available.

Section 6. Reporting of Listed Events.

(a) If a Listed Event occurs, the District shall provide or caused to be provided, in a timely manner not in excess of ten (10) Business Days after the occurrence of such Listed Event, notice of such Listed Event to (i) the EMMA System of the MSRB and (ii) the Dissemination Agent.

(b) Pursuant to the provisions of this Section 6, the District shall give, or cause to be given, notice of the occurrence of any of the following events (each, a “Listed Event”) with respect to the Refunding Bonds:

(i) principal and interest payment delinquencies.

(ii) non-payment related defaults, if material.

(iii) modifications to rights of Holders, if material.

(iv) Bond calls, if material and tender offers.

(v) defeasances.

(vi) rating changes.

(vii) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (Internal Revenue Service Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Refunding Bonds, or other material events affecting the tax status of the Refunding Bonds.

(viii) unscheduled draws on the debt service reserves reflecting financial difficulties.

(ix) unscheduled draws on the credit enhancements reflecting financial difficulties.

(x) release, substitution or sale of property securing repayment of the Certificates, if material.

(xi) bankruptcy, insolvency, receivership or similar event of the District (such event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District;

(xii) substitution of credit or liquidity providers, or their failure to perform;

(xiii) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the

entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) appointment of a successor or additional Paying Agent or the change of name of a Paying Agent, if material.

(c) The District notes that items (viii), (ix), (x) and (xii) are not applicable to the Refunding Bonds.

(d) If the District determines that a Listed Event has occurred, the District shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to Section 3 hereof.

(e) If the Dissemination Agent has been instructed by the District to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB through its EMMA System.

(f) Notwithstanding the foregoing, notice of Listed Events described in subsections (b)(iv) and (v) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Paying Agent Agreement.

Section 7. CUSIP Numbers. Whenever providing information to the Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements and notices of Listed Events, the District shall indicate the full name of the Refunding Bonds and the 9-digit CUSIP numbers for the Refunding Bonds as to which the provided information relates.

Section 8. Termination of Reporting Obligation.

(a) The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Refunding Bonds. If such termination occurs prior to the final maturity of the Refunding Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 6(c).

(b) This Disclosure Certificate, or any provision hereof, shall cease to be effective in the event that the District (1) delivers to the Dissemination Agent an opinion of Disclosure Counsel, addressed to the District and the Dissemination Agent, to the effect that those portions of the Rule which require this Disclosure Certificate, or such provision, as the case may be, do not or no longer apply to the Refunding Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the MSRB.

Section 9. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall be Digital Assurance Certification, L.L.C. If at any time there is no designated Dissemination Agent appointed by the District, or if the Dissemination Agent so appointed is unwilling or unable to perform the duties of the Dissemination Agent hereunder, the District shall be the Dissemination Agent and undertake or assume its obligations hereunder. The Dissemination Agent (other than the District) shall not be responsible in any manner for the content of any notice or report required to be delivered by the District pursuant to this Disclosure Certificate.

Section 10. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Refunding Bonds, or the type of business conducted; and

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of Disclosure Counsel, have complied with the requirements of the Rule at the time of the original issuance of the Refunding Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

(c) The amendment or waiver either: (i) is approved by the Holders of the Refunding Bonds in the same manner as provided in the Paying Agent Agreement with the consent of Holders, or (ii) does not, in the opinion of Disclosure Counsel, materially impair the interests of the Holders or Beneficial Owners of the Refunding Bonds.

(d) In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 6(c), and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 11. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 12. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, the Dissemination Agent may (and, at the request of any Participating Underwriter or the Holders or Beneficial Owners of at least 25% of aggregate principal amount of the Refunding Bonds then outstanding, shall) or any Holders or Beneficial Owners of the Refunding Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in the Superior Court of the State of California in and for the County of Los Angeles or in the U.S. District Court in the County of Los Angeles. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Paying Agent Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 13. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Refunding Bonds.

Section 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Refunding Bonds, and shall create no rights in any other person or entity.

Dated: November 1, 2011

LOS ANGELES UNIFIED SCHOOL DISTRICT

By: _____
Megan K. Reilly
Chief Financial Officer

ACKNOWLEDGED AND AGREED TO BY:

DIGITAL ASSURANCE CERTIFICATION,
L.L.C., as Dissemination Agent

By: _____
Dissemination Agent

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX H

THE LOS ANGELES COUNTY TREASURY POOL

The Treasurer and Tax Collector of the County of Los Angeles (the “Treasurer”) manages, in accordance with California Government Code Section 53600 et seq., funds deposited with the Treasurer by County school and community college districts, various special districts and some cities. State law generally requires that all moneys of the County, school districts and certain special districts be held in the County’s Treasury Pool (the “Treasury Pool”) as described below. The composition and value of investments under management in the Treasury Pool vary from time to time, depending on the cash flow needs of the County and the other public agencies invested in the Treasury Pool, the maturity or sale of investments, purchase of new securities and fluctuations in interest rates generally. The Treasurer maintains a website, the address of which is <http://ttc.lacounty.gov>, on which the Treasurer periodically places information relating to the Treasury Pool. However, the information presented there is not part of this Official Statement, is not incorporated by reference herein and should not be relied upon in making an investment decision with respect to the Refunding Bonds.

Los Angeles County Pooled Surplus Investments

The Treasurer has the delegated authority to invest funds on deposit in the County Treasury (the “Treasury Pool”). As of July 31, 2011, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts in the following amounts:

Local Agency	Invested Funds (in billions)
County of Los Angeles and Special Districts	\$ 7.930
Schools and Community Colleges	12.683
Independent Public Agencies	2.712
Total	<u>\$ 23.325</u>

Of these entities, the involuntary participants accounted for approximately 88.37%, and all discretionary participants accounted for 11.63% of the total Treasury Pool.

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer’s prior approval. In Los Angeles County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State of California, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the Los Angeles County Board of Supervisors on an annual basis. The Investment Policy adopted on March 15, 2011, reaffirmed the following criteria and order of priority for selecting investments:

1. Safety of Principal
2. Liquidity
3. Return on Investment

The Treasurer prepares a monthly Report of Investments (the “Investment Report”) summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors. According to the Investment Report dated August 31,

2011, the July 31, 2011 book value of the Treasury Pool was approximately \$23.325 billion and the corresponding market value was approximately \$23.392 billion.

An internal controls system for monitoring cash accounting and investment practices is in place. The Treasurer's Compliance Auditor, who operates independently from the Investment Officer, reconciles cash and investments to fund balances daily. The Compliance Auditor's staff also reviews each investment trade for accuracy and compliance with the Board adopted Investment Policy. The County Auditor-Controller's Office performs similar cash and investment reconciliations on a quarterly basis and regularly reviews investment transactions for conformance with the approved policies. Additionally, the County's outside independent auditor annually accounts for all investments.

The following table identifies the types of securities held by the Treasury Pool as of July 31, 2011.

Type of Investment	% of Pool
U.S. Government and Agency Obligations	53.29
Certificates of Deposit	14.15
Commercial Paper	29.30
Bankers Acceptances	0.00
Municipal Obligations	0.33
Corporate Notes & Deposit Notes	2.93
Asset Backed Instruments	0.00
Repurchase Agreements	0.00
Other	<u>0.00</u>
	100.00

The Treasury Pool is highly liquid. As of July 31, 2011 approximately 44.38% of the investments mature within 60 days, with an average of 557.30 days to maturity for the entire portfolio.

