

**NEW ISSUE – BOOK-ENTRY ONLY**

**Ratings:**

Moody's: "Aa2"

S&P: "AA-"

See "Miscellaneous – Ratings" herein.

*In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the District, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, in the opinion of Bond Counsel to the District, under existing statutes, interest on the Bonds is exempt from personal income taxes imposed by the State of California. See "Tax Matters" herein.*



**\$326,045,000**

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
(County of Los Angeles, California)  
2015 General Obligation Refunding Bonds, Series A**

**Dated: Date of Delivery**

**Due: July 1, as shown on inside cover**

The Los Angeles Unified School District (the "District") is issuing its \$326,045,000 2015 General Obligation Refunding Bonds, Series A (the "Bonds"). The Bonds are general obligation bonds of 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) for the payment of the principal of and redemption premium, if any, and interest on the Bonds, all as more fully described herein. The Bonds are being issued pursuant to the laws of the State of California (the "State") and a resolution adopted by the Board of Education of the District on April 14, 2015.

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

Interest on the Bonds is payable on January 1 and July 1 of each year, commencing on July 1, 2015.

The 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 ("DTC"). DTC will act as securities depository for the Bonds. Owners will not receive certificates representing their interests in the Bonds. Payments of principal, premium, if any, and interest on the Bonds will be made by U.S. Bank National Association, as agent to the Treasurer and Tax Collector of the County of Los Angeles, California, as the initial paying agent, to DTC, which is obligated to remit such payments to its DTC Participants for subsequent disbursement to the beneficial owners of the Bonds. See Appendix C – "Book-Entry Only System" attached hereto.

The Bonds are not subject to redemption prior to their stated maturity dates. See "The Bonds – No 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 Bonds will be offered when, as and if issued by the District, and received by the Underwriter, subject to the approval as to their legality by Hawkins Delafield & Wood LLP, Los Angeles, California, Bond Counsel to the District, and certain other conditions. Certain legal matters will also be passed upon for the District by the General Counsel to the District and by its Disclosure Counsel, Hawkins Delafield & Wood LLP, Los Angeles, California. Public Resources Advisory Group is serving as Financial Advisor to the District in connection with the issuance of the Bonds. The Bonds, in book-entry form, will be available for delivery through the facilities of DTC on or about May 28, 2015.*

Dated: May 6, 2015

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

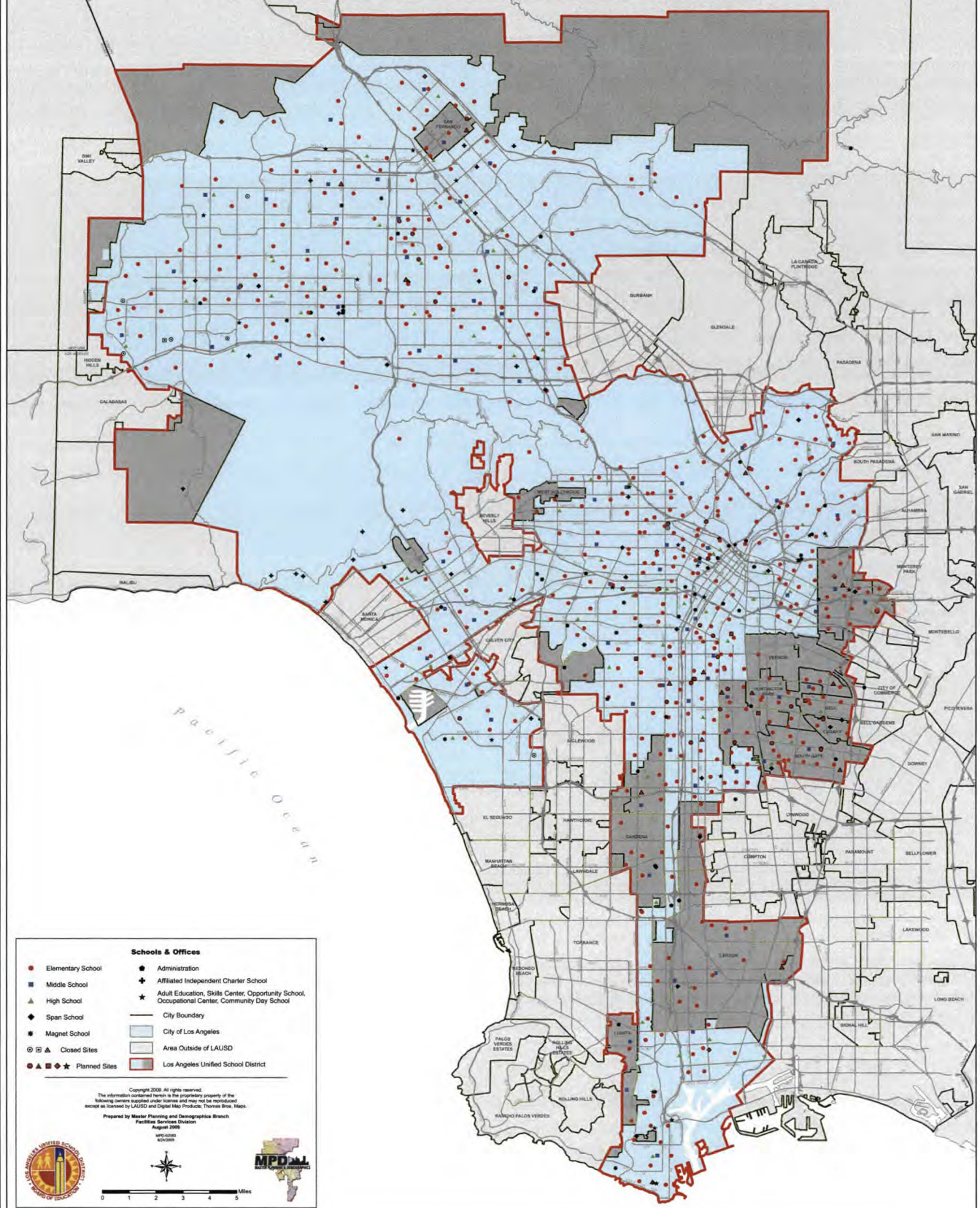
**\$326,045,000**

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
(COUNTY OF LOS ANGELES, CALIFORNIA)  
2015 General Obligation Refunding Bonds, Series A**

**Base CUSIP Number: 544646**

<b><u>Maturity Date</u></b> <b><u>(July 1)</u></b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Interest Rate</u></b>	<b><u>Initial Public</u></b> <b><u>Offering Yield</u></b>	<b><u>Price</u></b>	<b><u>CUSIP</u></b> <b><u>Suffix</u></b>
2015	\$ 7,960,000	2.00%	0.10%	100.174%	2U5
2019	48,685,000	5.00	1.25	114.911	2V3
2020	51,140,000	5.00	1.43	117.469	2W1
2021	53,710,000	5.00	1.62	119.529	2X9
2022	56,475,000	5.00	1.83	120.991	2Y7
2023	57,020,000	5.00	2.04	121.974	2Z4
2024	35,115,000	5.00	2.23	122.679	3A8
2025	15,940,000	5.00	2.35	123.683	3B6

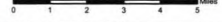
# Los Angeles Unified School District



### Schools & Offices

- Elementary School
- Middle School
- ▲ High School
- ◆ Span School
- Magnet School
- ◎ Closed Sites
- ▲◆★ Planned Sites
- Administration
- ✦ Affiliated Independent Charter School
- ★ Adult Education, Skills Center, Opportunity School, Occupational Center, Community Day School
- City Boundary
- City of Los Angeles
- Area Outside of LAUSD
- Los Angeles Unified School District

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Prepared by Master Planning and Demographics Branch  
Facilities Services Division  
August 2008



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No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other 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.

**IN CONNECTION WITH THE OFFERING OF THE BONDS THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 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 UNDERWRITER MAY OFFER AND SELL THE 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 UNDERWRITER.**

**THE BONDS HAVE NOT BEEN REGISTERED WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE RESOLUTION 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](http://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 Bonds.

CUSIP is a registered trademark of American Bankers Association. CUSIP data in this Official Statement is provided by CUSIP Global Services, managed by Standard & Poor’s Financial Services LLC on behalf of The American Bankers Association. CUSIP data herein is set forth for convenience of reference only. The District and the Underwriter assume no responsibility for the selection or uses of the CUSIP data or for the accuracy or correctness of such data. The CUSIP numbers for the Bonds are subject to being changed after the delivery of the Bonds as a result of various subsequent actions.

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## BOARD OF EDUCATION

<u>District</u>	<u>Member</u>	<u>Term Ending</u>
7	Dr. Richard A. Vladovic, President	June 30, 2015
3	Tamar Galatzan	June 30, 2015
2	Mónica García	June 30, 2017
5	Bennett Kayser	June 30, 2015
1	Dr. George McKenna III	June 30, 2020
5	Mónica Ratliff	June 30, 2017
4	Steve Zimmer	June 30, 2017

## DISTRICT OFFICIALS

Ramon C. Cortines, Superintendent  
Michelle King, Chief Deputy Superintendent  
David Holmquist, General Counsel  
Megan K. Reilly, Chief Financial Officer  
John Walsh, Deputy Chief Financial Officer  
Luis Buendia, Controller  
Timothy S. Rosnick, Deputy Controller

## BOND COUNSEL AND DISCLOSURE COUNSEL

Hawkins Delafield & Wood LLP  
Los Angeles, California

## FINANCIAL ADVISOR

Public Resources Advisory Group  
Los Angeles, California

## PAYING AGENT

U. S. Bank National Association,  
as agent of the Treasurer and Tax Collector  
of the County of Los Angeles  
Los Angeles, California

## ESCROW BANK

Wells Fargo Bank, National Association  
Los Angeles, California

## VERIFICATION AGENT

Grant Thornton LLP  
Minneapolis, Minnesota

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**\$326,045,000**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**(County of Los Angeles, California)**  
**2015 General Obligation Refunding Bonds, Series A**

**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 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 \$326,045,000 2015 General Obligation Refunding Bonds, Series A (the “Bonds”) by the Los Angeles Unified School District (the “District”). The Bonds are issued pursuant to certain provisions of the California Government Code and other applicable law and a resolution adopted by the Board of Education of the District (the “District Board”) on April 14, 2015 (collectively, the “Resolution”) authorizing the issuance of not to exceed \$2,500,000,000 of general obligation refunding bonds. A portion of the proceeds of the Bonds will be applied to refund and defease the Prior Bonds (defined herein). See “Estimated Sources and Uses of Funds” and “Plan of Refunding” herein.

**The District**

The District, encompassing approximately 710 square miles, is located in the western section of the County of Los Angeles (the “County”) in the State of California (the “State”). The District’s boundaries include virtually all of the City of Los Angeles (the “City”), all of the Cities of Cudahy, Gardena, Huntington Park, Lomita, Maywood, San Fernando, Vernon and West Hollywood, and portions of the Cities of Bell, Bell Gardens, Beverly Hills, Calabasas, Carson, Commerce, Culver City, Hawthorne, Inglewood, Long Beach, Lynwood, Montebello, Monterey Park, Rancho Palos Verdes, Santa Clarita, South Gate, and Torrance. In addition, the District provides services to several unincorporated areas of the County which includes residential and industrial areas. A map of the District appears on the inside cover page hereof.

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 has an estimated Fiscal Year 2014-15 enrollment of 644,437 students, including 102,538 students at independent charter schools in the District. As of June 30, 2014, the District operated 457 elementary schools, 83 middle/junior high schools, 100 senior high schools, 55 options schools, 22 multi-level schools, 15 special education schools, 34 magnet schools and 148 magnet centers, 6 community adult schools, 3 regional occupational centers, 1 skills centers, 1 regional occupational program center, 86 early education centers, 4 infant centers, and 18 primary school centers. In addition, as of June 30, 2014, there were 52 affiliated charter schools operated by the District and 196 fiscally independent charter schools within the District’s boundaries.

Additional information on the District is set forth in Appendices A and B hereto. See Appendix A – “District Financial Information and Regional Economic and Demographic Information” and Appendix B – “Comprehensive Annual Financial Report of the District for the Fiscal Year ended June 30, 2014” 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 \$13.063 billion of the approved general obligation bonds have been issued (including the Prior Bonds to be refunded), with \$7.542 billion remaining to be issued under the bond authorizations listed below (collectively, the "Authorizations"). See "Security and Sources of Payment for the 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**

<u>Bond Authorization</u>	<u>Date Authorized by Voters</u>	<u>Amount Authorized (\$ Billions)</u>	<u>Amount Issued<sup>(1)</sup> (\$ Billions)</u>	<u>Amount Unissued (\$ Billions)</u>	<u>Purposes</u>
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	3.710	0.160	New construction, acquisition, rehabilitation and upgrading of specifically identified school facilities, and installation and upgrading of information-technology infrastructure
Measure Y	November 8, 2005	3.985	3.603	0.382	New construction, acquisition, rehabilitation and upgrading of specifically identified school facilities, and installation and upgrading of information-technology infrastructure
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, and installation and upgrading of information-technology infrastructure
	Total	<u>\$20.605</u>	<u>\$13.063</u>	<u>\$7.542</u>	

<sup>(1)</sup> See Appendix A – "District Financial Information and Regional Economic and Demographic 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.

In addition to the bond proceeds from the five general obligation bond authorizations referred to above, the District expects to receive State-matching funds and other revenue sources to fund the 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). The District's general obligation bond program has completed 350 new construction projects providing more than 170,000 new seats. All but one school now operates on a traditional two-semester calendar. In addition, more than 18,000 school modernization projects, which are intended to upgrade facilities and improve the learning environment for students, have been completed. The program includes, among other things, computer technology projects and green projects.

## **Security and Sources of Payment for the Bonds**

The Bonds are general obligation bonds of the District and are payable from *ad valorem* property taxes levied by the County on property within the District which the Board of Supervisors of the County of Los Angeles (the "County Board") 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) for the payment of the principal of and redemption premium, if any, and interest on the Bonds. Such *ad valorem* property taxes are deposited in the Interest and Sinking Fund of the District which is held by the County and may only be applied to pay the principal of, and redemption premium, if any, and interest on the District's general obligation bonds, including the Bonds. The District does not receive such funds, nor are they available to pay any of the District's operating expenses. See "Security and Sources of Payment for the Bonds" herein.

## **Continuing Disclosure**

The District has covenanted for the benefit of the holders and beneficial owners of the 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 2014-15, 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 E – "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](http://www.dacbond.com), and at the website of the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system, [emma.msrb.org](http://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 Bonds. These covenants have been made in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5) (the "Rule"). See "Legal Matters – Continuing Disclosure" herein.

## **Tax Matters**

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the District, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, in the opinion of Bond Counsel, under existing statutes, interest on the Bonds is exempt from personal income taxes imposed by the State of California. 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 Resolution and certain matters relating to the security for the 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 Bonds will be on file, as applicable, at the principal office of U.S. Bank National Association as agent to the Treasurer and Tax Collector of the County of Los Angeles as paying agent (the "Paying Agent") in Los Angeles, California.

## PLAN OF REFUNDING

A portion of the proceeds of the Bonds will be applied to current refund and defease a portion of the District's outstanding general obligation bonds. Such proceeds will be deposited into an escrow fund (the "Escrow Fund") established with respect to the 2005 General Obligation Refunding Bonds, Series A-1 and 2005 General Obligation Refunding Bonds, Series A-2 (collectively, the "2005 Series A Bonds") under an escrow agreement dated as of May 1, 2015 by and between the District and Wells Fargo Bank, National Association, as escrow bank. The proceeds of the Bonds deposited into the Escrow Fund will be held uninvested in cash and will be sufficient to fully pay the redemption price of 100% of the principal amount of the District's outstanding general obligation bonds to be refunded plus accrued interest thereon on July 1, 2015. The mathematical computations used to determine the sufficiency of the escrow deposit 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 with a portion of the proceeds of the Bonds:

### *2005 General Obligation Refunding Bonds, Series A-1*

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>CUSIP (544644)</u>
July 1, 2017	\$ 2,250,000	D95
July 1, 2019	40,150,000	E45
July 1, 2020	42,190,000	E52
July 1, 2021	44,325,000	E60
July 1, 2022	46,625,000	E78
July 1, 2023	46,690,000	E86
July 1, 2024	400,000	E94
July 1, 2025	49,355,000	F28

### *2005 General Obligation Refunding Bonds, Series A-2*

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>CUSIP (544644)</u>
July 1, 2019	\$15,605,000	F44
July 1, 2020	16,385,000	F51
July 1, 2021	17,200,000	F69
July 1, 2022	18,065,000	F77
July 1, 2023	18,965,000	F85
July 1, 2024	19,915,000	F93

**TABLE 2**  
**ESTIMATED SOURCES AND USES OF FUNDS**

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

<b>Estimated Sources of Funds</b>	
Principal Amount	\$ 326,045,000.00
Net Original Issue Premium/Discount	<u>62,818,986.35</u>
<b>Total Sources</b>	<b>\$ <u>388,863,986.35</u></b>
<b>Estimated Uses of Funds</b>	
Escrow Fund	\$ 387,555,812.50
Underwriter's Discount	739,850.88
Costs of Issuance <sup>(1)</sup>	<u>568,322.97</u>
<b>Total Uses</b>	<b>\$ <u>388,863,986.35</u></b>

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

**THE BONDS**

**General Provisions**

The 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 ("DTC"). DTC will act as securities depository for the Bonds. Owners will not receive physical certificates representing their interest in the Bonds purchased, except in the event that use of the book-entry system for the Bonds is discontinued. Payments of principal of, premium, if any, and interest on the Bonds will be made 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 Bonds. For information about the securities depository and DTC's book-entry system, see Appendix C – "Book-Entry Only System" attached hereto.

The Bonds mature in the years and on the dates set forth on the inside front cover page hereof. Interest with respect to the Bonds is payable on January 1 and July 1 of each commencing on July 1, 2015 year (each, an "Interest Payment Date"). Interest on the 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 as of a date during the period from the 15th day of the calendar month immediately preceding such Interest Payment Date, inclusive, whether or not such day is a business day (each, a "Record Date") to such Interest Payment 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 Bonds.

**No Redemption**

The Bonds are not subject to redemption prior to their stated maturity dates.

**Defeasance**

**Defeasance of Bonds.** If at any time the District will pay or cause to be paid or there will otherwise be paid to the Owners of any or all of the outstanding Bonds all or any part of the principal, interest and premium, if any, on such Bonds at the times and in the manner provided in the Resolution and in such Bonds,

or as provided in the following paragraph, or as otherwise provided by law, then such Owners of such Bonds will cease to be entitled to the obligation of the District regarding the payment of Bonds of a Series as provided in the Resolution, and such obligation and all agreements and covenants of the District and of the County to such Owners under the Resolution and under such Bonds will thereupon be satisfied and discharged and will terminate, except only that the District will remain liable for payment of all principal, interest and premium, if any, represented by such Bonds, but only out of monies on deposit in the interest and sinking fund or otherwise held in trust for such payment.

The District may pay and discharge any or all of the Bonds by depositing in trust with the Paying Agent or an escrow agent, selected by the District, at or before maturity, money and/or Defeasance Securities (hereinafter defined), in an amount which will, together with the interest to accrue thereon and available monies then on deposit in the interest and sinking fund of the District, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums, if any) at or before their respective maturity dates.

The term "Defeasance Securities" is defined in the Resolution 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; (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 (defined herein).

The term "Advance Refunded Municipal Securities" is defined in the Resolution 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.

**Unclaimed Moneys.** The Resolution provides that any moneys held in any fund created pursuant to the Resolution, or by the Paying Agent or an escrow agent in trust, for the payment and discharge of the principal of, redemption premium, if any, or interest on a Series of Bonds and remaining unclaimed for two years after the principal of all of the Bonds has become due and payable (whether by maturity or upon prior redemption) will 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 will be transferred to the general fund of the District as provided and permitted by law.

## SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

### General Description

The Bonds are general obligation bonds of the District and are payable from *ad valorem* property taxes levied by the County on property within the District which the County Board 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) for the payment of the Bonds. Such *ad valorem* property taxes are deposited in the Interest and Sinking Fund for the Bonds which is held by the County and applied only to pay the Bonds. Such taxes are in addition to but separate from 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. Proposition 46, which was approved by California voters on June 3, 1986, permits local governments and school districts to increase the *ad valorem* property tax rate above 1% if two-thirds of those voting in a local election approve the issuance of such bonds and the proceeds of such bonds are used to acquire or improve real property.

Proposition 39, which was approved by California voters on November 6, 2000, added an additional exemption to the 1% tax limitation imposed by Article XIII A. As amended, Article XIII A 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 a county) for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping 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 in which a county office of education is located, as appropriate, but only if certain accountability measures are included in the proposition. 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.

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 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.

**Legislation Implementing 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. 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 such 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 cash value as described above. In conformity with this procedure, all taxable property 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**

**General.** 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 the County to recognize changes in the assessed valuation of real property before the next regular assessment role is complete in order to levy taxes based on the new assessed value. 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.

The 2014-15 Assessment Roll for property within the District's boundaries reflects an increase of approximately 5.81% in assessed value from the prior year. Under State law, in addition to reassessments requested by property owners pursuant to Proposition 8 (1978) when the current market value of property is less than assessed value as of January 1, the county assessor annually initiates reviews of property for reassessments due to decline-in-value. See " - Legislation Implementing Article XIII A" herein. In addition, the 2014-15 Assessment Roll for property within the County increased by 5.38% compared to the prior year. Such increase was due to, among other things, increases of \$30.7 billion attributable to properties sold and transferred, \$21.8 billion attributable to the restoration of previous decline-in-value adjustments, \$4.5 billion attributable to Proposition 13 inflation adjustments, \$4.5 billion attributable to new construction, \$1.0 billion

attributable to business personal property and fixtures and \$1.0 billion attributable to special property use types.

**TABLE 3**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Historical Gross Assessed Valuation of Taxable Property<sup>(1)</sup>**  
**Fiscal Years 2005-06 through 2014-15**  
**(\$ in thousands)**

<b><u>Fiscal Year</u></b>	<b><u>Secured<sup>(2)</sup></u></b>	<b><u>Unsecured</u></b>	<b><u>Total<sup>(2)</sup></u></b>	<b><u>Change From Prior Year</u></b>	<b><u>Percent Change</u></b>
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	23,849,409	474,977,291	187,493	0.04
2010-11	442,092,473	21,753,078	463,845,551	(11,131,740)	(2.34)
2011-12	447,830,204	21,265,021	469,095,225	5,249,674	1.13
2012-13	458,767,053	21,308,439	480,075,492	10,980,267	2.34
2013-14	482,043,584	21,634,336	503,677,920	23,602,428	4.92
2014-15	510,242,136	22,562,705	532,934,207	29,256,287	5.81

<sup>(1)</sup> Full cash value.

<sup>(2)</sup> Includes utility valuations.

Sources: Los Angeles Unified School District Comprehensive Annual Financial Report for Fiscal Year 2013-14 for Fiscal Years 2005-06 through 2013-14 and Los Angeles County Assessor for Fiscal Year 2014-15.

The following Table 4 sets forth the assessed valuation by land use of property within the District in Fiscal Year 2014-15.

**TABLE 4**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Assessed Valuation and Parcels by Land Use**  
**Fiscal Year 2014-15**

	<u>2014-15</u> <u>Assessed Valuation<sup>(1)</sup></u>	<u>% of</u> <u>Total</u>	<u>No. of</u> <u>Parcels</u>	<u>% of</u> <u>Total</u>
<b>Non-Residential:</b>				
Commercial/Office Building	\$ 86,252,601,254	16.90%	49,923	5.33%
Industrial	53,533,010,959	10.49	24,417	2.61
Recreational	2,093,987,934	0.41	959	0.10
Government/Social/Institutional	3,629,547,614	0.71	5,315	0.57
Miscellaneous	<u>386,383,616</u>	<u>0.08</u>	<u>916</u>	<u>0.10</u>
Subtotal Non-Residential	<u>\$145,895,531,377</u>	<u>28.59%</u>	<u>81,530</u>	<u>8.70%</u>
<b>Residential:</b>				
Single Family Residence	\$216,872,867,861	42.50%	559,214	59.69%
Condominium/Townhouse	47,608,955,629	9.33	130,994	13.98
Mobile Home Related	398,476,499	0.08	316	0.03
2-4 Residential Units	35,017,372,944	6.86	96,295	10.28
5+ Residential Units/Apartments	57,116,355,175	11.19	41,003	4.38
Miscellaneous Residential	<u>40,626,501</u>	<u>0.01</u>	<u>160</u>	<u>0.02</u>
Subtotal Residential	<u>\$357,054,654,609</u>	<u>69.98%</u>	<u>827,982</u>	<u>88.39%</u>
Vacant Parcels	\$ 7,291,949,891	1.43%	27,275	2.91%
Total	<u>\$510,242,135,877</u>	<u>100.00%</u>	<u>936,787</u>	<u>100.00%</u>

<sup>(1)</sup> Local Secured Assessed Valuation for Fiscal Year 2014-15, excluding tax-exempt property, local utility and non-unitary valuations.

Source: California Municipal Statistics, Inc.

The following Table 5 sets forth the distribution of single-family homes within the District within various assessed valuation ranges in Fiscal Year 2014-15.

**TABLE 5  
LOS ANGELES UNIFIED SCHOOL DISTRICT  
Assessed Valuations of Single Family Homes Per Parcel  
Fiscal Year 2014-15**

	<u>No. of Parcels</u>	<u>2014-15 Assessed Valuation</u>	<u>Average Assessed Valuation</u>	<u>Median Assessed Valuation</u>
Single-Family Residential	559,214	\$216,872,867,861	\$387,817	\$284,532

<u>2014-15 Assessed Valuation</u>	<u>No. of Parcels<sup>(1)</sup></u>	<u>% of Total</u>	<u>Cumulative % of Total</u>	<u>Total Valuation</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>
\$0 - \$49,999	4,655	0.832%	0.832%	\$ 75,057,220	0.035%	0.035%
\$50,000 - \$99,999	54,660	9.774	10.607	4,068,453,120	1.876	1.911
\$100,000 - \$149,999	53,517	9.570	20.177	6,754,487,604	3.114	5.025
\$150,000 - \$199,999	65,664	11.742	31.919	11,461,979,520	5.285	10.310
\$200,000 - \$249,999	74,470	13.317	45.236	20,405,450,230	9.409	19.719
\$250,000 - \$299,999	62,354	11.150	56.386	16,004,089,410	7.379	27.099
\$300,000 - \$349,999	48,876	8.740	65.126	15,873,116,388	7.319	34.418
\$350,000 - \$399,999	36,652	6.554	71.681	13,748,458,416	6.339	40.757
\$400,000 - \$449,999	26,196	4.684	76.365	1,120,490,156	5.128	45.885
\$450,000 - \$499,999	20,055	3.586	79.951	9,538,559,100	4.398	50.283
\$500,000 - \$549,999	17,785	3.180	83.132	9,378,901,965	4.325	54.608
\$550,000 - \$599,999	15,229	2.723	85.855	8,743,227,793	4.031	58.639
\$600,000 - \$649,999	10,916	1.952	87.807	6,835,599,200	3.152	61.791
\$650,000 - \$699,999	8,935	1.598	89.405	6,023,181,785	2.777	64.568
\$700,000 - \$749,999	7,261	1.298	90.703	5,285,761,126	2.437	67.006
\$750,000 - \$799,999	6,236	1.115	91.818	4,837,845,148	2.231	69.236
\$800,000 - \$849,999	5,195	0.929	92.747	4,290,888,175	1.979	71.215
\$850,000 - \$899,999	4,869	0.871	93.618	4,282,923,339	1.975	73.190
\$900,000 - \$949,999	4,135	0.739	94.357	3,834,062,970	1.768	74.958
\$950,000 - \$999,999	3,542	0.633	94.991	3,462,000,388	1.596	76.554
\$1,000,000 and greater	<u>28,012</u>	<u>5.009</u>	100.000	<u>50,848,334,808</u>	<u>23.446</u>	100.000
<b>Total</b>	<u>559,214</u>	<u>100.000%</u>		<u>\$216,872,867,861</u>	<u>100.000%</u>	

<sup>(1)</sup> 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 6 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 Years 2005-06 through 2014-15.

**TABLE 6**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Property Tax Rates<sup>(1)</sup>**  
**Fiscal Years 2005-06 through 2014-15**

<b>Fiscal Year</b>	<b>District Tax Rate for District’s State School Loan Repayment<sup>(2)</sup></b>	<b>Tax Rate for District’s General Obligation Bonds<sup>(3)</sup></b>	<b>General Ad Valorem Tax Rate Levied on District Property Owners<sup>(4)</sup></b>	<b>Total Overlapping Tax Rate Levied on District Property Owners</b>	<b>Total Tax Rate Levied on District Property Owners</b>
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	0.042595	1.229549
2011-12	--	0.168187	1.000000	0.042366	1.210553
2012-13	--	0.175606	1.000000	0.041194	1.216800
2013-14	--	0.146439	1.000000	0.033254	1.179693
2014-15	--	0.146881	1.000000	0.043674	1.190555

<sup>(1)</sup> Per \$100 of Assessed Valuation.

<sup>(2)</sup> Tax rate levied for the payment of principal of and interest on indebtedness authorized by the voters prior to the implementation of Proposition 13 in accordance with Section 16090 of the Education Code.

<sup>(3)</sup> Reflects the aggregate tax rate for voter-approved general obligation bonds issued by the District.

<sup>(4)</sup> The District receives a portion of this District-wide tax with other overlapping agencies receiving their respective portions.

Sources: Los Angeles Unified School District Comprehensive Annual Financial Report for Fiscal Year 2013-14 for Fiscal Years 2005-06 through 2013-14; Los Angeles County Auditor-Controller for Fiscal Year 2014-15.

The following Table 7 sets forth real property taxes in the District from Fiscal Years 2004-05 through 2014-15.

**TABLE 7**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Property Tax Levies, Collections and Delinquencies<sup>(1)</sup>**  
**Fiscal Years 2004-05 through 2013-14**  
**(\$ in thousands)**

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>ERAF Funds<sup>(2)</sup></u>	<u>Current Tax Collections</u>	<u>Percent of Current Taxes Collected</u>	<u>Delinquent Tax Collections<sup>(3)</sup></u>	<u>Total Tax Collections</u>
2004-05	\$ 929,248	\$171,052	\$1,091,325	99.18%	\$ 34,128	\$1,125,453
2005-06	991,275	76,068	1,026,351	96.16	30,963	1,057,314
2006-07	1,173,752	--	1,134,757	96.68	101,640	1,236,397
2007-08	1,345,503	(42,753)	1,241,733	95.32	76,816	1,318,549
2008-09	1,481,739	(2,660)	1,372,078	92.77	114,292	1,486,370
2009-10	1,597,579	41,685	1,505,933	91.87	112,277	1,618,210
2010-11	1,711,575	29,419	1,602,345	92.04	102,970	1,705,315
2011-12	1,663,061	(3,533)	1,520,001	91.59	97,842	1,617,843
2012-13	1,731,129	114,465	1,798,032	97.42	132,847	1,930,879
2013-14	1,652,164	26,846	1,684,486	100.33	29,409	1,713,895

<sup>(1)</sup> 1% State general fund apportionment.

<sup>(2)</sup> 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.

<sup>(3)</sup> Includes prior years' delinquencies.

Source: Los Angeles Unified School District Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2014.

*Largest Taxpayers in the District.* The following Table 8 sets forth the 20 largest secured taxpayers in the District for Fiscal Year 2014-15.

**TABLE 8  
LOS ANGELES UNIFIED SCHOOL DISTRICT  
Largest Local Secured Taxpayers  
Fiscal Year 2014-15**

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2014-15 Assessed Valuation</u>	<u>% of Total<sup>(2)</sup></u>
1.	Douglas Emmett LLC	Office Building	\$ 2,480,013,871	0.49%
2.	Universal Studios LLC	Motion Picture Studios	1,917,592,450	0.38
3.	Anheuser Busch Inc.	Industrial	850,272,719	0.17
4.	Donald T. Sterling	Apartments	736,408,820	0.14
5.	BRE Properties Inc.	Apartments	615,459,124	0.12
6.	One Hundred Towers LLC	Office Building	608,018,860	0.12
7.	Tishman Speyer Archstone Smith	Apartments	573,604,386	0.11
8.	Paramount Pictures Corp.	Motion Picture Studio	536,611,892	0.11
9.	Olympic and Georgia Partners LLC	Hotel/Residences	524,837,736	0.10
10.	Duesenberg Investment Company	Office Building	510,011,566	0.10
11.	Century City Mall LLC	Shopping Center/Mall	502,013,067	0.10
12.	LA Live Properties LLC	Commercial	490,311,384	0.10
13.	Taubman Beverly Center	Shopping Center/Mall	479,464,207	0.09
14.	Casden Park La Brea LLC	Apartments	469,530,818	0.09
15.	Trizec 333 LA LLC	Office Building	468,870,272	0.09
16.	Westfield Topanga Owner LP	Shopping Center/Mall	463,296,841	0.09
17.	Wilshire Courtyard LP	Office Building	422,409,070	0.08
18.	Twentieth Century Fox Film Corp.	Motion Picture Studio	395,962,003	0.08
19.	Tyjade Ranch LLC	Office Building	394,238,000	0.08
20.	Trizec 601 Figueroa LLC	Office Building	<u>379,371,563</u>	<u>0.07</u>
			\$13,818,298,649	2.71%

<sup>(1)</sup> 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.

<sup>(2)</sup> Percentages are based upon total Fiscal Year 2014-15 Local Secured Assessed Valuation of \$510,242,135,877, 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.

### **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. See Appendix A – "District Financial Information and Regional Economic and Demographic Information – District Financial Information – District Debt" attached hereto.

**TABLE 9**  
**General Obligation Bonds, Semi-Annual Debt Service Schedule**  
**(\$ in Millions)**

Payment Date	Outstanding General Obligation Bonds <sup>(1)(2)</sup>	The Bonds			Fiscal Year Total
		Principal	Interest	Semi Annual Debt Service	
July 1, 2015	\$628.01	\$7.96	\$1.47	\$9.43	--
January 1, 2016	266.32	--	7.95	7.95	\$911.72
July 1, 2016	603.73	--	7.95	7.95	--
January 1, 2017	258.51	--	7.95	7.95	878.14
July 1, 2017	621.57	--	7.95	7.95	--
January 1, 2018	228.99	--	7.95	7.95	866.46
July 1, 2018	649.74	--	7.95	7.95	--
January 1, 2019	219.27	--	7.95	7.95	884.92
July 1, 2019	613.76	48.69	7.95	56.64	--
January 1, 2020	211.19	--	6.74	6.74	888.32
July 1, 2020	632.06	51.14	6.74	57.88	--
January 1, 2021	200.59	--	5.46	5.46	895.98
July 1, 2021	636.39	53.71	5.46	59.17	--
January 1, 2022	191.67	--	4.11	4.11	891.35
July 1, 2022	672.96	56.48	4.11	60.59	--
January 1, 2023	182.18	--	2.70	2.70	918.44
July 1, 2023	680.05	57.02	2.70	59.72	--
January 1, 2024	172.14	--	1.28	1.28	913.18
July 1, 2024	716.98	35.12	1.28	36.39	--
January 1, 2025	161.16	--	0.40	0.40	914.93
July 1, 2025	708.96	15.94	0.40	16.34	--
January 1, 2026	149.04	--	--	--	874.34
July 1, 2026	712.91	--	--	--	--
January 1, 2027	155.00	--	--	--	867.91
July 1, 2027	657.68	--	--	--	--
January 1, 2028	240.30	--	--	--	897.98
July 1, 2028	532.07	--	--	--	--
January 1, 2029	99.84	--	--	--	631.90
July 1, 2029	561.94	--	--	--	--
January 1, 2030	86.97	--	--	--	648.91
July 1, 2030	587.07	--	--	--	--
January 1, 2031	72.95	--	--	--	660.01
July 1, 2031	616.45	--	--	--	--
January 1, 2032	57.27	--	--	--	673.72
July 1, 2032	643.58	--	--	--	--
January 1, 2033	39.84	--	--	--	683.42
July 1, 2033	635.43	--	--	--	--
January 1, 2034	54.40	--	--	--	689.83
July 1, 2034	694.76	--	--	--	--
January 1, 2035	--	--	--	--	694.76
<b>TOTAL</b>	<u>\$15,853.72</u>	<u>\$326.05</u>	<u>\$106.45</u>	<u>\$432.50</u>	<u>\$16,286.22</u>

<sup>(1)</sup> Excludes the Prior Bonds and the Refunding Bonds.

<sup>(2)</sup> Includes set-aside payments for Qualified School Construction Bonds. Excludes federal subsidies related to Build America Bonds and Qualified School Construction Bonds. See Appendix A – "District Financial Information and Regional Economic and Demographic Information – District Financial Information – District Debt – Limitations on the Receipt of Federal Funds" attached hereto.

Source: Los Angeles Unified School District.

## **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 A – “District Financial Information and Regional Economic and Demographic 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 taxable property valuation in the District for Fiscal Year 2014-15 is \$532.9 billion, which results in a total current bonding capacity of approximately \$13.3 billion. The District has approximately \$2.9 billion of unused bonding capacity for the issuance of additional general obligation bonds.

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 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. See “Security and Sources of Payment for the Bonds – California Constitutional and Statutory Provisions Relating to *Ad Valorem* Property Taxes” herein.

### **Bond Authorization Projects**

The following Table 10 sets forth the major categories of projects identified pursuant to Proposition BB, Measure K, Measure R, Measure Y and Measure Q (collectively, the “Bond Authorization Projects”) and 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. The District has issued all of the \$2.4 billion of general obligation bonds which were authorized pursuant to Proposition BB and all of the \$3.35 billion of general obligation bonds which were authorized pursuant to Measure K. No general obligation bonds have been issued pursuant to the Measure Q Authorization. In addition to the bond proceeds from the District’s five general obligation bond authorizations, the District uses State-matching funds and other revenue sources to fund the Bond Authorization Projects.

**TABLE 10**  
**Los Angeles Unified School District**  
**Summary of Bond Authorization Projects and Target Funding Amounts**  
**(\$ in millions)**

<u>Category of Project</u>	<u>Proposition BB<sup>(1)</sup></u> <u>(1997)</u>	<u>Measure K<sup>(2)</sup></u> <u>(2002)</u>	<u>Measure R<sup>(3)</sup></u> <u>(2004)</u>	<u>Measure Y<sup>(4)</sup></u> <u>(2005)</u>	<u>Measure Q</u> <u>(2008)</u>
School Construction	\$900	\$2,580	\$1,837	\$2,630	\$1,130
Repair	800	526	1,563	690	2,680
Refinancing of Certificates of Participation Payments	--	--	150	190	--
Technology	326	66	140	125	1,925
School Facility Upgrades and Library Acquisitions	374	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	--	--
Bond Program Management	--	--	--	50	--
Innovation Fund	--	--	--	60	--
Replacement of Special Education Buses	--	--	--	25	--
Added Resources to Low Performing Schools	--	--	--	10	--
Green Technology	--	--	--	--	500
<b>Total</b>	<u>\$2,400</u>	<u>\$3,350</u>	<u>\$3,870</u>	<u>\$3,985</u>	<u>\$7,000</u>

<sup>(1)</sup> As of April 1, 2015, bond proceeds (net of interest earnings on such proceeds applied to projects and amounts allocable to costs of issuance) have financed approximately \$2.4 billion of Proposition BB Projects, some of which are not yet complete.

<sup>(2)</sup> As of April 1, 2015, bond proceeds (net of interest earnings on such proceeds applied to projects and amounts allocable to costs of issuance) have financed approximately \$3.35 billion of Measure K Projects, some of which are not yet complete.

<sup>(3)</sup> As of April 1, 2015, bond proceeds (net of interest earnings on such proceeds applied to projects and amounts allocable to costs of issuance) have financed approximately \$3.71 billion of Measure R Projects, some of which are not yet complete.

<sup>(4)</sup> As of April 1, 2015, bond proceeds (net of interest earnings on such proceeds applied to projects and amounts allocable to costs of issuance) have financed approximately \$3.60 billion of Measure Y Projects, some of which are not yet complete.

Source: Los Angeles Unified School District.

## TAX MATTERS

**Opinion of Bond Counsel.** In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the District, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the District in

connection with the Bonds, and Bond Counsel has assumed compliance by the District with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the District, under existing statutes, interest on the Bonds is exempt from personal income taxes imposed by the State of California.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Bonds, or under state and local tax law.

***Certain Ongoing Federal Tax Requirements and Covenants.*** The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The District has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

***Certain Collateral Federal Tax Consequences.*** The following is a brief discussion of certain collateral Federal income tax matters with respect to the Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Bonds.

Prospective owners of the Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

***Bond Premium.*** In general, if an owner acquires a Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts on the Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required

to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

***Information Reporting and Backup Withholding.*** Information reporting requirements apply to interest paid on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

***Miscellaneous.*** Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law or otherwise prevent beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Bonds. For example, the Fiscal Year 2016 Budget proposed by the Obama Administration recommends a 28% limitation on "all itemized deductions, as well as other tax benefits" including "tax-exempt interest." The net effect of such a proposal, if enacted into law, would be that an owner of a tax-exempt bond with a marginal tax rate in excess of 28% would pay some amount of Federal income tax with respect to the interest on such tax-exempt bond regardless of issue date.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

## LEGAL MATTERS

### Continuing Disclosure

The District has covenanted for the benefit of the holders and beneficial owners of the 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 2014-15, 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](http://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](http://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 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 E – "Form of Continuing Disclosure Certificate" attached hereto. These covenants have been made in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5) (the "Rule").

### **Limitation on Remedies; Amounts Held in the County Treasury Pool**

The proposed form of opinion of Bond Counsel, attached hereto as Appendix D, 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 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 Bonds and may invest these funds in the County's Treasury Pool, as described in Appendix F – "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 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 Bonds unless the owners of the 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 Bonds.

### **Legality for Investment in the State**

Under provisions of the State Financial Code, the Bonds are legal investments for commercial banks in the State to the extent that the 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 Bonds and certain other legal matters are subject to the approving opinion of Hawkins Delafield & Wood 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 Bonds is contained in Appendix D, 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 General Counsel and by the District's Disclosure Counsel, Hawkins Delafield & Wood LLP, Los Angeles, California.

## **FINANCIAL STATEMENTS**

The District's Comprehensive Annual Financial Report for Fiscal Year Ended June 30, including its general purpose financial statements for the Fiscal Year ended June 30, 2014 is attached hereto as Appendix B. The basic financial statements of the District for the Fiscal Year 2013-14 have been audited by Simpson & Simpson, independent certified public accountants, as stated in their report appearing in Appendix B. The District has not requested nor has the District obtained the consent of Simpson & Simpson to the inclusion of its report in Appendix B. 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 Bonds or in any way contesting or affecting the validity of the 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 Bonds or the use of the proceeds of the Bonds. There are no pending lawsuits that, in the opinion of the District's General Counsel, challenge the validity of the 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 A – "District Financial Information and Regional Economic and Demographic Information" attached hereto.

## **MISCELLANEOUS**

### **Ratings**

Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") have assigned their municipal bond ratings of "Aa2" and "AA-", respectively, to the Bonds. The District has furnished to each rating agency certain materials and information with respect to itself and the 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 Bonds.

### **Financial Advisor**

The District has retained Public Resources Advisory Group, as Financial Advisor (the "Financial Advisor") in connection with the issuance of the Bonds and certain other financial matters. The Financial Advisor has not been engaged, nor has it undertaken, to audit, authenticate or otherwise verify the information set forth in this Official Statement, or any other related information available to the District.

with respect to accuracy and completeness of disclosure of such information. The Financial Advisor has reviewed this Official Statement but makes no guaranty, warranty or other representation respecting accuracy and completeness of the information contained in this Official Statement.

### **Verification of Mathematical Computations**

Upon the delivery of the 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 the redemption price of, including accrued interest thereon, the Prior Bonds to be refunded. The scope of the verification will be based solely on information and assumptions provided to the Verification Agent by the Financial Advisor. The Verification Agent will express no opinion on the assumptions provided to it by the Financial Advisor, nor as to the exemption from taxation of the interest on the Bonds.

### **Underwriting**

The Bonds were sold at a competitive sale on May 6, 2015. The Bonds were awarded to J.P. Morgan Securities LLC, the Underwriter for the Bonds (the "Underwriter") at a purchase price of \$388,124,135.47 (which amount is equal to the aggregate principal amount of the Bonds, plus a net original issue premium of \$62,818,986.35 and less an underwriting compensation in the amount of \$739,850.88).

Pursuant to the Official Notice Inviting Bids for the Bonds, the Underwriter will purchase all of the Bonds if any are purchased. The Underwriter may offer and sell the Bonds to certain dealers and others at prices or yields different from the initial public offering prices or yields stated on the inside cover page of this Official Statement. The initial public offering prices or yields may be changed from time to time by the Underwriter.

### **Additional Information**

The purpose of this Official Statement is to provide information to prospective buyers of the Bonds. Quotations from and summaries of the Bonds, and the Resolution, 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. 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 Bonds.

**Execution and Delivery**

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

LOS ANGELES UNIFIED SCHOOL DISTRICT

By:           /s/ Megan K. Reilly            
          Chief Financial Officer

**APPENDIX A**

**DISTRICT FINANCIAL INFORMATION AND  
REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION**

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*This Appendix A provides information concerning the operations and finances of the Los Angeles Unified School District (the "District") and certain demographic information in the area covered by the District. The Bonds are general obligation bonds of the District, secured and payable from ad valorem property taxes assessed on taxable properties within the District and are not an obligation of the County (defined herein) or of the general fund of the District. See "SECURITY AND SOURCES OF PAYMENT FOR THE 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 A.*

## **DISTRICT GENERAL INFORMATION**

### **District Boundaries**

The District, encompassing approximately 710 square miles, is located in the western section of the County of Los Angeles (the "County"). The District's boundaries include virtually all of the City of Los Angeles (the "City"), all of the Cities of, Cudahy, Gardena, Huntington Park, Lomita, Maywood, San Fernando, Vernon and West Hollywood, and portions of the Cities of Bell, Bell Gardens, Beverly Hills, Calabasas, Carson, Commerce, Culver City, Hawthorne, Inglewood, Long Beach, Lynwood, Montebello, Monterey Park, Rancho Palos Verdes, Santa Clarita, South Gate, and Torrance. In addition the District provides services to several unincorporated areas of the County which includes residential and industrial areas. The boundaries for the District are approximately 80% coterminous with the City, with the remaining 20% included in smaller neighboring cities and unincorporated County areas. 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"). Ramon C. Cortines currently serves as the Superintendent. In addition, effective July 1, 2015, the District will divide the organization of its schools into six geographically-based regions (collectively, the "Regional Districts"). Each Regional District will have a separate superintendent to oversee the schools in the related area of the District. Brief biographical information for Superintendent Cortines and other senior management of the District is set forth below.

Ramon C. Cortines, Superintendent of Schools. Mr. Cortines was appointed to serve as the Superintendent in October 2014. Prior to his present appointment as Superintendent, Mr. Cortines served as the District's Superintendent from 2009 to 2011 and Interim Superintendent in 2009. Mr. Cortines has previously served as the Deputy Mayor for Education, Youth and Families for the City of Los Angeles, acting Assistant Secretary for the federal Office for Educational Research and Improvement, Assistant Secretary (designate) for Intergovernmental and Interagency Affairs and for Human Resources in the United States Department of Education and Chancellor of the New York City Public School System. Mr. Cortines has served as Superintendent for six school districts, including the Pasadena Unified School District for eleven years, the San José Unified School District for two years and the San Francisco Unified School District for six years. He also served on the National Policy Board for Higher Education and is a Trustee Emeritus of the J. Paul Getty Trust and a Trustee Emeritus of Brown University. He currently serves as a trustee on the Woodrow Wilson Fellowship Fund. Mr. Cortines holds a Bachelor of Arts degree, a Master of Arts degree in school administration and a Master of Arts degree in adult education from Pasadena College (now, Point Loma Nazarene University).

Michelle King, Chief Deputy Superintendent. Ms. King is the Chief Deputy Superintendent for the District. As Chief Deputy Superintendent, Ms. King functions as co-executive and provides educational and operational leadership in developing and implementing District goals and priorities, guiding principles and standards, and accountability and educational reform to ensure student achievement. Prior to her appointment as a Chief Deputy Superintendent, Ms. King served as the Chief of Staff for the District, Superintendent for Local District 3 in the District and Interim Chief Instructional Officer, Secondary for the District. Ms. King has also served as a Senior High School Principal, Assistant Principal, Coordinator and Teacher. Ms. King graduated from the University of California, Los Angeles with a Bachelor of Science degree in Biology and from Pepperdine University with a Master of Science Administration degree. In addition, she holds a California Life Science Secondary Teaching Credential and a California Professional Administrative Services Credential from National University.

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. 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 is the Chair of a statewide coalition of school districts, a member of the California School Board Association's Committee on Education Legal Alliance Adequacy Committee, on the Board of the California Delinquent Tax Finance Authority and on the oversight boards of the successor agencies of the redevelopment agencies for the Cities of Los Angeles and West Hollywood. In addition, Ms. Reilly is a member of Government Finance Officers Association's Debt Committee and the Aspen Institute's Education and Society's Chief Financial Officers Committee. Ms. Reilly graduated from Loyola University with a Bachelor of Arts 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 and is a member of the State Bar of California.

John Walsh, Deputy Chief Financial Officer. Mr. Walsh began serving as the District's Interim Director of Finance Policy in April 2012 and then served as the Deputy Chief Financial Officer. Mr. Walsh has served as Deputy Chief Financial Officer since May 2014. Mr. Walsh served as Assistant General Counsel to the District from January 2002 to March 2012. Prior to joining the District, Mr. Walsh was an attorney with Best, Best & Krieger LLP and Crowell & Moring LLP. Mr. Walsh graduated from Queen's University with honors with a Bachelor of Arts degree in History and Politics, graduated from American University with a Master of Arts degree in History, and graduated from Claremont Graduate School with a Doctor of Philosophy degree in History. Mr. Walsh graduated from Loyola Law School *cum laude* with a Juris Doctorate.

Luis Buendia, Controller. Mr. Buendia began serving as the District's Controller in February 2012. He has been employed by the District since 1989 in various capacities in both School Fiscal Services and Finance. Mr. Buendia served as Assistant Budget Director of Budget Services and Financial Planning from 2002 through 2008 and as Deputy Controller from 2008 through February 2012. Mr. Buendia graduated from De La Salle University, with a Bachelor of Science degree in Accounting, and received a Master of Business Administration degree from the Graziadio School of Business and Management at Pepperdine University. Mr. Buendia is a member of the Government Finance Officers Association and the Association of Public Treasurers of the United States and Canada.

Timothy S. Rosnick, Deputy Controller. Mr. Rosnick joined the District in October 2006 and 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. Mr. Rosnick served as the District's Controller beginning in June 2008 and became Deputy Controller in June 2011. 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, the Association of Public Treasurers of the United States and Canada, and the CFA Institute.

## **School Facilities**

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, including the fiscally independent charter schools within the District's boundaries, has an estimated Fiscal Year 2014-15 enrollment of 644,437 students. As of June 30, 2014, the District operated 457 elementary schools, 83 middle/junior high schools, 100 senior high schools, 55 options schools, 22 multi-level schools, 15 special education schools, 34 magnet schools and 148 magnet centers, 6 community adult schools, 3 regional occupational centers, 1 skills centers, 1 regional occupational program center, 86 early education centers, 4 infant centers, and 18 primary school centers. In addition, as of June 30, 2014, there were 52 affiliated charter schools operated by the District and 196 fiscally independent charter schools within the District's boundaries. See "State Funding of School Districts – Charter School Funding" herein.

## **Average Daily Attendance**

The District's Fiscal Year 2014-15 Final Adopted Budget projects that enrollment in the District, including the fiscally independent charter schools within the District's boundaries, will decline by 1.08% in Fiscal Year 2014-15 and decline an additional 1.39% in Fiscal Year 2015-16. The District believes that enrollment declines are due to, among other things, demographic changes such as lower birth rates in the County, migration of students outside of the District's boundaries, and increases in charter school enrollment. Accordingly, the District's funded average daily attendance ("ADA") is expected to decline for Fiscal Years 2014-15 and 2015-16. The following Table A-1 sets forth the District's annual ADA for Fiscal Year 2005-06 through 2013-14 and the projected annual ADA for Fiscal Year 2014-15.

**TABLE A-1**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Annual Average Daily Attendance**  
**Fiscal Years 2005-06 through 2014-15**

<u>Fiscal Year</u>	<u>K-12<sup>(1)</sup></u>	<u>Affiliated Charter Schools<sup>(2)</sup></u>	<u>Adult Education<sup>(3)</sup></u>	<u>Total</u>
2005-06	633,013	5,958	83,593	722,564
2006-07	614,487	5,936	90,347	710,770
2007-08	599,799	6,482	93,792	700,073
2008-09	588,372	6,655	98,606	693,633
2009-10	570,057	6,906	--	576,963
2010-11	557,584	7,866	--	565,450
2011-12	534,093	13,499	--	547,592
2012-13	505,513	28,832	--	534,345
2013-14	487,929	39,633	--	527,562
2014-15 <sup>(4)</sup>	477,161	39,809	--	516,970

<sup>(1)</sup> Includes non-public school special education students.

<sup>(2)</sup> Includes charter schools that are fiscally-affiliated with the District which were funded with block grants until Fiscal Year 2012-13. Beginning Fiscal Year 2013-14, such charter schools are funded by the LCFF (defined herein).

<sup>(3)</sup> ADA data with respect to Adult Education was not collected beginning Fiscal Year 2009-10 due to changes in the Education Code which removed the requirement for school districts to operate Adult Education programs or follow program requirements.

<sup>(4)</sup> Projected.

Sources: Los Angeles Unified School District Comprehensive Annual Financial Report for Fiscal Year 2013-14 for Fiscal Years 2005-06 through 2013-14 and the Second Interim Report for Fiscal Year 2014-15.

### **Independent Financial Review Panel**

In March 2015, the Superintendent announced the formation of an independent panel with expertise in public finance and education in the State (the "Independent Financial Review Panel"). The Independent Financial Review Panel is expected to review and make recommendations concerning long-term financial matters, financial priorities and the health of the District's finances. The Independent Financial Review Panel will not be involved in the development of current budget plans or discussions with the District's collective bargaining units. The Superintendent expects the Independent Financial Review Panel to release a report with its recommendations during the 2015-16 school year.

### **Events Regarding the District's Common Core Technology Project**

In 2012, the District commenced its project to provide personal computing devices, including tablet computers, to students and teachers in connection with the Common Core (the "Common Core Technology Project"). In August 2013, the District Board requested that the Office of the Inspector General (the "OIG") to investigate the procurement process for acquiring the personal computing devices. The OIG found no evidence of impropriety. In addition, in March 2014, the attorneys within the Public Integrity Division of the Office of the District Attorney released its review of the OIG's report and stated that they had found no evidence of criminal wrongdoing. In September 2014, the District Board requested that the OIG conduct a second review of the Common Core Technology Project, which review is currently ongoing. In response to a subpoena in November 2014 from the United States Attorney for the Central District of California, the District provided documents and other information to the Federal Bureau of Investigation (the "FBI") regarding the Common Core Technology Project and the procurement process for acquiring the personal computing devices. In addition, in February 2015, the Securities and Exchange Commission ("SEC") requested information regarding the District's

\$68,170,000 principal amount General Obligation Bonds, Election of 2004, Series J (2014), the proceeds of which were applied to fund the costs of various components of Measure R Projects (defined herein) including, among other things, the acquisition of personal computing devices. The District provided such information to representatives of the SEC. The District has not received any additional requests for information from the SEC or the FBI. In December 2014, the Superintendent announced the suspension of the Common Core Technology Project.

## STATE FUNDING OF SCHOOL DISTRICTS

### General

School districts in the State receive operating revenues from federal, State and local sources, including appropriations from the State's general fund and local property taxes derived from a school district's share of the 1% *ad valorem* property tax. Accordingly, changes in State revenues can significantly affect appropriations made by the State Legislature to school districts. School districts also currently receive revenues from the State attributable to temporary tax increases implemented by Proposition 30 (defined herein) which are scheduled to expire in 2018. See "California Constitutional and Statutory Provisions relating to *Ad Valorem* Property Taxes, District Revenues and Appropriations – Proposition 30" herein. In addition, the State appropriates funds which are restricted to specific categories of use under various programs such as student transportation, class-size reduction and special education. The amount of categorical funding appropriated to a school district may vary significantly from other school districts and yearly.

Article XVI of the State Constitution requires that from all State revenues there first be set apart the moneys to be applied by the State for support of the public school system and public institutions of higher education. See "California Constitutional and Statutory Provisions relating to *Ad Valorem* Property Taxes, District Revenues and Appropriations – Constitutionally Required Funding of Education" herein. The State Legislature and the Governor approve the State's authorized appropriations for school districts each fiscal year in connection with the adoption of the State Budget Act. Proposition 98 (defined herein) provides the minimum funding formula for school districts. See " – Proposition 98" and California Constitutional and Statutory Provisions relating to *Ad valorem* Property Taxes, District Revenues and Appropriations – Proposition 98" herein. However, the actual appropriations and the timing of such appropriations are subject to, among other things, the estimated amount of State General Fund revenues during the fiscal year and subsequent changes in State law.

Historically, school districts in the State received most of their revenues under a formula known as the "revenue limit". Beginning with the Fiscal Year ended June 30, 2014, the State replaced the former revenue limit formula for State Aid (defined herein) to school districts with the Local Control Funding Formula (the "LCFF"). Accordingly, under current law, the amount of funds a district receives from State revenues depends on the amount of revenues the State calculates that the school district should receive based on the LCFF less the amount the school district derives from such school district's share of the 1% *ad valorem* property tax. See "California Constitutional and Statutory Provisions Relating to *Ad Valorem* Property Taxes" in the forepart of this Official Statement and " – Local Control Funding Formula" herein.

### Local Control Funding Formula

**General.** Funding for school districts, charter schools and county offices of education in connection with the LCFF includes State apportionments for general operating costs ("State Aid") and funding for categorical programs. During Fiscal Year 2013-14, approximately 74.3% of the District's General Fund revenues were pursuant to the LCFF. During Fiscal Year 2014-15, approximately 75.9% of the District's General Fund revenues are expected to consist of funds determined under the LCFF. The

following Table A-2 sets forth the percentage of the District’s General Fund revenues that are derived from revenues under the revenue limit formula and LCFF, federal revenues, other State revenues and other local revenues for Fiscal Years 2010-11 through 2014-15.

**TABLE A-2**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**General Fund Revenue Sources**  
**Percentage of Total District General Fund Revenues**  
**Fiscal Years 2010-11 through 2014-15**

<b>Revenue Source</b>	<b>Fiscal Year 2010-11</b>	<b>Fiscal Year 2011-12</b>	<b>Fiscal Year 2012-13</b>	<b>Fiscal Year 2013-14<sup>(1)</sup></b>	<b>Fiscal Year 2014-15<sup>(1)(2)</sup></b>
Revenue Limit Sources/LCFF	48.3%	50.5%	51.4%	74.3%	75.9%
Federal Revenues	16.9	14.8	11.1	9.5	10.0
Other State Revenues	32.1	32.4	35.3	14.0	12.2
Other Local Revenues	2.7	2.4	2.2	2.1	1.9

<sup>(1)</sup> Beginning with the Fiscal Year ended June 30, 2014, the State replaced the former revenue limit formula for State Aid to school districts with the LCFF.

<sup>(2)</sup> Projected.

Sources: Los Angeles Unified School District Comprehensive Annual Financial Reports for Fiscal Years 2010-11 through 2013-14 and Second Interim Report for Fiscal Year 2014-15.

The LCFF allocates State funding based on a school district’s demographics. Each school district receives a base grant (the “Base Grant”) per ADA in an amount determined by the State. Pursuant to the LCFF, each local education agency (“LEA”) is required to, among other things show progress toward an average class enrollment of no more than 24 pupils in kindergarten through grade 3 unless the LEA has collectively bargained an annual alternative average class enrollment in those grades for each school. Accordingly, the LCFF includes an adjustment to the Base Grant for kindergarten through grade 3 of approximately 10.4% in order to cover the costs associated with class size reduction. In addition, the LCFF includes an adjustment to the Base Grant for grades 9 through 12 of approximately 2.6% in order to cover the costs of, among other things, providing career technical education.

Based on the ADA of the given demographic classification, school districts are eligible to receive a 20% supplemental grant (the “Supplemental Grant”) for students classified as English learners (“EL”), students eligible to receive a free or reduced price meal (“FRPM”), and students classified as foster youth (“LI”). The State expects the Supplemental Grants to reflect the additional costs associated with the education of EL, FRPM and LI students. In addition, school districts are eligible to receive a concentration grant (the “Concentration Grant”) if the school district has a significant concentration of students classified as EL, FRPM or LI (collectively, “Targeted Disadvantaged Students”). The LCFF uses an unduplicated student count to determine the amount of the Supplemental Grant and Concentration Grant authorized for a school district. A school district may only count a student one time if such student classified in more than one of the categories EL, FRPM and LI. In the event the percentage of EL or LI students exceeds 55% of the school district’s total enrollment, the LCFF provides additional funding to the school district through a Concentration Grant. The Concentration Grant will be an amount equal to an additional 50% of the school district’s adjusted Base Grant for each EL or LI student above the 55% threshold.

The Base Grants are based on four uniform, grade-span base rates. For Fiscal Year 2014-15, the LCFF proposes to provide to school districts and charter schools: (a) a Target Base Grant for each LEA equivalent to \$7,740 per ADA for kindergarten through grade 3; (b) a Target Base Grant for each LEA

equivalent to \$7,116 per ADA for grades 4 through 6; (c) a Target Base Grant for each LEA equivalent to \$7,328 per ADA for grades 7 and 8; (d) a Target Base Grant for each LEA equivalent to \$8,712 per ADA for grades 9 through 12. However, the amount of actual funding allocated to the Base Grant, Supplemental Grants and Concentration Grants will be subject to the discretion of the State.

The Department of Finance’s projections indicate that the LCFF will be fully funded by the Fiscal Year ending June 30, 2021. See “ – Local Control Funding Formula Gap Funding” herein. During the period in which LCFF is phased in, certain LEAs will be eligible for an additional funding amount (the “Economic Recovery Target”). The Economic Recovery Target is expected to ensure that funding to eligible LEAs is restored to the levels allocated by the State in Fiscal Year 2007-08 adjusted for inflation. The District does not expect to receive an allocation towards the Economic Recovery Target in Fiscal Year 2014-15. However, the District estimates that affiliated charter schools will receive approximately \$124,000 towards the Economic Recovery Target in Fiscal Year 2014-15.

The District has the largest ADA in the State. See “District General Information – Average Daily Attendance” herein. In addition, the District’s ADA includes a significant number of students classified as Targeted Disadvantaged Students. Accordingly, the District expects to receive more LCFF funding than other school districts in the State. The District estimates that approximately 83.5% students will be classified as Targeted Disadvantaged Students on an unduplicated count basis under the LCFF during Fiscal Year 2014-15. The District’s calculation of ADA with respect to Targeted Disadvantaged Students, which is used to determine Concentration Grant revenues, is subject to adjustment upon review thereof by the District’s independent auditor.

The following Table A-3 sets forth the total target funding and estimated funding from the LCFF in Fiscal Year 2013-14 and the estimated funding from the LCFF for Fiscal Year 2014-15 subsequent to the application of LCFF Gap Funding (defined herein) for the District and the affiliated charter schools. See “ – Local Control Funding Formula Gap Funding” herein.

**TABLE A-3**

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
Estimated Local Control Funding Formula<sup>(1)</sup>  
Fiscal Years 2013-14 and 2014-15**

	<b>Fiscal Year 2013-14 <u>Target Funding</u></b>	<b>Fiscal Year 2013-14 <u>Total Funding</u></b>	<b><u>Difference</u></b>	<b>Fiscal Year 2013-14 <u>Gap Funding</u></b>	<b>Fiscal Year 2014-15 <u>Estimated Funding</u></b>
District	\$5,570,639,752	\$4,143,385,823	\$1,427,253,929	12.0%	\$4,513,015,483
Affiliated Charter Schools	334,500,784	260,017,697	74,483,087	12.0	283,273,691

<sup>(1)</sup> Totals may not equal sum of component parts due to rounding.

Source: Los Angeles Unified School District Comprehensive Annual Financial Report Fiscal Year 2013-14 target funding, total funding and Gap Funding for Fiscal Year 2013-14 and Fiscal Year 2014-15 Second Interim Report for Fiscal Year 2014-15 estimated funding.

The following Table A-4 sets forth the District's revenue limit per ADA for Fiscal Years 2004-05 through 2012-13 under the prior revenue limit funding formula and the Base Grant per ADA for Fiscal Years 2013-14 and 2014-15 under the LCFF. The differences between the amounts per ADA in the two funding formulas are partially attributable to certain categorical programs that were not included in the prior revenue limit formula which are currently included in the Base Grants under LCFF.

**TABLE A-4**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Base Revenue Limit per Average Daily Attendance**  
**Fiscal Years 2004-05 through 2012-13 and**  
**Base Grant Per Average Daily Attendance**  
**Fiscal Years 2013-14 and 2014-15**

<b>Fiscal Year</b>	<b>Revenue Limit</b>		<b>Local Control Funding Formula</b>			
	<b>K-12 Base Revenue Limit<sup>(1)</sup></b>	<b>Adult Education<sup>(2)</sup></b>	<b>Grades K-3</b>	<b>Grades 4-6</b>	<b>Grades 7-8</b>	<b>Grades 9-12</b>
2004-05	\$4,862.18	\$2,292.26	--	--	--	--
2005-06	5,133.46	2,389.22	--	--	--	--
2006-07	5,544.56	2,530.66	--	--	--	--
2007-08	5,796.56	2,645.30	--	--	--	--
2008-09	5,645.07	--	--	--	--	--
2009-10	4,962.13	--	--	--	--	--
2010-11	5,264.22	--	--	--	--	--
2011-12	5,209.39	--	--	--	--	--
2012-13	5,266.00	--	--	--	--	--
2013-14 <sup>(3)</sup>	--	--	\$7,676	\$7,056	\$7,266	\$8,638
2014-15 <sup>(4)</sup>	--	--	7,740	7,116	7,328	8,712

<sup>(1)</sup> Reflects the K-12 Base Revenue Limit subsequent to the application of the deficit factor.

<sup>(2)</sup> Beginning with Fiscal Year 2007-08, the State changed the principal apportionment for Adult Education from its status as a revenue limit item.

<sup>(3)</sup> Beginning with the Fiscal Year ended June 30, 2014, the State has replaced the former revenue limit formula for State Aid to school districts with the LCFF. See "State Funding of School Districts – Local Control Funding Formula" herein.

<sup>(4)</sup> Projected.

Sources: Los Angeles Unified School District Comprehensive Annual Financial Report Fiscal Year 2013-14 for Fiscal Years 2004-05 through 2013-14 and the Second Interim Report for Fiscal Year 2014-15.

**Local Control Funding Formula Gap Funding.** Until the LCFF is fully implemented, each school district will have a gap between the school district's prior year funding and the target amount of funding under the LCFF for the current year. In order to address this shortfall, the LCFF provides school districts with additional funding based on the percentage of the gap (the "LCFF Gap Funding"). The State will provide school districts with the same percentage of LCFF Gap Funding, but the dollar amount of the LCFF Gap Funding will vary between school districts. During Fiscal Year 2013-14, the State provided to LEAs their Fiscal Year 2012-13 funding plus a portion of the LCFF Gap Funding. For Fiscal Year 2014-15 and each fiscal year thereafter, an LEA's funding amount will be based on a recalculation of its target amount under the LCFF and technical calculations related to adjustments to its prior year's funding. The Department of Finance expects the LCFF to be fully funded in Fiscal Year 2020-21.

Subsequent to the adoption of the Fiscal Year 2014-15 Final Adopted Budget, the State's Department of Finance released revised gap funding percentages which are expected to close the remaining gap with respect to full funding of the LCFF. The District has incorporated the revised LCFF Gap Funding percentages into its multiyear projections in order to adjust both the District's Fiscal Year

2014-15 Final Adopted Budget and projections for the subsequent two fiscal years. The following Table A-5 sets forth the estimated impact to the District of the changes in LCFF Gap Funding for Fiscal Years 2014-15 through 2016-17. See “State Funding of School Districts – State Budget - Fiscal Year 2014-15 State Budget Act” herein.

**TABLE A-5**

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
LCFF Gap Funding and Estimated Impact to District Budget  
Fiscal Years 2014-15 through 2016-17**

<b><u>Fiscal Year</u></b>	<b><u>Budgeted Gap Percentage</u></b> <sup>(3)</sup>	<b><u>Revised Gap Percentage</u></b>	<b><u>COLA</u></b>
2014-15	28.06% <sup>(1)</sup>	29.15% <sup>(2)</sup>	0.85% <sup>(2)</sup>
2015-16	30.39 <sup>(1)</sup>	32.19 <sup>(2)</sup>	1.58 <sup>(2)</sup>
2016-17	19.50 <sup>(1)</sup>	23.71 <sup>(2)</sup>	2.10 <sup>(2)</sup>

<sup>(1)</sup> Estimated. Based upon the District’s Fiscal Year 2014-15 Final Adopted Budget

<sup>(2)</sup> Projected. Based upon the District’s Fiscal Year 2014-15 Second Interim Report

Source: Los Angeles Unified School District.

**Local Control and Accountability Plan.** Pursuant to the LCFF, school districts, county offices of education and charter schools are required to develop, adopt and annually update a three-year local control and accountability plan (“LCAP”) beginning July 1, 2014. The LCAP is required to identify goals and measure progress for student subgroups across multiple performance indicators. On June 24, 2014, the District Board adopted the LCAP for the District for Fiscal Year 2014-15.

The State’s priorities include, among other things, compliance with the *Williams* settlement with respect to appropriateness of teacher assignments, ensuring that teachers are fully credentialed in the subject areas and for the pupils they are teaching, and ensuring that every pupil in the school district has sufficient access to the standards-aligned instructional materials as determined in accordance with the Education Code. See “District Financial Information – Funding from the Quality Education Investment Act of 2006” herein. In addition, school facilities are to be maintained in good repair. The State requires proper implementation of the academic content and performance standards adopted by the State Board of Education and will measure parental involvement (e.g., efforts to seek input from parents or guardians regarding decisions for the district and the school site), pupil achievement (e.g. performance on Statewide assessments, the Academic Performance Index, readiness for college or career technical education, progress towards English proficiency, performance on advance placement examinations), pupil engagement (e.g., school attendance rates, chronic absenteeism rates, middle school dropout rates, high school dropout and graduation rates, pupil suspension and expulsion rates, etc.), access and enrollment in a broad course of study including the core subject areas and programs and services developed and provided to Targeted Disadvantaged Students, and pupil outcomes in the subject areas comprising a broad course of study.

In November 2014, the State Board of Education adopted final regulations to govern the expenditure of the Supplemental Grant and Concentration Grant funding. These regulations require school districts, county offices of education, and charter schools to increase and improve services for Targeted Disadvantaged Students and provide authority for school districts to spend funds school-wide when significant populations of Targeted Disadvantaged Students attend a school. Pursuant to the regulations, LEAs are required to obtain input from parents of students and the general public in connection with the development, revision and updates of LCAPs. In addition, the regulations require

County superintendents to review school district LCAPs and require county offices of education to provide technical assistance if they disapprove an LCAP. The Education Code grants the State Superintendent of Public Instruction authority to intervene if a school district or charter school fails to show improvement across multiple subgroups in three out of four consecutive years.

### **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. 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 located in the District geographic boundaries. However, independent charter schools are separate LEAs, the funding for which is primarily revenues from the State. Accordingly, information regarding enrollment, ADA, budgets and other financial information relating to such independent charter schools is not included in the District's audit reports or in this Official Statement unless otherwise noted.

Pursuant to the LCFF, charter schools will receive a Base Grant per ADA and will be eligible to receive Supplemental Grants and Concentration Grants in the same manner as school districts. See " – Local Control Funding Formula" herein. In addition, charter schools are eligible for certain categorical funds which are provided separately from the Base Grant.

Affiliated charter schools receive their funding from the District and are included in the District's budgets and audit reports. As of June 30, 2014, there were 52 affiliated charter schools operated by the District and 196 fiscally independent charter schools within the District's boundaries. The estimated ADA for the District's affiliated charter schools was 39,633 in Fiscal Year 2013-14 and 39,809 in Fiscal Year 2014-15. The ADA of fiscally independent charter schools is 97,318.09 for Fiscal Year 2014-15 Period 1 as of February 20, 2015. An increase in the number of independent charter schools within the boundaries of a school district or an increase in the number of students transferring to an independent charter school from a traditional school within a school district may cause a net reduction in the District's ADA.

### **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, which formula has been replaced with the LCFF beginning with the Fiscal Year ended June 30, 2014, to K-14 schools under Article XIII B of the State Constitution. See "State Funding of School Districts – Local Control Funding Formula" herein.

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 2015-16 Proposed State Budget estimates that the State has outstanding approximately \$1.5 billion in Proposition 98 settle-up payments owed to K-14 schools' resulting from the

suspension of the Proposition 98 minimum guarantee in previous years. The Fiscal Year 2014-15 State Budget Act and the Fiscal Year 2015-16 Proposed State Budget project that the State will fully fund the Proposition 98 minimum guarantee for Fiscal Years 2014-15 and 2015-16, respectively. In addition, the Fiscal Year 2015-16 Proposed State Budget proposes to allocate approximately \$256 million in Fiscal Year 2015-16 for Proposition 98 settle-up payments. See “State Budget – Fiscal Year 2014-15 State Budget Act” and “– Fiscal Year 2015-16 Proposed State Budget” herein.

### **Litigation Regarding State Funding of School Districts**

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 alleged, 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” and sought declaratory and injunctive relief. The District is not a party in the Robles Complaint. In June 2011, the Alameda County Superior Court sustained the State’s demurrer to the lawsuit with leave to amend finding that the plaintiffs did not sufficiently establish an equal protection claim. The plaintiffs are currently appealing this ruling.

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 alleged, among other things, that the State violated its constitutional duties by failing to provide the individual plaintiffs’ school districts with sufficient funds and access to a meaningful education sought declaratory and injunctive relief. The District is not a party in the CQE Complaint. In June 2011, the Alameda County Superior Court sustained the State’s demurrer to the lawsuit with leave to amend. The plaintiffs are currently appealing this ruling.

The District cannot predict whether the plaintiffs in the Robles Complaint or the CQE Complaint will be successful on appeal, and if so, how a final court decision with respect to either lawsuit would affect the financial status of the District.

## **DISTRICT FINANCIAL INFORMATION**

### **District Financial Policies**

**General.** The District has three key financial policies: a budget and finance policy (the “Budget and Finance Policy”), a debt management policy (the “Debt Management Policy”) and an investment policy (the “Investment Policy”).

**Budget and Finance Policy.** The District adopted an updated Budget and Finance Policy in November 2013 that requires the District to create and fund reserves for operating purposes (collectively, the “Operating Reserves”) and liability management purposes (collectively, the “Liability Reserves”). The Budget and Finance Policy reflects reserve categories promulgated by the Government Accounting Standards Board (“GASB”) and incorporates certain reserve categories established by the District. See “State Budget – Limitations on School District Reserves” herein.

Operating Reserves. The District uses the Operating Reserves to manage its budget for each fiscal year. A portion of the District's authorized appropriations are set aside in the Operating Reserves. The District generally appropriates amounts from the General Fund based on the amount estimated in its budget. However, the District may appropriate funds from unspent balances within the Operating Reserves if necessary. Accordingly, the District uses the Operating Reserves to ensure that appropriations reflect actual General Fund expenditures. The current Operating Reserves include nonspendable reserves, restricted reserves, assigned reserves and unrestricted reserves, the latter of which includes the District's reserve for economic uncertainties (the "Reserve for Economic Uncertainty"). Pursuant to the California Code of Regulations, school districts with an ADA of 400,001 or greater, such as the District, must maintain a reserve for economic uncertainty of 1% of General Fund appropriations.

Pursuant to the Budget and Finance Policy, the District's total General Fund balance may not be less than an amount equal to 5% of total General Fund expenditures and net transfers out during a fiscal year (the "5% Minimum Reserve Threshold"). In addition, the Budget and Financial Policy requires the projected General Fund balance to satisfy the 5% Minimum Reserve Threshold in each of the two subsequent fiscal years which the District includes in its interim financial reports. See "District Financial Information – District Budget – District First Interim Report for Fiscal Year 2014-15" and " – District Second Interim Report for Fiscal Year 2014-15" herein. In the event that the District's estimates indicate that the total General Fund balance will not satisfy the 5% Minimum Reserve Threshold in any of the current fiscal year or two subsequent fiscal years, the Budget and Finance Policy directs the District to develop and implement budget proposals to restore reserve balances to the 5% Minimum Reserve Threshold. The District's Operating Reserves satisfy the requirements of the Budget and Financial Policy for Fiscal Year 2014-15. However, the District expects that it will need to reduce its expenditures and/or obtain additional revenues in Fiscal Years 2015-16 and 2016-17 to maintain both the 5% Minimum Reserve Threshold and the Reserve for Economic Uncertainty at the minimum level required for it by State law. See "District Financial Information – District Budget – Fiscal Year 2014-15 District Budget" herein.

Liability Reserves. Pursuant to the Budget and Finance Policy, the District must establish several Liability Reserves, including a self-insurance reserve, a workers' compensation reserve (the "Worker's Compensation Fund"), a health and welfare reserve (the "Health and Welfare Fund"), an other-post-employment benefits ("OPEB") reserve (the "OPEB Reserve") and a pension reserve (the "Supplemental Pension Set-aside/Reserve Fund"). Other than the Supplemental Pension Set-aside/Reserve Fund, all of the Liability Reserves have been established.

The amount required to be on deposit in the Worker's Compensation Fund is established with information from an independent actuary. The recommended minimum funding level is equal to the central estimate of projected ultimate losses and allocated loss adjustment expenses. The District determines the annual budget for workers' compensation by reviewing the amount necessary to fund its outstanding workers' compensation liability to the actuarially recommended level based on the central estimate approach and by additionally calculating the amount necessary for claims and operation of the Worker's Compensation Fund. The District uses the difference of the current fiscal year's central estimate versus that from the previous fiscal year to establish the amount necessary to fund projected liabilities. With respect to funding claims activity, the amount required to be on deposit in the Worker's Compensation Fund is based on the anticipated increase in claims cost in the current fiscal year versus the prior fiscal year. Such amount is generally higher than the amount recommended in the actuarial report. See "District Financial Information – Risk Management" herein.

The District Board approved the creation of a trust fund for OPEB (the "OPEB Trust Fund") in May 2014. The Budget and Finance Policy directs the District to appropriate contributions to the OPEB Trust Fund in its annual budgets. In addition, the Budget and Finance Policy directs the District to make

additional contributions to the OPEB Trust Fund when the balances in the unrestricted portion of the Operating Reserves exceed the 5% Minimum Reserve Threshold to the extent possible. In July 2014, the District transferred approximately \$60.0 million from the General Fund to the OPEB Trust Fund as a contribution related to Fiscal Year 2013-14. In addition, the District deposited approximately \$30 million of proceeds from its General Obligation Bonds, Election of 2005, Series L (2014) (Federally Taxable) to the OPEB Trust Fund as a contribution for employee costs attributable to the general obligation bond program. See “District Financial Information – Other Postemployment Benefits” herein.

The Health and Welfare Fund is used to pay all health and welfare payments for active employees and retirees. The District determines funding of the Health and Welfare Fund based on the 2012-2014 Health Benefits Agreement and the 2015-2018 Health Benefits Agreement for each of the applicable years. As of June 30, 2014, the total net position of the Health and Welfare Fund was approximately \$331.5 million. See “District Financial Information – Employees and Labor Relations – Labor Agreements” herein.

***Debt Management Policy.*** The Debt Management Policy establishes formal guidelines for the issuance and management of the District’s debt and other financial obligations. The Debt Management Policy establishes targets and ceilings for certificates of participation (“COPs”) and 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 also requires the District to annually publish a comprehensive debt report (the “Debt Report”) that, among other things, provides information on tax rates related to the District’s general obligation bonds and credit factors that reflect the District’s ratings.

The Debt Management Policy is required to be reviewed annually. The current Debt Management Policy was approved by the District Board on April 14, 2015. The District is in compliance with the Debt Management Policy. 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 to District General Fund appropriations. The District Board may increase the target at the time a new debt issuance is proposed, but such authority is not intended to exceed the ceiling established in the Debt Management Policy. As of June 30, 2014, the District’s maximum fiscal year COPs debt service is approximately \$55.4 million (which is below the annual gross debt service cap of \$105.0 million set forth in the Debt Management Policy). As of June 30, 2014, the maximum fiscal year COPs debt service was approximately 0.97% of the District General Fund appropriations during Fiscal Year 2013-14.

The Debt Management Policy limits unhedged variable rate debt to the lesser of 20% of outstanding COPs or \$100 million and requires reporting of the debt ratios and benchmarks. As of April 1, 2015, the District had outstanding COPs in the aggregate principal amount of approximately \$296 million. The District currently has no variable rate COPs outstanding and no other variable interest rate exposure.

***Investment Policy.*** The foremost objective of the District’s Investment Policy is safety. In addition, the Investment Policy directs the District to invest public funds in a manner that will maximize the investment return on all of its funds with maximum security while meeting the daily cash flow demands of each portfolio of the District and conforming to all federal, State, and local statutes governing the investment of public funds. Further, the Investment Policy directs that all investments of the District be undertaken to ensure the preservation of capital in the overall portfolio. To attain this objective, the District may diversify its investments by investing funds among a variety of securities offering independent returns. In addition, the Investment Policy requires the District’s investment portfolios remain sufficiently liquid to enable the District to meet its operating requirements and be structured to

attain a maximum return commensurate with its investment risk constraints and the cash flow characteristics of each portfolio. The District is in compliance with the Investment Policy.

The District's operating funds and all of the debt service funds maintained for repayment of general obligation bonds are deposited in the County Treasury Pool in accordance with State law and managed pursuant to the County's Investment Policy, a copy of which can be found at <http://ttc.lacounty.gov/>. Such website is not incorporated herein by reference and none of the District, its counsel (including Disclosure Counsel), or the Financial Advisor make any representation as to the accuracy of the information provided therein. See Appendix F – "Los Angeles County Treasury Pool" attached hereto. However, with the concurrence of the County's Treasurer and Tax Collector, the District may direct the investment of funds in certain of its operating funds and debt service funds so long as such direction complies with both the County's investment policy and the District's Investment Policy. In addition, the District can direct the investment of indentured funds held by third party trustees with regard to certain issuances of COPs pursuant to a prescribed list of permitted investments.

### **District Budget**

*General School District Budget Process and Oversight.* 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. 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, the District Board 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"). After approval of the Final Adopted Budget, the District's administration may submit budget revisions to the District Board during the fiscal year.

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 a 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. The county superintendent of schools must approve, conditionally approve, or disapprove the adopted budget for each school district in accordance with the Education Code. For Fiscal Year 2014-15 and each fiscal year thereafter, the Education Code directs the county superintendent of schools to disapprove any school district budget if it determines that the budget does not include expenditures necessary to implement a Local Control Accountability Plan (the "LCAP") or an annual update to the LCAP. See "State Funding of School Districts – Local Control Funding Formula – Local Control Accountability Plan" herein.

In the event that 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. In addition, school districts must make available for public review any revisions to revenues and expenditures that it has made to its budget to reflect the funding made available by the State Budget Act (defined herein) not later than 45 days after the enactment of the State Budget Act. If the county superintendent of schools disapproves a 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 Department of Finance. In prior years, LACOE has granted a conditional approval to certain of the District's budgets pending, among other things, information regarding collective bargaining and other budgetary considerations. However, in the last ten years, LACOE has not disapproved any budget submitted to it by the District.

***Fiscal Year 2014-15 District Budget.*** The District Board adopted its budget for Fiscal Year 2014-15 on June 24, 2014 (the "Fiscal Year 2014-15 District Final Adopted Budget") and submitted the Fiscal Year 2014-15 District Final Adopted Budget to LACOE in a timely manner for review. LACOE approved the Fiscal Year 2014-15 District Final Adopted Budget in September 2014. The Fiscal Year 2014-15 District Final Adopted Budget is balanced due to, among other things, the projected receipt of greater revenue from the LCFF than the former revenue limit formula, the end of federal sequestration with respect to certain District revenues and revised expenditure estimates. The Fiscal Year 2014-15 District Final Adopted Budget reflects significant changes to California school district finance which were implemented in Fiscal Year 2013-14 including, among other things, the LCFF which is now the primary method for K-12 education funding in the State. In addition, the District Board approved the LCAP on June 24, 2014. See "District Financial Information – State Funding of School Districts – Local Control Funding Formula – General" and "– Local Control Accountability Plan" herein.

The Fiscal Year 2014-15 District Final Adopted Budget projected a General Fund beginning balance of \$655.2 million, revenues and other financing sources of \$6.22 billion, total estimated expenditures and other financing uses of \$6.39 billion and an ending balance of \$489.3 million. The projected General Fund beginning balance of \$655.2 million for Fiscal Year 2014-15 is approximately \$173.2 million greater than the Fiscal Year 2014-15 beginning balance estimated in the District's Fiscal Year 2013-14 Final Adopted Budget. The Fiscal Year 2014-15 District Final Adopted Budget projected that its General Fund ending balance of \$489.3 million will consist of approximately \$65.4 million for the mandatory Reserve for Economic Uncertainty, \$18.5 million of non-spendable funds, \$77.9 million of restricted ending balances, \$303.2 million of assigned ending balances and \$24.3 million of undesignated and unassigned ending balances.

The Fiscal Year 2014-15 District Final Adopted Budget included certain assumptions and policies, including among other things: (a) a COLA of 0.85% and a gap funding percentage of 28.06% for LCFF revenue; (b) a COLA of 0.85% for selected categorical programs outside of the LCFF; (c) LCFF ADA of 482,641 for regular District schools and 39,858 for affiliated charter schools; (d) two-year average unduplicated count and percentage of 430,074 and 84.57% on average, respectively, for regular District schools and 16,765 and 40.2% on average, respectively, for affiliated charter schools; (e) an LCFF allocation of \$559.2 million from the Education Protection Account (the "Education Protection Account") established by Proposition 30 (defined herein) to be spent for instruction; (f) a proportionality expenditure increase requirement of \$137.9 million; (g) a COLA of 0.85% on the special education apportionment from the State under Assembly Bill 602 (1997); (h) a net enrollment decline of 14,216 from Fiscal Year 2013-14 for non-charter and affiliated charter schools and an enrollment increase of approximately 7,157 for independent charter schools; (i) a 6% increase in utilities expenditures and a 2.1% increase in the California Consumer Price Index on other operating expenditures; (j) funding for employee health and medical benefits at the per participant rate set forth in the 2012-2014 Health and Welfare agreement; (k) an OPEB contribution of approximately \$88 million for Fiscal Year 2014-15; (l) a

\$135 million accumulated designated balance for OPEB which was subject to distribution as of June 30, 2013 in accordance with the Budget and Finance Policy; (m) an increase of 1.25% in the CalSTRS rate for Fiscal Year 2014-15 from 8.25% to 9.50%; (n) an increase of 0.329% in the CalPERS rate for Fiscal Year 2014-15 from 11.442% to 11.771%; (o) ongoing and major maintenance resources in the aggregate amount of approximately \$99.5 million which reflects approximately 1.5% of budgeted General Fund expenditures; (p) a Reserve for Economic Uncertainties in an amount of approximately \$65.4 million which reflects the statutory 1% budgeted expenditure requirement; (q) inclusion of the Fiscal Year 2014-15 beginning balances in the General Fund and other funds, reflecting an estimated ending balance as of June 30, 2014 set forth in the June 2014 End of Year Report (defined herein); (r) estimated 2014-15 ending balances for the General Fund and other district funds, reflecting the difference between anticipated 2014-15 revenue and expenditure levels; (s) inclusion of 2014-15 bond debt service, COPs proceeds funds and other interfund transfer expenditures; (t) a contribution of \$94 million to the Worker's Compensation fund and inclusion of the Worker's Compensation actuarially determined fund liability of approximately \$386.2 million; and (u) a commitment to continue the use of Adult Education fund and transfer funds to maintain Fiscal Year 2012-13 funding levels.

The Quality Education Investment Act of 2006 ("QEIA") implemented the terms of the *CTA, et al. v. Schwarzenegger, et al.* settlement to 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. QEIA funding was approximately \$500 per pupil for eligible students in grades K-3, approximately \$900 per pupil for eligible students in grades 4-8 and \$1,000 per pupil for eligible students in grades 9-12 during Fiscal Years 2008-09 thru 2014-15. The District received approximately \$67.0 million in Fiscal Year 2013-14 under the QEIA. The District estimates that it will receive total funding from QEIA of approximately \$81.2 million in Fiscal Year 2014-15, which is the final year that the State will provide QEIA funding to school districts. See "State Funding of School Districts — Local Control Funding Formula" and "– State Budget" herein.

***Fiscal Year 2015-16 District Budget.*** The District expects to submit its proposed budget for Fiscal Year 2015-16 (the "Fiscal Year 2015-16 District Proposed Budget") to the District Board in June 2015. The Fiscal Year 2015-16 Proposed District Budget will reflect the Governor's proposals set forth in the May Revision to the 2015-16 Proposed State Budget (defined herein) including funding pursuant to the LCFF and Proposition 98 and estimates from the District. See "District Financial Information – State Funding of School Districts – Local Control Funding Formula – General" and "– Proposition 98" herein.

The following Table A-6 sets forth the District's Final Adopted Budgets for the District General Fund, inclusive of regular and specially funded programs for Fiscal Years 2010-11 through 2014-15, the actual results for Fiscal Years 2010-11 through 2013-14 and projected results for Fiscal Year 2014-15 based on the Fiscal Year 2014-15 Second Interim Report. The budgeted beginning balance for each fiscal year reflects the estimated ending balance for the prior fiscal year based upon information as of the budget adoption date. Accordingly, the budgeted ending balance for a fiscal year and the subsequent budgeted beginning balance may differ from the actual ending balance and actual beginning balance.

**TABLE A-6**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**District General Fund Budget<sup>(1)(2)(3)</sup>**  
**Fiscal Years 2010-11 through 2014-15**  
**(\$ in millions)**

	<b>Final Revised Budget 2010-11<sup>(4)</sup></b>	<b>Audited Actuals 2010-11</b>	<b>Final Adopted Budget 2011-12</b>	<b>Audited Actuals 2011-12</b>	<b>Final Adopted Budget 2012-13</b>	<b>Audited Actuals 2012-13</b>	<b>Final Adopted Budget 2013-14</b>	<b>Audited Actuals 2013-14</b>	<b>Final Adopted Budget 2014-15</b>	<b>Second Interim Report 2014-15</b>
<b>Beginning Balance</b>	\$646.9	\$668.0	\$828.6	\$903.5	\$758.4	\$824.8	\$638.7	\$592.7	\$655.2	\$700.3
<b>Revenue:</b>										
State Apportionment	\$2,026.9	\$2,231.0	\$2,232.4	\$2,175.8	\$2,093.8	\$1,921.3	\$2,246.9	\$3,480.2	\$3,827.2	\$3,852.4
Property Taxes	<u>846.0</u>	<u>825.4</u>	<u>775.5</u>	<u>792.4</u>	<u>818.3</u>	<u>992.4</u>	<u>809.0</u>	<u>870.9</u>	<u>845.7</u>	<u>877.5</u>
<b>Total LCFF / Revenue Limit Revenues<sup>(5)</sup></b>	<u>\$2,872.9</u>	<u>\$3,056.4</u>	<u>\$3,007.9</u>	<u>\$2,968.2</u>	<u>\$2,912.1</u>	<u>\$2,913.7</u>	<u>\$3,055.9</u>	<u>\$4,351.1</u>	<u>\$4,672.9</u>	<u>\$4,729.9</u>
Federal	\$1,251.9	\$1,066.5	\$935.2	\$868.0	\$733.8	\$629.9	\$726.2	\$557.3	\$727.9	\$620.5
Other State	2,108.4	2,031.8	2,036.8	1,903.5	2,002.0	2,002.5	2,119.5	822.4	705.5	762.5
Other Local	<u>147.3</u>	<u>173.9</u>	<u>124.1</u>	<u>142.9</u>	<u>128.8</u>	<u>125.5</u>	<u>141.3</u>	<u>122.8</u>	<u>116.8</u>	<u>121.4</u>
<b>Total Revenue</b>	<u>\$6,380.5</u>	<u>\$6,328.5</u>	<u>\$6,104.1</u>	<u>\$5,882.5</u>	<u>\$5,776.8</u>	<u>\$5,671.6</u>	<u>\$6,042.8</u>	<u>\$5,853.6</u>	<u>\$6,223.1</u>	<u>\$6,234.2</u>
<b>Total Beginning Balance and Revenue</b>	<u>\$7,027.5</u>	<u>\$6,996.5</u>	<u>\$6,932.7</u>	<u>\$6,786.0</u>	<u>\$6,535.2</u>	<u>\$6,496.4</u>	<u>\$6,681.5</u>	<u>\$6,446.4</u>	<u>\$6,878.3</u>	<u>\$6,934.5</u>
<b>Expenditures</b>										
Certificated Salaries	\$2,779.9	\$2,816.3	\$2,689.3	\$2,681.6	\$2,498.7	\$2,589.7	\$2,582.2	\$2,585.4	\$2,694.6	\$2,684.6
Classified Salaries	839.4	855.8	794.8	819.2	779.7	771.5	804.4	800.3	828.6	859.8
Employee Benefits	1,397.7	1,338.8	1,412.8	1,365.8	1,459.2	1,344.8	1,374.2	1,385.7	1,472.7	1,438.5
Books and Supplies	598.1	349.3	365.4	231.1	389.4	165.4	504.7	182.2	526.6	303.7
Other Operating Expenses	792.1	683.8	810.8	701.4	748.7	858.2	729.6	667.5	724.6	770.7
Capital Outlay	39.7	71.6	43.9	43.6	39.5	52.3	30.6	32.3	12.5	5.5
Debt Service	1.5	1.7	4.9	1.4	1.8	0.9	1.1	0.9	1.0	0.9
Other Outgo	<u>0.7</u>	<u>0.2</u>	<u>0.7</u>	<u>1.2</u>	<u>1.7</u>	<u>1.2</u>	<u>1.2</u>	<u>6.3</u>	<u>1.1</u>	<u>7.6</u>
<b>Total Expenditures</b>	<u>\$6,449.0</u>	<u>\$6,117.6</u>	<u>\$6,122.7</u>	<u>\$5,845.5</u>	<u>\$5,918.7</u>	<u>\$5,784.0</u>	<u>\$6,027.9</u>	<u>\$5,660.7</u>	<u>\$6,261.6</u>	<u>\$6,071.3</u>
<b>Excess (Deficiency) of Revenue Over (Under) Expenditures</b>	\$(68.5)	\$210.9	\$(18.60)	\$37.0	\$(141.87)	\$(112.4)	\$15.0	\$192.9	\$(38.6)	\$162.9
<b>Total Other Financing Sources (Uses)</b>	<u>\$(102.7)</u>	<u>\$24.6</u>	<u>\$(168.1)</u>	<u>\$(115.7)</u>	<u>\$(91.1)</u>	<u>\$(119.7)</u>	<u>\$(171.6)</u>	<u>\$(85.4)</u>	<u>\$(127.3)</u>	<u>\$(117.1)</u>
<b>Change in Fund Balance</b>	\$(171.2)	\$235.6	\$(186.7)	\$(78.7)	\$(232.9)	\$(232.1)	\$(156.67)	\$107.5	\$(165.9)	\$45.8
<b>Ending Balance</b>	\$ 475.8	\$903.5	\$ 641.9	\$824.8	\$525.5	\$592.7	\$482.0	\$700.3	\$489.3	\$746.1

	<b>Final Revised Budget 2010-11<sup>(4)</sup></b>	<b>Audited Actuals 2010-11</b>	<b>Final Adopted Budget 2011-12</b>	<b>Audited Actuals 2011-12</b>	<b>Final Adopted Budget 2012-13</b>	<b>Audited Actuals 2012-13</b>	<b>Final Adopted Budget 2013-14</b>	<b>Audited Actuals 2013-14</b>	<b>Final Adopted Budget 2014-15</b>	<b>Second Interim Report 2014-15</b>
(continued)										
<b>Fund Balance</b>										
Nonspendable	\$ 10.8	\$ 10.4	\$ 10.8	\$ 11.2	\$ 10.4	\$ 18.5	\$ 11.2	\$ 19.6	\$ 18.5	\$ 19.6
Restricted	202.6	266.4	164.5	186.6	72.7	138.5	78.8	192.9	77.9	119.7
Committed	--	--	--	--	--	--	--	--	--	102.4
Assigned	60.4	147.0	401.3	465.3	377.0	370.4	247.4	336.4	303.2	393.9
Reserved for Revenue Uncertainties	--	--	--	--	--	--	32.5	--	--	--
Reserved for Economic Uncertainties	65.4	65.4	65.4	65.4	65.4	65.4	65.4	65.4	65.4	65.4
Undesignated/Unassigned	<u>136.6</u>	<u>414.3</u>	<u>0.0</u>	<u>96.4</u>	<u>0.0</u>	<u>0.0</u>	<u>46.7</u>	<u>85.9</u>	<u>24.3</u>	<u>45.1</u>
	<u>\$475.7</u>	<u>\$903.5</u>	<u>\$641.9</u>	<u>\$824.8</u>	<u>\$525.5</u>	<u>\$592.7</u>	<u>\$482.0</u>	<u>\$700.3</u>	<u>\$489.3</u>	<u>\$746.1</u>

<sup>(1)</sup> Totals may not equal sum of component parts due to rounding.

<sup>(2)</sup> Includes the Regular Program and the Specially-Funded Programs.

<sup>(3)</sup> Amounts set forth in Table A-6 reflect the "Estimated Amounts" in the District's budget for the respective fiscal year rather than the "Authorized Amount". Pursuant to the Education Code, school districts may not spend more than Authorized Amount in the Final Adopted Budget as adjusted during the fiscal year.

<sup>(4)</sup> The Fiscal Year 2010-11 Revised District Budget was based upon information from the State through September 2010. Accordingly, the information related thereto does not reflect the information that was later set forth in the State Budget Act for Fiscal Year 2010-11.

<sup>(5)</sup> Beginning with the Fiscal Year ended June 30, 2014, the State has replaced the former revenue limit formula for State Aid to school districts with the LCFF. See "State Funding of School Districts – Local Control Funding Formula" herein.

Sources: Los Angeles Unified School District's Final Adopted Budgets for Fiscal Years 2011-12 through 2014-15; Final Revised Budget for Fiscal Year 2010-11; Comprehensive Annual Financial Reports for Fiscal Years 2010-11 through 2013-14; and Second Interim Report for Fiscal Year 2014-15.

***Interim Reporting Requirements.*** State law grants to each county superintendent of schools certain oversight with respect to the budget development process and interim financial reporting of public school districts. Pursuant to the Education Code, 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. In the event that a school district is 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 the 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.

The following Table A-7 summarizes budgeted revenues and expenditures and projected year-end amounts, including projected year-end General Fund Balances, as reported in the Fiscal Year 2014-15 District Final Adopted Budget, the Fiscal Year 2014-15 First Interim Report (as defined herein) and the Fiscal Year 2014-15 Second Interim Report (as defined herein). The District has timely prepared each of these estimates of its Fiscal Year 2014-15 financial results and provided this information to the District Board and LACOE. See “ — District First Interim Reports for Fiscal Year 2014-15” and “ — District Second Interim Reports for Fiscal Year 2014-15” herein.

**TABLE A-7**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**District General Fund**  
**Summary of Balances, Revenues and Expenditures**  
**Fiscal Year 2014-15**  
**(\$ in millions)<sup>(1)</sup>**

	<b>Fiscal Year 2014-15 District Final Adopted Budget</b>	<b>First Interim Report (December 2014)</b>	<b>Second Interim Report (March 2015)</b>
Beginning Balance	\$ 655.2	\$ 700.3 <sup>(2)</sup>	\$ 700.3 <sup>(2)</sup>
Revenues	\$ 6,223.1	\$ 6,225.9	\$ 6,234.2
Expenditures	<u>\$ 6,261.6</u>	<u>\$ 6,112.5</u>	<u>\$ 6,071.3</u>
Operating Surplus (Deficit)	\$ (38.6)	\$ 113.4	\$ 162.9
Other Financing Sources/Uses	\$ (127.3)	\$ (124.0)	\$ (117.1)
Ending Balance	\$ 489.3	\$ 689.6	\$ 746.1

<sup>(1)</sup> Totals may not equal sum of component parts due to rounding.

<sup>(2)</sup> Reflects the actual ending balance as stated in the Comprehensive Annual Financial Report for Fiscal Year 2013-14.

Sources: Los Angeles Unified School District Fiscal Year 2014-15 District Final Adopted Budget and Fiscal Year 2014-15 First Interim Report and Second Interim Report.

***District First Interim Report for Fiscal Year 2014-15.*** The District’s Fiscal Year 2014-15 First Interim Report (the “Fiscal Year 2014-15 First Interim Report”) was filed with LACOE by December 15, 2014, the deadline therefor. The District submitted its Fiscal Year 2014-15 First Interim Report to LACOE with a self-certified qualified certification of its financial condition, and LACOE concurred with the qualified certification. The Fiscal Year 2014-15 First Interim Report stated that the District will be able to meet its financial obligations in Fiscal Year 2014-15 and projects that a fiscal stabilization plan (a “Fiscal Stabilization Plan”) will need to be adopted by the District Board to address a deficit of \$326.0 million in Fiscal Year 2015-16 and \$462.8 million in Fiscal Year 2016-17 in the event the District is not able to identify additional revenues.

The District’s Fiscal Year 2014-15 First Interim Report projected that the District’s ending balance of \$689.6 million would consist of approximately \$19.6 million of cash, nonspendable balances and prepaid expenditures, \$136.1 million of restricted balances, \$102.4 million in committed balances, \$361.9 million of assigned balances, \$65.4 million of balances in the Reserve for Economic Uncertainty, and \$4.3 million of unassigned/unappropriated balances. The Fiscal Year 2014-15 First Interim Report projects that the District will satisfy the minimum percentage of 1% required to be held in its Reserve for Economic Uncertainty in Fiscal Years 2014-15, 2015-16 and 2016-17.

***District Second Interim Report for Fiscal Year 2014-15.*** The District’s Fiscal Year 2014-15 Second Interim Report (the “Fiscal Year 2014-15 Second Interim Report”) was filed with LACOE by March 15, 2015, the deadline therefor. The District submitted its Fiscal Year 2014-15 Second Interim Report to LACOE with a self-certified qualified certification of its financial condition, and LACOE concurred with the qualified certification. The Fiscal Year 2014-15 Second Interim Report stated that the District will be able to meet its financial obligations in Fiscal Year 2014-15, but projected that, absent corrective actions, the District would have deficits of \$158.3 million in Fiscal Year 2015-16 and \$374.6 million in Fiscal Year 2016-17.

The District's Fiscal Year 2014-15 Second Interim Report projected that the District's ending balance of \$746.1 million would consist of approximately \$19.6 million of cash, nonspendable balances and prepaid expenditures, \$119.7 million of restricted balances, \$102.4 million in committed balances, \$393.9 million of assigned balances, \$65.4 million of balances in the Reserve for Economic Uncertainty, and \$45.1 million of unassigned/unappropriated balances. The Fiscal Year 2014-15 Second Interim Report projects that the District will satisfy the minimum percentage of 1% required to be held in its Reserve for Economic Uncertainty in Fiscal Years 2014-15, 2015-16 and 2016-17. The Fiscal Year 2014-15 Second Interim Report projected that the District would contribute approximately \$120 million to the OPEB Trust during Fiscal Year 2014-15 including approximately \$30 million of proceeds from the District's General Obligation Bonds, Election of 2005, Series L (2014) (Federally Taxable). Subsequently, the District determined to use a significant portion of this amount to pay for additional costs provided for in the 2016-2018 Health Benefits Agreement (defined herein). See "District Financial Information – Employees and Labor Relations – Health Benefits Agreement" and "District Financial Information – Other Postemployment Benefits" herein.

In connection with the Fiscal Year 2014-15 Second Interim Report, the District submitted a Fiscal Stabilization Plan to LACOE in order to address its fiscal status. The Fiscal Stabilization Plan addresses the projected budget deficits for Fiscal Years 2015-16 and 2016-17 with proposals to reduce expenditures to the central office, school readiness language development program and other programs to be determined to restore approximately \$32 million in Fiscal Year 2015-16 and \$314 million in Fiscal Year 2016-17, proposals to realign afterschool programs, arts programs and ongoing and major maintenance to restore approximately \$40.9 million in Fiscal Year 2015-16 and \$40.9 million in Fiscal Year 2016-17, and proposals to use of one-time sources of funds from redevelopment fund and bond-eligible maintenance project to provide approximately \$60 million in Fiscal Year 2015-16. In its response to Fiscal Year 2014-15 Second Interim Report, LACOE requested that the District submit a new Fiscal Stabilization Plan in connection with its budget for Fiscal Year 2015-16.

### **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 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 B – "Comprehensive Annual Financial Report of the District for the Fiscal Year ended June 30, 2014" attached hereto. Note 1 to such audited financial statements sets forth significant accounting policies that the District follows. Simpson & Simpson Certified Public Accountants, Los Angeles, California, served as independent auditor to the District for its audited financial statements for Fiscal Year 2013-14. See Appendix B – "Comprehensive Annual Financial Report of the District for the Fiscal Year ended June 30, 2014" attached hereto.

The District is required to file its audited financial statements for the preceding fiscal year with the State Controller's Office, the CDE and the County Superintendent of Schools by December 15 of each year. During the last five years, the District timely filed its comprehensive annual financial reports ("CAFRs") with LACOE pursuant to the Education Code by the respective deadlines therefor with the exception of Fiscal Year 2012-13. The filing of the CAFR for Fiscal Year 2012-13 was delayed due to issues discovered in connection with the migration of capital asset data from the District's previous system for accounting and purchasing, known as the Integrated Financial System, to a new system known as the SAP Financial System. However, the District applied for and received an extension from LACOE and filed the CAFR for Fiscal Year 2012-13 by the deadline therefor.

## Employees and Labor Relations

**General.** The District has 12 bargaining units with existing contracts, the negotiations with respect to which are ongoing. The largest bargaining unit among the District’s employees is United Teachers of Los Angeles (“UTLA”), which is comprised of, among other employees, teachers, counselors, advisers, nurses, psychologists, and social workers. In addition, certain employees are not represented by a formal bargaining unit (the “District Represented Employees”). The following Table A-8 sets forth the number of members of each bargaining unit as of April 29, 2015 and the expiration dates of the existing or successor labor agreements with each of the District’s employee bargaining units.

**TABLE A-8**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Employee Bargaining Units and Contract Expiration Dates**  
**As of April 29, 2015**

<u>Employee Bargaining Unit</u>	<u>Members</u>	<u>Contract Expiration Date (June 30)</u>
Associated Administrators of Los Angeles (Certificated)	2,330	2017
Associated Administrators of Los Angeles (Unit J)	234	2015
Unit A (Los Angeles School Police Association)	421	2017
Unit B (Instructional Aides)	11,851	2017
Unit C (Operations – Support Services)	7,806	2017
Unit D (California School Employees Association) <sup>(1)</sup>	4,200	2014
Unit E (Skilled Crafts)	1,334	2017
Unit F (Teacher Assistants)	4,387	2017
Unit G (Playground Aides)	10,833	2017
Unit H (Sergeants and Lieutenants)	63	2017
Unit S (Classified Supervisors)	3,064	2017
United Teachers of Los Angeles	32,368 <sup>(2)</sup>	2017 <sup>(3)</sup>
District Represented Employees <sup>(4)</sup>	577	N/A

<sup>(1)</sup> The District and Unit D are operating under the terms of their expired contract. The District and Unit D are negotiating terms to be contained in the successor contract.

<sup>(2)</sup> Excludes charter school members.

<sup>(3)</sup> A tentative agreement by and between the District and UTLA was ratified by the membership of UTLA on May 8, 2015 and is expected to be adopted by the District Board on May 12, 2015.

<sup>(4)</sup> District-represented employees include employees that are not represented by a union due to their designation as management, confidential or unrepresented employees. Does not include unrepresented seasonal employees.

Source: Los Angeles Unified School District Office of Labor Relations.

**Labor Agreements.** The District has completed successor agreements with Associated Administrators of Los Angeles, Unit A (Los Angeles School Police Association), Service Employee International Union, Unit E (Skilled Crafts), Unit H (School Police Management Association) and the Teamsters for the 2014-15, 2015-16 and 2016-17 school years. These agreements include one or more of the following provisions depending upon the bargaining unit: (i) an off-schedule, 2% lump salary payment, on a one-time basis, based upon actual 2013-2014 school year earnings, (ii) a 2% salary increase for the 2014-15 school year; (iii) a 2% salary increase for the 2015-16 school year; (iv) a 2.5% salary increase for the 2016-17 school year, (v) an increase in the District’s contribution rate under the 2012-2014 Health Benefits Agreement (defined herein); (vi) implementation of a semi-monthly payroll system; and (vii) participation in an evaluation pilot program. The salary increases for the 2015-16 and 2016-17 school years are conditioned upon the District’s ability to increase revenues and/or reduce expenditures in an amount sufficient to afford the salary increases. See “District Financial Information – District Budget – Fiscal Year 2014-15 District Budget” herein.

In April 2015, the District completed a tentative agreement with UTLA for the 2014-15, 2015-16 and 2016-17 school years which includes limited reopeners in the 2015-16 and 2016-17 school years and a salary reopener in the 2016-17 school year. The tentative agreement with UTLA includes, among other things: (i) a 4% on-schedule salary increase effective July 1, 2014; a 2% on-schedule salary increase effective January 1, 2015; a 2% on-schedule salary increase effective July 1, 2015 and a 2% on-schedule salary increase effective July 1, 2016. The tentative agreement also creates a joint committee with the certificated bargaining units to help with improvements to the teacher evaluation system. The tentative agreement was ratified by the membership of UTLA on May 8, 2015 and is expected to be adopted by the District Board on May 12, 2015. The District expects that AALA, Unit J (Classified Managers) and Unit H (Sergeants and Lieutenants) will consider exercising their respective contractual rights to request that the District accept similar terms and conditions in their respective bargaining agreements as those which are agreed to with UTLA. Similarly, those bargaining units with reopener agreements, Unit A (School Police) and Unit S (Teamsters), in instances where other bargaining units get a higher salary increase on the salary table are expected to want to exercise those rights immediately.

**Health Benefits Agreement.** In November 2011, the District and its bargaining units approved the 2012-2014 Health Benefits Agreement (the “2012-2014 Health Benefits Agreement”). The 2012-2014 Health Benefits Agreement defined the District’s contribution towards health and welfare benefits for active and retired employees. The 2012-2014 Health Benefits Agreement established the estimated contribution by the District of \$958.6 million for calendar year 2012, a 0% increase from 2011, \$1 billion for calendar year 2013, a 4.7% increase from 2012, and \$1.04 billion for calendar year 2014, a 4.5% increase from 2013. These estimates were based upon an agreed upon per capita rate and the estimated number of participants. The actual contributions for 2012, 2013 and 2014 were \$928.5 million, \$915.1 million and \$925.8 million, respectively. The 2012-2014 Health Benefits Agreement also required contributions to be drawn from the reserve fund (the “HBC Reserve Fund”) established by the Health Benefits Committee in 1993 to match each of the District’s contributions. The Health Benefits Committee is comprised of representatives of the respective bargaining units and one District representative. The 2012-2014 Health Benefits Agreement was extended by the Health Benefits Committee through December 31, 2015 pursuant to a clause which allowed for an extension if the HBC Reserve Fund was in excess of \$200 million as of December 31, 2014.

In April 2015, the District and its bargaining units tentatively approved the 2016-2018 Health Benefits Agreement (the “2016-2018 Health Benefits Agreement”). The 2016-2018 Health Benefits Agreement defines the District’s contribution towards health and welfare benefits for active and retired employees. For calendar year 2015, the District’s estimated aggregate contribution to the Plan will be \$1.029 billion. Contributions to partially fund the increases will be paid from funds in the HBC Reserve Fund. The District estimates that its aggregate contributions will be \$1.095 billion and \$1.1629 billion for calendar years 2016 and 2017, respectively. The HBC Reserve Fund had an estimated balance of \$308.5 million in January 2015. Pursuant to the 2016-2018 Health Benefits Agreement, the HBC Reserve Fund will contribute toward the increased costs during the 2016 and 2017 calendar years. However, pursuant to the 2016-2018 Health Benefits Agreement, the balance in the HBC Reserve Fund may not be reduced below \$160 million as of December 31, 2017 or December 31, 2018 if the term of the 2016-2018 Health Benefits Agreement ends on December 31, 2017 or is extended until December 31, 2018, respectively. In connection with the 2016-2018 Health Benefits Agreement, the District and its bargaining units will consider proposals to reduce active employee and retiree costs and to address the District’s OPEB liability as reported under GASB 45. See “—Other Postemployment Benefits” herein. The 2016-2018 Health Benefits Agreement may be extended to 2018 only if the LCFF Gap closed percentage for the State Budget Act for Fiscal Year 2017-18 is 26.43% or more as calculated by the California Department of Finance, there is a 20% reduction in the liability for retiree benefits as reported under GASB 45 by January 1, 2018, and plan year costs for 2017 increase by 4.5% or less from the prior year

based on the August 1, 2017 estimate. See “State Funding of School Districts - Local Control Funding Formula – General” and “ - Local Control Funding Formula Gap Funding” herein.

***Reduction in Force Notices.*** In general, pursuant to the Education Code, the District must give written notice to a certificated employee by the March 15 (each, a “Reduction in Force Notice”) prior to the commencement of a school year if such certificated employee is to be released or reassigned for that school year. In anticipation of the approval of the State’s budget and the approval of the District’s budget and to provide flexibility in the event budget reductions are necessary in a given fiscal year, the District Board may approve the use of Reduction in Force Notices for a portion of its certificated employees. In March 2015, the District Board authorized Reduction in Force Notices for more than 2,400 employees. In addition, the District Board authorized the delivery of notices to all certificated and classified contract management employees with expiring contracts.

***Litigation Regarding District Layoff Procedures.*** A complaint for injunctive and declaratory relief was filed on February 24, 2010 in the Los Angeles County Superior Court against the District and the State entitled *Reed, et al. v. State of California and the Los Angeles Unified School District, et al.* The plaintiffs, students at three middle schools within the District at the time of the complaint, alleged 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. The District reached an agreement with UTLA and the Partnership for Los Angeles Schools in the *Reed* litigation in April 2014. In accordance with the settlement agreement, the District will provide administrative and teacher support to 37 of the District’s schools.

A complaint declaratory and injunctive relief was filed on May 14, 2012 against the District and other named parties entitled *Vergara, et al. v. State of California, et al.* (the “*Vergara* Complaint”) in the Los Angeles County Superior Court. The plaintiffs, who are public school and public charter school students in the District and Alum Rock Union School District, allege that the hiring and continued employment of grossly ineffective teachers in the State public school system is the direct result of the continued enforcement of Education Code Sections 44929.21(b), 44934, 44938(b)(1), 44938(b)(2), 44944 and 44955 (collectively, the “Challenged Statutes”). The plaintiffs alleged that the continued enforcement of the Challenged Statutes causes negative impacts on students’ education, infringe upon California students’ right to education and cause disparate impacts from classroom to classroom and school to school. Further, the plaintiffs alleged that the Challenged Statutes prevent administrators from making employment and dismissal decisions that benefit students due to, among other things, the cost to terminate ineffective teachers, the difficulty, complexity, and length of time associated with the removal process and the seniority basis of the layoff system. The District was dismissed from the lawsuit in 2013. In June 2014, the Superior Court of the State of California issued a decision which held that the provisions of the Challenged Statutes with respect to permanent employment, teacher dismissal, and the process pursuant to which the last-hired teacher is the first to be fired when layoffs occur violate the equal protection clause of the State Constitution. In addition, the Superior Court held that the Challenged Statutes disproportionately affect poor and minority students. The Superior Court stayed the injunction of the Challenged Statutes pending appellate review. The District cannot predict the outcome of or remedy imposed by any appellate review with respect to the Challenged Statutes, how any final court decision with respect to the *Vergara* Complaint would affect the financial status of the District, or the responses, if any, of the State Legislature and the Governor. However, the District does not expect any decision or

change in law to adversely affect the ability of the District to pay the principal of and interest on the Bonds as and when due.

***Litigation Regarding Evaluations of Certificated Personnel.*** A complaint for a writ of mandate and prohibition and a writ for injunctive and declaratory relief was filed in October 2011 against the Superintendent, the members of the District Board, the District, AALA, UTLA and others entitled *Jane Doe 1, et al. v. Deasy, et al.* in the Los Angeles County Superior Court. The petitioners, who are students in the District and their respective guardians, alleged in this complaint that the District violated Section 44660 et. seq. of the California Education Code (the “Stull Act”). The Stull Act, as amended, requires that the governing board of each school district in the State establish a uniform system of evaluation and assessment of the performance of all certificated personnel. The plaintiffs alleged that the District had not complied with the Stull Act’s mandate to incorporate the student progress towards local standards for each area of study at each grade level and towards content standards adopted by the State, as measured by State-adopted criterion-referenced assessments.

On June 12, 2012, the Superior Court ruled that the District did not currently comply with the requirements of the Stull Act with respect to student progress towards State and local standards and teacher evaluations. The District entered into separate agreements with the UTLA and AALA (collectively, the “Stull Act Agreements”) regarding the implementation of evaluation procedures for certificated employees. Pursuant to the Stull Act Agreements, the District must measure student growth and progress using State-adopted, criterion-referenced student testing results under the California State Testing program. The District, UTLA and AALA are implementing the statutory requirements identified by the Superior Court and the Stull Act Agreements. On June 18, 2013, UTLA filed a charge with the Public Employee Relations Board (“PERB”) which alleged that the District unilaterally implemented a four-level evaluation rating policy. In June 2014, the District and UTLA presented the matter to the PERB for consideration. On December 24, 2014, the Administrative Law Judge provided his decision which ruled in favor of the District on some matters and ruled in favor of UTLA on others. The District is appealing the ruling and will continue with the current new evaluation until the appeal process is exhausted and a final decision is made.

## **Retirement Systems**

***General.*** The District currently participates in CalSTRS, CalPERS and PARS (defined herein). The amounts of the District’s contributions to CalSTRS, CalPERS and PARS are subject to, among other things, modifications to or approvals of collective bargaining agreements and any changes in actuarial assumptions used by CalSTRS, CalPERS and PARS.

The information set forth below regarding CalSTRS and CalPERS and their respective actuarial valuations and comprehensive annual financial reports has been obtained from publicly available sources and has not been independently verified by the District and is not guaranteed as to the accuracy or completeness thereof by or to be construed as a representation by the District. 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.

The following Table A-9 sets forth the District’s aggregate contributions to CalSTRS, CalPERS and PARS, inclusive of employee contributions to CalPERS paid by the District, for Fiscal Years 2010-11 through 2013-14, the estimated contribution for Fiscal Year 2014-15 and these contributions as a percentage of the District’s Total Governmental Funds expenditures for Fiscal Years 2010-11 through 2013-14. See Table A-10 “Annual Regular CalSTRS Contributions”, Table A-13 “Annual CalPERS Regular Contributions” and Table A-17 “Annual PARS Contribution” for the estimated contributions by

the District for Fiscal Year 2014-15 for CalSTRS, CalPERS and PARS, respectively. For additional information regarding the District’s pension and retiree health care programs and costs, see the District’s financial statements for Fiscal Year 2013-14 contained in Appendix B – “Comprehensive Annual Financial Report of the District for the Fiscal Year ended June 30, 2014” attached hereto.

**TABLE A-9**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Aggregate Employer Contributions to CalSTRS, CalPERS and PARS**  
**Fiscal Years 2010-11 through 2014-15**  
**(\$ in millions)**

Fiscal Year	District Contributions <sup>(1)</sup>	District Contribution as Percentage of Total Governmental Funds Expenditures
2010-11	\$384.5	4.29%
2011-12	365.9	4.33
2012-13	346.0	4.36
2013-14	348.6	4.45
2014-15 <sup>(2)</sup>	363.4	N/A

<sup>(1)</sup> Reflects data for all District Funds, including the District’s General Fund.

<sup>(2)</sup> Estimated.

Sources: Los Angeles Unified School District Comprehensive Annual Financial Reports for Fiscal Years 2010-11 through 2013-14 and the District for the estimated contribution for Fiscal Year 2014-15, percentage of Total Governmental Funds Expenditures from the District.

**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. 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 substantial 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.

For many years prior to Fiscal Year 2014-15 and unlike typical defined benefit programs such as those administered by CalPERS, neither the CalSTRS employer nor the State contribution rate varied annually to make up funding shortfalls or assess credits for actuarial surpluses. The State did pay a surcharge when the teacher and school district contributions were 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. In recent fiscal years, employees contributed 8.00% of gross salary expenditures to CalSTRS, and the District contributed 8.25% of gross salary expenditures to CalSTRS.

The California State Teachers’ Retirement System Defined Benefit Program Actuarial Valuation as of June 30, 2013 (the “2013 CalSTRS Actuarial Valuation”) is the most recent actuarial valuation for the CalSTRS plan. The fair market value of the CalSTRS pension fund as of June 30, 2012 and June 30, 2013 was \$143.1 billion and \$157.2 billion, respectively, based on total system assets. CalSTRS actuarial consultant (the “Actuarial Consultant”) determines the actuarial value of the plan’s assets by using a one-third smoothed recognition method of the difference between the actual market value of assets to the expected actuarial value of assets. Accordingly, the actuarial value of assets will not reflect the entire

impact of certain investment gains or losses on an actuarial basis as of the date of the valuation or legislation enacted subsequent to the date of the valuation.

The actuarial assumptions set forth in the 2013 CalSTRS Actuarial Valuation use the “Entry Age Normal Cost Method” and, among other things, an assumed 7.50% investment rate of return, 4.50% interest on accounts, projected 3.75% wage growth, 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 actuarial assumptions and methods used in the 2013 CalSTRS Actuarial Valuation were based on the Experience Analysis July 1, 2006 – June 30, 2010 adopted by the Teacher’s Retirement Board in February 2012 (the “CalSTRS Experience Analysis”). CalSTRS’ unfunded liability will vary from time to time depending upon actuarial assumptions, actual rates of return on investment, salary scales and levels of contribution.

The 2013 CalSTRS Actuarial Valuation stated that the aggregate contribution rate as of June 30, 2013, inclusive of a contribution of 8.000% from members, 8.250% from employers and 3.247% from the State, is equivalent to 19.497%. The 2013 CalSTRS Actuarial Valuation projected that a level contribution rate of 32.879% beginning June 30, 2013 would be needed to amortize the unfunded actuarial obligation over a 30-year period which would be an increase of 13.382% from the present contribution rate. The Actuarial Consultant stated that the projected shortfall was due to, among other things, an investment rate of return of approximately 4.50% since 2000 as compared to the 7.50% long-term assumed rate of return. In addition, the 2013 CalSTRS Actuarial Valuation assumed that all members hired on or after January 1, 2013 are subject to the provisions of PEPRA (defined herein). See “- Retirement Systems – California Public Employees’ Pension Reform Act of 2013” herein. The Actuarial Consultant stated that the lower level of benefits offered to PEPRA Employees (defined herein) is expected to reduce the normal costs related thereto and the amount of additional revenue needed. Although the Actuarial Consultant applied a 7.50% long-term rate of return to CalSTRS’ assets in its actuarial valuations, upon its implementation for financial statements beginning in Fiscal Year 2014-15, GASB 68 (defined herein) may require the District and other member agencies to assume a lower rate of return to determine their respective net pension liability. Pursuant to GASB 68, if CalSTRS or any other defined benefit program is projected to exhaust all of its assets in the future, the assumed rate of return will only be applied to assets until such time as the assets are no longer sufficient to pay benefits. Subsequent thereto, the remaining liability will be discounted with a high-quality municipal bond rate. See “- Pension Accounting and Financial Reporting Standards” herein. In connection with the Fiscal Year 2014-15 State Budget Act (defined herein), the State approved, among other things, increases to CalSTRS contribution rates in order to reduce the UAAL of CalSTRS. See “- State Budget – Fiscal Year 2014-15 State Budget Act” herein.

Beginning in Fiscal Year 2014-15, employer, employee and State contributions to CalSTRS will increase pursuant to Assembly Bill 1469 (2014) (“AB 1469”) which was enacted in June 2014. The District’s employer contribution rate for Fiscal Year 2014-15 will increase from 8.25% of covered payroll to 8.88% of covered payroll. Beginning in Fiscal Year 2015-16, the District’s employer contribution rate will increase by 1.85% of covered payroll each year from Fiscal Year 2014-15 through Fiscal Year 2018-19 and by 0.97% during Fiscal Year 2019-20 until the employer contribution rate is 19.10% of covered payroll. Pursuant to AB 1469, employee contributions for employees who joined CalSTRS prior to the approval by the Governor of the State (the “Governor”) of PEPRA, which established new retirement formulas for employees hired on or after January 1, 2013, will increase from 8.00% to 10.25% of covered payroll from Fiscal Year 2013-14 to Fiscal Year 2016-17. In addition, employee contributions for employees who joined CalSTRS after PEPRA will increase from 8.00% to 9.205% of covered payroll from Fiscal Year 2013-14 to Fiscal Year 2016-17. The State Teachers Retirement Board is authorized to modify the percentages paid by employers and employees for Fiscal Year 2021–22 and each fiscal year thereafter in order to eliminate CalSTRS’ unfunded liability by June 30, 2046 based upon actuarial

recommendations. Pursuant to AB 1469, the State’s contribution rates will increase from 3.041% to 6.328% from Fiscal Year 2013-14 to Fiscal Year 2016-17. See “State Budget – Fiscal Year 2014-15 State Budget Act” herein. See “District Financial Information – Retirement Systems – Pension Accounting and Financial Reporting Standards” and “State Budget – Fiscal Year 2014-15 State Budget Act” and “ – Proposed Limitations on School District Reserves” herein.

The CalSTRS Comprehensive Annual Financial Report for Fiscal Year 2013-14 (the “2013-14 CalSTRS CAFR”) states that as of June 30, 2014 CalSTRS included 38,651 covered employees of the District in its State Teachers Retirement Program and 5,591 covered employees of the District in its tax-deferred defined contribution plans under Sections 403(b) and 457 of the Internal Revenue Code (the “Pension2 Program”). Accordingly, covered employees of the District represented approximately 8.05% and 44.04% of covered employees in the State Teacher’s Retirement Program and Pension2 Program, respectively. CalSTRS reports that the District’s employer contribution to CalSTRS for Fiscal Year 2013-14 was approximately \$210.9 million which amount reflects approximately 5.738% of all employer contributions.

The following Table A-10 sets forth the District’s regular annual contributions to CalSTRS for Fiscal Years 2010-11 through 2013-14, the estimated contributions for Fiscal Year 2014-15, and these contributions as a percentage of the District’s Total Governmental Funds expenditures for Fiscal Years 2010-11 through 2013-14. The District contributions for the General Fund are set forth in Table A-11 hereto. The District has always paid all required CalSTRS annual contributions. As of June 30, 2014, 36,336 District employees were members of CalSTRS.

**TABLE A-10**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Annual Regular CalSTRS Contributions**  
**Fiscal Years 2010-11 through 2014-15**  
**(\$ in millions)**

<b>Fiscal Year</b>	<b>District Contributions<sup>(1)(2)</sup></b>	<b>District Contribution as Percentage of Total Governmental Funds Expenditures</b>
2010-11	\$236.7	2.64%
2011-12	225.0	2.66
2012-13	213.5	2.69
2013-14	212.5	2.71
2014-15 <sup>(3)</sup>	230.3	N/A

- <sup>(1)</sup> Reflects data for all District Funds, including the District’s General Fund.
- <sup>(2)</sup> Excludes employee contributions paid by the District.
- <sup>(3)</sup> Estimated.

Sources: District contributions from the Los Angeles Unified School District Comprehensive Annual Financial Reports for Fiscal Years 2010-11 through 2013-14 and the District for the estimated contribution for Fiscal Year 2014-15 and percentage of Total Governmental Funds Expenditures for Fiscal Years 2010-11 through 2013-14.

The following Table A-11 sets forth the employer contribution rates for CalSTRS, including the contribution rates approved pursuant to AB 1469, the District total creditable compensation and the estimated total cost of these contributions to the District for the General Fund for Fiscal Years 2013-14 through 2020-21. The District is unable to predict what the amount of pension liabilities will be beyond the fiscal years set forth in AB 1469 or the amount the District will be required to pay for pension related costs, as these amounts are subject to future rate actions taken by CalSTRS. Accordingly, there can be no

assurances that the District's required contributions to CalSTRS will not significantly increase in the future above levels currently approved under State law.

**TABLE A-11**

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
CalSTRS Employer Rates, Estimated Total Creditable Compensations  
and Estimated General Fund Costs<sup>(1)</sup>  
Fiscal Years 2013-14 through 2020-21  
(\$ in millions)**

<b>Fiscal Year</b>	<b>CalSTRS Employer Rate</b>	<b>Total General Fund Certificated Salaries</b>	<b>General Fund CalSTRS Cost</b>	<b>Change due to CalSTRS Rate Change</b>	<b>Cumulative Change due to CalSTRS Rate Change</b>
2013-14	8.25%	\$2,585	\$207	--	--
2014-15 <sup>(2)</sup>	8.88	2,685	230	\$16	\$16
2015-16 <sup>(2)</sup>	10.73	2,758	296	48	64
2016-17 <sup>(2)</sup>	12.58	2,734	344	51	115
2017-18 <sup>(3)</sup>	14.43	2,734	395	51	165
2018-19 <sup>(3)</sup>	16.28	2,734	445	51	216
2019-20 <sup>(3)</sup>	18.13	2,734	496	51	266
2020-21 <sup>(3)</sup>	19.10	2,734	522	27	293

<sup>(1)</sup> Reflects only the District's General Fund.

<sup>(2)</sup> Reflects estimated total General Fund certificated salaries and General Fund CalSTRS. Estimates presented herein do not reflect certain key parameters and variables that are expected to impact actual costs including, among other things, such as changes in enrollment, the number of teachers that are pre-PEPRA and the number of teachers that are PEPRA employees.

<sup>(3)</sup> Projections based on zero salary growth after Fiscal Year 2016-17 for total General Fund certificated salaries and General Fund CalSTRS Costs.

Sources: Los Angeles Unified School District Comprehensive Annual Financial Report for Fiscal Year 2013-14 and Fiscal Year 2014-15 Second Interim Report.

The UAAL and funded status of the CalSTRS pension fund as of June 30 of Fiscal Years ended June 30, 2010 through June 30, 2014 are set forth in the following Table A-12. The fair market value of the CalSTRS pension fund as of June 30, 2013 and June 30, 2014 was \$157.2 billion and \$179.7 billion, respectively, based on total system assets less amounts allocable to the CalSTRS Supplemental Benefits Maintenance Account Reserve. The individual funding progress for the District is not provided in the actuarial report from CalSTRS, but will be reported in the District's financial statements beginning in Fiscal Year 2014-15 pursuant to GASB 68. See " – Pension Accounting and Financial Reporting Standards" herein.

**TABLE A-12**

**Actuarial Value of State Teachers' Retirement Fund Defined Benefit Program  
Valuation Dates June 30, 2010 through June 30, 2014  
(\$ in billions)**

<b>Valuation Date (June 30)</b>	<b>Actuarial Obligation</b>	<b>Actuarial Value of Assets<sup>(1)</sup></b>	<b>Unfunded Actuarial Obligation</b>	<b>Funded Ratio (Actuarial Value)</b>	<b>Funded Ratio (Fair Market Value)</b>
2010	\$196.315	\$140.291	\$56.024	71.5%	59.7%
2011	208.405	143.930	64.475	69.1	67.2
2012	215.189	144.232	70.957	67.0	62.7
2013	222.281	148.614	73.667	66.9	66.5
2014	231.213	158.495	72.718	68.5	73.3

<sup>(1)</sup> Actuarial Value of Assets and Fair Market Value of Assets does not include amounts allocable to the CalSTRS Supplemental Benefits Maintenance Account Reserve which was approximately \$9.27 billion as of June 30, 2013 and \$10.24 billion as of June 30, 2014.

Sources: California State Teachers' Retirement System Defined Benefit Program Actuarial Valuations as of June 30, 2009 through June 30, 2013.

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.** 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 contribution requirements of the plan members are established by State statute. The actuarial methods and assumptions used for determining the rates are based on those adopted by Board of Administration of CalPERS. The District's contributions for all members for Fiscal Years 2013-14 were in accordance with the required contribution rates calculated by CalPERS' actuary for each fiscal year. Classic 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. PEPPRA members are required to contribute 6% (miscellaneous) or 12.75% (safety) of their monthly salary, and the District is required to contribute based on an actuarially determined rate. The required employer contribution rates for Fiscal Year 2013-14 were 11.442% for miscellaneous members hired prior to January 1, 2013 and 31.821% for safety members. The required employer contribution rates for Fiscal Year 2014-15 are 11.771% for miscellaneous members hired prior to January 1, 2013 and 30.845% for safety members. Historically, the District paid the employee's contribution for most of the safety members and certain percentages miscellaneous members. The District's annual pension costs for Fiscal Years 2009-10 through 2013-14 were equal to the annual required contributions for such fiscal years and its net pension obligation to CalPERS for such fiscal years was \$0.

The following Table A-13 sets forth the District's regular annual contributions, inclusive of employee contributions paid by the District, to CalPERS for Fiscal Years 2010-11 through 2013-14, the estimated contribution for Fiscal Year 2014-15 and these contributions as a percentage of the District's Total Governmental Funds expenditures for Fiscal Years 2010-11 through 2013-14. The District has always paid all required CalPERS annual contributions. As of June 30, 2014, 41,221 District employees were members of CalPERS.

**TABLE A-13**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Annual CalPERS Regular Contributions**  
**Fiscal Years 2010-11 through 2014-15**  
**(\$ in millions)**

<b>Fiscal Year</b>	<b>District Contributions<sup>(1)(2)</sup></b>	<b>District Contribution as Percentage of Total Governmental Funds Expenditures</b>
2010-11	\$142.6	1.59%
2011-12	136.4	1.61
2012-13	128.7	1.62
2013-14	131.2	1.67
2014-15 <sup>(3)</sup>	128.1	N/A

<sup>(1)</sup> Reflects data for all District Funds, including the District’s General Fund.

<sup>(2)</sup> 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. Beginning in Fiscal Year 2013-14, the LCFF eliminated the PERS Savings Recapture.

<sup>(3)</sup> Estimated. Reflects the elimination of the Employer Paid Member Contribution for its employees.

Sources: District contributions from the Los Angeles Unified School District Comprehensive Annual Financial Reports for Fiscal Years 2010-11 through 2013-14 and the District for the estimated contribution for Fiscal Year 2014-15 and percentage of Total Governmental Funds Expenditures for Fiscal Years 2010-11 through 2013-14.

In February 2014, the CalPERS Board of Administration adopted new actuarial assumptions based on the CalPERS Experience Study and Review of Actuarial Assumptions dated January 2014. In April 2015, the CalPERS Board of Retirement approved the required school employer contribution rate for miscellaneous members hired prior to January 1, 2013 of 11.847% for Fiscal Year 2015-16. In addition, CalPERS projects a school employer contribution rate for miscellaneous members hired prior to January 1, 2013 of 13.05% for Fiscal Year 2016-17. The school employer contribution rate for miscellaneous members hired on or after January 1, 2013 is 6.0% for Fiscal Year 2014-15 and is estimated to be 6% for Fiscal Year 2015-16. See “- Retirement Systems – California Public Employees’ Pension Reform Act of 2013” herein. CalPERS projects annual increases to the contribution rates of school employers such as the District resulting in a District employer contribution rate for safety members of 30.845% for Fiscal Year 2014-15. To the extent that future experience differs from CalPERS’ current actuarial assumptions and the assumed investment rate of return of 7.5%, the required employer contribution rates are expected to change. Accordingly, the District is unable to predict the amount of future State and employer funding towards CalPERS’ liabilities or the amount of the contributions which the District may be required to make to CalPERS.

The following Table A-14 sets forth the District’s estimates of the impact of the increased CalPERS rates on its contributions for Fiscal Years 2013-14 through 2016-17 for the District’s General Fund.

**TABLE A-14**

**Estimated Impact of Increased CalPERS Rates on Employer Cost for the District's General Fund<sup>(1)</sup>  
Fiscal Years 2013-14 through 2016-17  
(\$ in millions)**

<u>Fiscal Year</u>	<u>CalPERS Employer Rate (Miscellaneous)</u>	<u>CalPERS Employer Rate (Safety)<sup>(2)</sup></u>	<u>Total General Fund Classified Salaries</u>	<u>Estimated General Fund CalPERS Cost</u>
2013-14	11.44%	31.821%	\$800	\$ 99
2014-15	11.77	30.845	860	113
2015-16	11.85	** <sup>(2)</sup>	910	116
2016-17	13.05	** <sup>(2)</sup>	919 <sup>(3)</sup>	129

<sup>(1)</sup> Reflects only the District's General Fund.

<sup>(2)</sup> The District's employer contribution rates for safety employees for Fiscal Year 2015-16 and thereafter are not yet available from CalPERS. The District has assumed annual increases in the CalPERS Employer Rate (Safety) to be proportional to the annual increases in the CalPERS Employer Rate (Miscellaneous) for fiscal years subsequent to Fiscal Year 2014-15.

<sup>(3)</sup> Projections based on no salary growth after Fiscal Year 2016-17 for the total General Fund classified salaries and the estimated CalPERS cost from the General Fund.

Sources: Los Angeles Unified School District Comprehensive Annual Financial Report for Fiscal Year 2013-14 and Fiscal Year 2014-15 Second Interim Report.

CalPERS is operated on a Statewide basis and, based on publicly available information, has significant unfunded liabilities. The amounts of the pension/award benefit obligation or UAAL will vary from time to time depending upon actuarial assumptions, and actual rates of return on investments, salary scales, and levels of contribution. The market value of the schools portion of the CalPERS pension fund as of June 30, 2013 and June 30, 2014 was \$44.85 billion and \$49.48 billion, respectively. The individual funding progress for the District is not provided in the schools portion of actuarial report from CalPERS, but will be reported in the District's financial statements beginning in Fiscal Year 2014-15 pursuant to GASB 68. See " - Pension Accounting and Financial Reporting Standards" herein.

The actuarial funding method used in the CalPERS Schools Pool Actuarial Valuation as of June 30, 2013 is the "Individual Entry Age Normal Cost Method". The CalPERS Schools Pool Actuarial Valuation as of June 30, 2013 assumes, among other things, a 7.50% investment rate of return (net of administrative expenses), projected 2.75% inflation, and projected payroll growth of 3.00%. The CalPERS Schools Pool Actuarial Valuation as of June 30, 2014 is expected to be released in summer 2015. The UAAL and funded status of the schools portion of CalPERS as of June 30 of Fiscal Years ended June 30, 2010 through June 30, 2014 are set forth in the following Table A-15.

**TABLE A-15**  
**Actuarial Value of Schools Portion of CalPERS**  
**Historical Funding Status**  
**Valuation Dates June 30, 2010 through June 30, 2014**  
**(\$ in millions)**

<b>Valuation Date (June 30)</b>	<b>Actuarial Accrued Liabilities</b>	<b>Market Value of Assets (MVA)</b>	<b>Funded Status (MVA)</b>	<b>Unfunded Liabilities/ (Surplus) (MVA)</b>	<b>Projected Payroll for Determining Contributions</b>	<b>Unfunded Liability/ (Surplus) as a % of Payroll</b>
2010	\$55,306.96	\$38,435.17	69.5%	\$16,871.79	\$11,283.40	149.5%
2011	58,358.41	45,900.99	78.7	12,457.42	10,540.43	118.2
2012	59,439.13	44,853.80	75.5	14,585.33	10,242.25	142.4
2013	61,487.18	49,481.90	80.5	12,005.28	10,423.82	115.2
2014	65,599.71	56,838.23	86.6	8,761.47	N/A	N/A

Source: CalPERS Schools Pool Actuarial Valuation as of June 30, 2013 and CalPERS for June 30, 2014.

The CalPERS Safety Plan of the Los Angeles Unified School District (Employer # 3614620780) Annual Valuation Report as of June 30, 2013 uses the "Entry Age Normal Cost Method" as the actuarial funding method and assumes, among other things, a 7.50% investment rate of return (net of administrative expenses), projected salary increases of 3.30% to 14.20% depending on age, service and type of employment, projected 2.75% inflation and projected payroll growth of 3.00%. The UAAL and funded status of the District's Safety Plan, which is an individual component of CalPERS, as of June 30 of Fiscal Years ended June 30, 2009 through June 30, 2013, are set forth in the following Table A-16.

**TABLE A-16**  
**CalPERS Actuarial Value of LAUSD Safety Plan<sup>(1)</sup>**  
**Historical Funding Status**  
**Valuation Dates June 30, 2009 through June 30, 2013**

<b>Actuarial Valuation Date (June 30)</b>	<b>Accrued Liability (a)</b>	<b>Actuarial Value of Assets (AVA) (b)</b>	<b>Unfunded Liability (a) - (b)</b>	<b>Funded Ratios</b>		<b>Annual Covered Payroll (c)</b>	<b>Unfunded Liability as a % of Covered Payroll [(a)-(b)]/(c)</b>
				<b>(b)/(a)</b>	<b>Market Value</b>		
2009	\$240,158,247	\$190,718,449	\$49,439,798	79.4%	58.1%	\$23,714,632	208.5%
2010	249,235,744	201,793,549	47,442,195	81.0	63.8	23,550,230	201.5
2011	258,517,618	214,253,073	44,264,545	82.9	74.1	24,676,608	179.4
2012	266,875,028	227,075,678	39,799,350	85.1	71.4	24,937,992	159.6
2013	277,736,785	212,659,399	65,077,386	76.6	76.6	25,449,254	255.7

<sup>(1)</sup> Reflects information relating to the District's Safety Plan and does not include information relating to the Miscellaneous Plan. Actuarial information relating to the historical funding status of the District's Miscellaneous Plan is not available from CalPERS as a separate report but is incorporated in the combined schools portion of CalPERS' pension fund as set forth in Table A-16 above.

Source: CalPERS Safety Plan of the Los Angeles Unified School District (Employer # 3614620780) Annual Valuation Report as of June 30, 2013.

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. 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 A-17 sets forth the District’s annual contributions to PARS for Fiscal Years 2010-11 through 2013-14, the estimated annual contribution to PARS for Fiscal Year 2014-15 and the contributions as a percentage of the District’s Total Governmental Funds expenditures for Fiscal Years 2010-11 through 2013-14. As of June 30, 2014, 54,773 District employees were members of PARS.

**TABLE A-17**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Annual PARS Contribution**  
**Fiscal Years 2010-11 through 2014-15**  
**(\$ in millions)**

<b>Fiscal Year</b>	<b>District Contributions<sup>(1)(2)</sup></b>	<b>District Contribution as Percentage of Total Governmental Funds Expenditures</b>
2010-11	\$5.2	0.06%
2011-12	4.5	0.04
2012-13	3.8	0.05
2013-14	4.9	0.06
2014-15 <sup>(3)</sup>	5.0	N/A

<sup>(1)</sup> Reflects payments to PARS for pension costs associated with the District’s regular and specially funded programs

<sup>(2)</sup> Includes amounts related to prior years’ PARS contributions.

<sup>(3)</sup> Estimated.

Sources: District contributions from the Los Angeles Unified School District Comprehensive Annual Financial Reports for Fiscal Years 2010-11 through 2013-14 and the District for the estimated contribution for Fiscal Year 2014-15 and percentage of Total Governmental Funds Expenditures for Fiscal Years 2010-11 through 2013-14.

**California Public Employees’ Pension Reform Act of 2013.** In September 2012, the Governor approved Assembly Bill 340, the California Public Employees’ Pension Reform Act of 2013 (“PEPRA”). Among other things, PEPRA establishes new retirement formulas for employees hired on or after January 1, 2013 (“PEPRA Employees”) and prohibits public employers from offering defined benefit pension plans to PEPRA Employees that exceed the benefits provided thereunder. PEPRA increases the retirement age for new State, school, city and local agency employees depending on job function and limits the annual CalPERS and CalSTRS pension benefit payouts. PEPRA applies to all public employers except the University of California, charter cities and charter counties. However, PEPRA is applicable to those entities which contract with CalPERS.

PEPRA mandates equal sharing of normal costs between a contracting agency or school employer and their employees and that employers not pay any of the required employee contribution. However, PEPRA limits the contribution to an amount not in excess of 8% of pay for local miscellaneous or school members, not more than 12% of pay for local police officers, local firefighters, and county peace officers, and not more than 11% of pay for all local safety members. PEPRA requires employers to complete a good faith bargaining process as required by law prior to implementing changes regarding the contribution requirements. The changes to required contribution requirements will go into effect on January 1, 2018 unless the employer and the affected bargaining unit have reached an agreement in accordance with PEPRA. See “District Financial Information – Employees and Labor Relations – Labor Agreements” herein.

In addition, PEPRA amends existing laws to redefine final compensation for purposes of pension benefits for PEPRA Employees. Further, PEPRA permits certain public employers who have offered a lower defined benefit retirement plan before January 1, 2013 to continue to offer such plan to PEPRA Employees. However, if a public employer adopts a new defined benefit plan on or after January 1, 2013, such plan will be subject to PEPRA requirements unless, among other things, its retirement system’s chief actuary and retirement board certify that the new plan is not riskier or costlier to the public employer than the defined benefit formula required under PEPRA.

***Pension Accounting and Financial Reporting Standards.*** In 2012, the Governmental Accounting Standards Board issued Statement No. 68, Accounting and Financial Reporting for Pensions (“GASB 68”), which revises and establishes new financial reporting requirements for most public employers, such as the District, that provide their employees with pension benefits and cost-sharing, multiple-employer plans, including CalSTRS and CalPERS. GASB 68, among other things, requires public employers providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability and provides greater guidance on measuring the annual costs of pension benefits, including through guidelines on projecting benefit payments, use of discount rates and use of the “entry age” actuarial cost allocation method. GASB 68 also enhances accountability and transparency through revised and new note disclosures and required supplementary information. GASB 68 becomes effective for the financial statements of plan employers, including the District’s financial statements, commencing in Fiscal Year 2014-15.

Pursuant to GASB 68, CalSTRS and CalPERS will use a new blended rate that reflects a long-term rate of return on plan assets, which reflects a pension fund’s long-term investment strategy, and a high-quality, non-taxable municipal bond index rate, to account for the potential need to borrow funds to pay pension benefits after net assets have been fully depleted. CalSTRS has cautioned that use of the new, blended discount rate may cause the financial statements of plans, such as CalSTRS, to reflect an increased unfunded liability.

### **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, 2013, there are approximately 37,202 retirees and 64,285 active employees who meet the eligibility requirements for these benefits. Historically, the District has funded 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. Beginning in Fiscal Year 2013-14, the District began to prefund a portion of its OPEB costs for employees, retirees and their beneficiaries by allocating funds for the express purpose of funding future other postemployment benefit costs. See “District Financial Information – District Financial Policies – Budget and Finance Policy – Liability Reserves” herein. The District Board approved the creation of the OPEB Trust Fund in May 2014. In July 2014, the District transferred approximately \$60.0 million from the General Fund to the

OPEB Trust Fund as a contribution related to Fiscal Year 2013-14. In addition, the District deposited approximately \$30 million of proceeds from its General Obligation Bonds, Election of 2005, Series L (2014) (Federally Taxable) to the OPEB Trust Fund as a contribution for employee costs attributable to the general obligation bond program. See “District Financial Information – District Financial Policies – Budget and Finance Policy – Liability Reserves” herein. The Fiscal Year 2014-15 Second Interim Report projected that the District would contribute approximately \$120 million to the OPEB Trust during Fiscal Year 2014-15 including approximately \$30 million of proceeds from the District’s General Obligation Bonds, Election of 2005, Series L (2014) (Federally Taxable). Subsequently, a significant portion of this amount was identified as a source to partially fund the increases to be paid in connection with the 2016-2018 Health Benefits Agreement. See “District Financial Information – District Budget” and “District Financial Information – Employees and Labor Relations – Health Benefits Agreement” herein.

The following Table A-18 sets forth the District’s funding of other postemployment benefits for Fiscal Years 2010-11 through 2013-14, the projected contribution for Fiscal Years 2014-15 set forth in the Fiscal Year 2014-15 Second Interim Report and the contributions as a percentage of the District’s Total Governmental Funds expenditures for Fiscal Years 2010-11 through 2013-14. In addition, Table A-18 sets forth the District’s contribution to the OPEB Trust for Fiscal Year 2013-14 and the projected contribution to the OPEB Trust for Fiscal Year 2014-15 prior to the adoption of the 2016-2018 Health and Welfare Agreement. See “District Financial Information – Collective Bargaining – Health Benefits Agreement” herein.

**TABLE A-18**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Expenditures for Other Postemployment Benefits**  
**Fiscal Years 2010-11 through 2014-15**  
(\$ in millions)

Fiscal Year	Amount	OPEB Trust Account Contribution	Expenditure as Percentage of Total Governmental Funds Expenditures
2010-11 <sup>(1)</sup>	\$240.1	--	2.68%
2011-12 <sup>(1)</sup>	228.7	--	2.71
2012-13 <sup>(1)</sup>	245.4	--	3.09
2013-14	326.9	\$60.0 <sup>(2)</sup>	4.17
2014-15	337.2 <sup>(3)</sup>	120.0 <sup>(4)</sup>	N/A

<sup>(1)</sup> Pay as you go.

<sup>(2)</sup> Transferred to OPEB Trust Fund in July 2014 attributable to Fiscal Year 2013-14 liability.

<sup>(3)</sup> Projected amount for General Fund in the Fiscal Year 2014-15 Second Interim Report.

<sup>(4)</sup> Projected amount based on the Fiscal Year 2014-15 Second Interim Report. Subsequent to the Fiscal Year 2014-15 Second Interim Report, a significant portion of this amount was identified as a source to partially fund the increases to be paid in connection with the 2016-2018 Health Benefits Agreement.

Sources: District OPEB expenditures from the Los Angeles Unified School District Comprehensive Annual Financial Reports for Fiscal Years 2010-11 through 2013-14 and the Fiscal Year 2014-15 Second Interim Report.

GASB Statement No. 45 “Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions” (“GASB 45”) established standards for the measurement, recognition and disclosure of postemployment healthcare and certain others 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 GASB 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 GASB 45 and are reported in accordance therewith.

The District's OPEB consists of post-employment benefits for 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 45 Valuation Report as of July 1, 2013," dated July 3, 2014 (the "2013 Postemployment Valuation").

The following are the principal actuarial assumptions used in the 2013 Postemployment Valuation:

1. Measurement Date: July 1, 2013
2. Census Date: July 1, 2013
3. Actuarial Cost Method: Entry Age Normal Cost method with amortization of the unfunded liability over an open 30-year period as a level percentage of payroll.
4. Economic Assumptions:
  - a. Discount Rate: 5.07% (based on the assumption that the District will fund 25% of the pre-funded portion of the ARC in the CalPERS' California Employers' Retiree Benefit Trust fund);
  - b. Annual Inflation Rate: 2.75%;
5. Demographic Assumptions
  - a. Mortality: Mortality rates developed using a generational mortality table using a projection scale, initial mortality rates based on the most recent CalSTRS valuation and the 1997-2011 CalPERS Experience Study;
  - b. Turnover: Turnover rates developed in the most recent CalSTRS valuation and in the 1997-2011 CalPERS Experience Study;
  - c. Retirement: Age-based ranges (retirement rates developed in the most recent CalSTRS valuation and in the 1997-2011 CalPERS Experience Study for School 2% @ 55 participants);
  - d. Disability Retirement: Disability rates developed in the most recent CalSTRS valuation;
  - e. Annual Health Inflation: The health trend rate represents the long-term expected growth of medical benefits paid by the plan, due to non-age-related factors such as general medical inflation, utilization, new technology, health care reform changes for Medicare Advantage plans and the excises tax;
  - f. Plan Participation: 100% of future eligible retirees are assumed to elect coverage;
  - g. Dependent assumptions: 40% of future retirees are assumed to be married and elect employee plus one coverage for Medical and 45% are assumed to select employee plus one coverage for dental coverage, male retirees are assumed to be five years older than their spouses and female retirees are assumed to be two years younger than their male spouses; and
  - h. 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.

The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the "Affordable Care Act") were signed into law in March 2010.

See Note 8 to the audited financial statements of the District contained in Appendix B – “Comprehensive Annual Financial Report of the District for the Fiscal Year ended June 30, 2014” attached hereto. The 2013 Postemployment Valuation included the estimated impact of the Affordable Care Act and valued provisions including, among other things, reduced funding on Medicare advantage plans by the federal government, industry tax on fully insured plans, and excise taxes on high cost plans. The District’s actuary states that, other than the excise tax, the various aspects of health care reform have been reflected in the 2013 Postemployment Valuation through development of per capita claims. Based on information as of the date of the 2013 Postemployment Valuation, the actuary does not expect the other provisions of the Affordable Care Act to impact the results of the 2013 Postemployment Valuation.

The 2013 Postemployment Valuation sets forth the District’s actuarial valuation of postemployment medical benefits as of July 1, 2013 for its employees and retirees. The 2013 Postemployment Valuation sets forth the liabilities of the postemployment benefit plan based upon GASB Statement No. 45. As of July 1, 2013, the market value of plan net assets was \$0. The District’s actuarial consultant has excluded the amounts currently on deposit in the aforementioned OPEB Trust Fund because the irrevocable OPEB Trust Fund was not in effect at the time of the 2013 Postemployment Valuation. In addition, the District’s actuarial consultant excluded the amounts reserved for OPEB in the General Fund because the funds were not yet contributed to an irrevocable trust. The 2013 Postemployment Valuation reports that, as of July 1, 2013, the UAAL of the District’s post-retirement health and welfare benefits program is approximately \$10.9 billion. Pursuant to GASB 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 2013 Postemployment Valuation recommended an annual required contribution (“ARC”) of \$868.6 million, or 18.9% of the District’s payroll at the July 1, 2013 valuation date, for Fiscal Year 2013-14. The recommended ARC for Fiscal Year 2013-14 reflects a decline in the amount of \$217.3 million from the recommended ARC for Fiscal Year 2012-13 due to, among other things, a decline in the AAL as of July 1, 2013 from July 1, 2011. The Actuarial Consultant states that the decline in AAL is due to, among other things, a change in the dependent coverage assumption for future retirees for medical, dental and vision benefits, changing the actuarial cost method from allocating liabilities based on service to allocating liabilities based on a level percentage of pay, lower than assumed healthcare costs increases, a change in the discount rate, and revised demographic assumptions. The “pay-as-you-go” cost of providing postemployment benefits was projected to be \$270.5 million as of June 30, 2014 and \$292.9 million as of June 30, 2015. Accordingly, the District’s net OPEB obligation (“NOO”) as of July 1, 2013 was estimated to be \$4.8 billion. NOO is the cumulative difference between 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 NOO, and (iii) an adjustment to the ARC to offset, approximately, the amount included in item (i) for amortization of the past contribution deficiencies.

Table A-19 below sets forth the District’s ARC, annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for Fiscal Years 2009-10 through 2013-14.

**TABLE A-19**

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
Annual Required Contributions, OPEB Costs and Net OPEB Obligations  
Fiscal Years 2009-10 through 2013-14  
(\$ in thousands)**

<u>Fiscal Year</u>	<u>Annual Required Contribution<sup>(1)</sup></u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution<sup>(3)</sup></u>	<u>Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009-10	\$1,006,755 <sup>(1)</sup>	\$ 977,150	\$237,265	24%	\$2,393,811
2010-11	1,050,646 <sup>(1)</sup>	1,022,031	240,100	23	3,175,742
2011-12	1,085,949 <sup>(1)</sup>	1,047,987	228,691	22	3,995,038
2012-13	1,085,949 <sup>(1)</sup>	1,038,193	245,388	24	4,787,843
2013-14	868,620 <sup>(2)</sup>	890,880	326,888 <sup>(4)</sup>	37	5,351,835

<sup>(1)</sup> Reflects actuarial valuations prepared by Buck Consultants.

<sup>(2)</sup> Reflects actuarial valuation prepared by Aon Hewitt.

<sup>(3)</sup> Actual contributions for Fiscal Year 2009-10 through 2013-14 as set forth in the Comprehensive Annual Financial Report for such fiscal years.

<sup>(4)</sup> Contribution for Fiscal Year 2013-14 includes \$60 million contributed to the OPEB Trust.

Sources: 2013 Postemployment Valuation for Fiscal Year 2009-10 through 2013-14; District's Comprehensive Annual Financial Report for Fiscal Year 2009-10 through 2013-14.

Table A-20 below sets forth the schedule of OPEB funding progress as of July 1, 2009, July 1, 2011 and July 1, 2013.

**TABLE A-20**

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of OPEB Funding Progress  
As of July 1, 2009, July 1, 2011, and July 1, 2013  
(\$ in thousands)**

<u>Actual Valuation Date</u>	<u>Actuarial Valuation of Assets</u>	<u>AAL</u>	<u>UAAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>	<u>Interest Rate</u>
July 1, 2009	\$0	\$10,300,000	\$10,300,000	0.00%	\$4,628,914	223%	5.00%
July 1, 2011	0	11,154,190	11,154,190	0.00	4,600,000	242	5.00
July 1, 2013	0	10,901,982	10,901,982	0.00	4,600,000	237	5.07

Source: 2013 Postemployment Valuation.

The District expects to continue to review the 2013 Postemployment Valuation and its 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 2013 Postemployment Valuation will not adversely affect the District's ability to pay debt service on its general obligation bonds, including the Bonds described in the forepart of this Official Statement, which are payable from voter-approved *ad valorem* property taxes.

For additional information regarding the District's OPEB, see Appendix B – "Comprehensive Annual Financial Report of the District for the Fiscal Year ended June 30, 2014" attached hereto.

## **Risk Management**

**General.** 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 aggregate 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 coverage with \$5 million in occurrence limits.

Excess property insurance is maintained through a combination of excess policies with an occurrence limit of \$1 billion. Coverage in aggregate above a \$500,000 self-insurance retention and for general liability which currently provides \$40 million coverage above a \$5 million self-insurance retention. No settlements exceeded insurance coverage in Fiscal Years 2009-10 through 2013-14. The District maintains reserves that it believes are adequate to cover losses within the self-insured retention.

Prior to Fiscal Year 2013-14, the District's liability coverage generally included coverage for sexual misconduct and molestation. Liability coverage beginning in Fiscal Year 2013-14 does not include this coverage because the District has determined that it is not available at reasonable rates from any insurance provider. In March 2014, the District Board approved a joint powers authority agreement by and between the District and the Los Angeles Trust Children's Health Inc. to establish the Los Angeles Unified School District Risk Management Authority (the "Risk Management Authority") which became effective July 1, 2014. The Risk Management Authority allows the District to purchase reinsurance for excess liability coverage for incidents such as sexual misconduct and molestation. The Risk Management Authority will be capitalized by the District and will provide an insurance program for the District and the Los Angeles Trust Children's Health Inc. The Risk Management Authority allows the District to purchase reinsurance for excess liability coverage which is not presently available to self-insured public agencies such as the District. See "District Financial Information – Events Regarding Suspended and Former District Employees" herein.

The District believes that the amounts currently reserved for potential liabilities attributable to claims of molestation and sexual misconduct are adequate. See "District Financial Information – Events Regarding Suspended and Former District Employees" herein. The District will increase the expenditures projected in its budget and interim financial reports if necessary and only to the extent that the District's liabilities exceed the amount budgeted for self-insurance or current excess liability coverage. The District expects that such an increase will occur if claims relating to sexual misconduct by former and suspended District employees exceed the amount reserved for settlements and monetary damages to date. See "District Financial Information – Events Regarding Suspended and Former District Employees" herein. Such liabilities could decrease the District's net position as of June 30, 2014 from the amount set forth in the District's financial statements for Fiscal Year 2013-14. See Appendix B – "Comprehensive Annual Financial Report of the District for the Fiscal Year ended June 30, 2014" attached hereto.

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. See Appendix B – “Comprehensive Annual Financial Report of the District for the Fiscal Year ended June 30, 2014” attached hereto.

**Workers’ Compensation.** The District is self-insured for its Workers’ Compensation Program. Separate funds are used to account for amounts set aside to pay claims incurred and related expenditures under the respective insurance programs. The amount required to be on deposit in the Worker’s Compensation Fund is established with information from an independent actuary. See “District Financial Information – District Financial Policies – Budget and Finance Policy – Liability Reserves” herein. The District’s most recent actuarial report regarding its workers’ compensation program, the “Actuarial Analysis of Self-Insured Workers’ Compensation Program” dated as of December 31, 2013, recommended a minimum funding level between \$72.8 million (discounted at 2.5%) and \$80.1 million (undiscounted) for Fiscal Year 2014-15. The following Table A-21 sets forth the actuary’s recommended the minimum funding levels for workers’ compensation set forth in the most recent actuarial report covering the period as of December 31, 2013.

**TABLE A-21**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Minimum Recommended Funding Levels**  
**Workers’ Compensation**  
**Fiscal Years 2014-15 through 2016-17**

<u>Fiscal Year</u>	<u>Minimum Recommended Funding Level (Undiscounted)</u>	<u>Minimum Recommended Funding Level (Discounted at 2.5%)</u>
2014-15	\$80,125,662	\$72,834,227
2015-16	80,524,297	73,196,586
2016-17	80,922,932	73,558,945

Source: Los Angeles Unified School District Actuarial Analysis of Self-Insured Workers’ Compensation Program as of December 31, 2013.

The following Table A-22 sets forth information on changes in the Workers Compensation Program’s liabilities from Fiscal Years 2009-10 through 2013-14. The District uses separate funds to account for amounts set aside to pay claims incurred and related expenditures under the respective insurance programs. See “District Financial Information – District Financial Policies – Budget and Finance Policy – Liability Reserves” herein and Note 9 in the audited financial statements for Fiscal Year 2013-14 set forth in Appendix B hereto.

**TABLE A-22**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Workers' Compensation Claims Paid**  
**Fiscal Years 2008-09 through 2013-14**  
**(\$ in millions)**

<u>Fiscal Year</u>	<u>Liability: Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>Liability: End of Fiscal Year</u>
2009-10	\$471.2	\$ 59.7	\$ (78.5)	\$452.4
2010-11	452.4	66.5	(88.1)	430.8
2011-12	430.8	98.4	(95.3)	434.0
2012-13	434.0	89.3	(102.4)	420.8
2013-14	420.8	98.6	(97.9)	421.5

Sources: Los Angeles Unified School District Comprehensive Annual Financial Reports for Fiscal Years 2009-10 through 2013-14.

**Pollution Legal Liability Policy.** The District purchased through the American International Group's ("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). 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. Pursuant to a settlement agreement by and between the District and AIG, AIG is required to pay to the District \$78,750,000 from Fiscal Year 2011-12 to Fiscal Year 2020-21, of which approximately \$47 million has been paid to District as of July 1, 2014.

**Owner-Controlled Insurance Program.** 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 Contractors Pollution Liability 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 PEP. Builder's 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.

**Events Regarding Suspended and Former District Employees.** In response to claims of sexual misconduct alleged to have been committed by former District personnel from 2008 to 2011, the District imposed disciplinary actions upon such personnel, including, among other things, suspending and terminating such personnel in accordance with District policy. In connection with the allegations of misconduct by current and former District personnel, the District has entered into settlement agreements regarding claims under which the District has appropriated approximately \$169 million, including a \$30 million settlement agreement in March 2013 and a \$139 million settlement agreement in November 2014 which will be allocated to the claimants through funds established for health, education, monetary compensation. The District has received and could receive additional complaints seeking declaratory,

injunctive, and monetary relief relating to these allegations. The District cannot predict whether any plaintiffs in these complaints will prevail, and if so, how any final court decision or settlement agreement with respect to any lawsuit may affect the financial status, policies or operations of the District, as the nature of any court's remedy and the responses thereto are unknown at the present time. The costs of any final court decision or settlement agreement could be substantial and materially greater than the amounts agreed to under the existing settlement agreements. Further, the District's potential liabilities could exceed the amounts which are currently recognized and the probable amount of contingent liabilities for which the District has set aside reserves based upon an independent third-party actuarial analysis. See "District Financial Information – State Financial Accountability and Oversight Provisions – Interim Reporting Requirements – District Second Interim Report for Fiscal Year 2014-15" herein.

## **District Debt**

**General Obligation Bonds.** 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") and the entire amount of general obligation bonds pursuant to a \$3.35 billion authorization approved by voters in the November 5, 2002 (the "Measure K Authorization"). 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 \$3.710 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 \$3.603 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.

Pursuant to Section I(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 15 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 Office of the Inspector General conducts audits on a selected number of the construction management firms on an annual basis 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 required 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 April 1, 2015)**

<b><u>Member</u></b>	<b><u>Community Group Represented</u></b>
Stephen English, Chair	Office of the Controller, City of Los Angeles
Pamela Schmidt, Vice-Chair	Early Education Coalition
Quynh Nguyen, Secretary	Parent Representative
Scott Folsom, Executive Member	Tenth District PTA/PTSA
Stuart Magruder, Executive Member	American Institute of Architects
William Brewington	Thirty-First District Parent Teacher Student Association
Paul Escala	California Charter Schools Association
Garrett Francis	Associated General Contractors
Elizabeth E. Lugo	Community Representative
Abigail Marquez	Office of the Mayor, City of Los Angeles
Ron Miller	Los Angeles/Orange Counties Building and Construction Trades Council
John Naimo	Los Angeles County Board of Supervisors Representative
Scott Pansky	Los Angeles Area Chamber of Commerce
Barry Waite	California Tax Reform Association
Susan J. Linschoten	Los Angeles County Board of Supervisors Representative (Alternate)

The following Table A-23 Table A-24, Table A-25 and Table A-26 set forth the outstanding series of general obligation bonds and the amount outstanding as of April 1, 2015 under the Proposition BB, Measure K, Measure R and Measure Y Authorizations, respectively, prior to the issuance of the Bonds.

**TABLE A-23**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Proposition BB (Election of 1997) Bonds**  
**(\$ in thousands)**

<u>Bond Issue</u>	<u>Aggregate Principal Amount</u>	<u>Outstanding Amount as of April 1, 2015</u>	<u>Date of Issue</u>
Series A Bonds	\$ 356,000	\$ 17,500	July 22, 1997
2002 Refunding Bonds <sup>(1)</sup>	258,375	98,160	April 17, 2002
2005 Refunding Bonds <sup>(1)</sup>	467,675	466,180	July 20, 2005
2006 Refunding Bonds, Series B <sup>(1)</sup>	254,544	246,211	November 15, 2006
2007 Refunding Bonds, Series A-2 <sup>(1)</sup>	136,055	136,055	January 31, 2007
2007 Refunding Bonds, Series B <sup>(1)</sup>	24,845	24,650	February 22, 2007
2009 Refunding Bonds, Series A <sup>(1)</sup>	51,090	24,235	October 15, 2009
2010 Refunding Bonds, Series A <sup>(1)</sup>	20,810	240	March 4, 2010
2011 Refunding Bonds, Series A-1 <sup>(1)</sup>	206,735	185,535	November 1, 2011
2014 Refunding Bonds, Series A <sup>(1)</sup>	<u>196,850</u>	<u>196,850</u>	June 26, 2014
<b>TOTAL</b>	<b><u>\$1,972,979</u></b>	<b><u>\$1,395,615</u></b>	

<sup>(1)</sup> Refunding bonds issued to refund general obligation bonds, which were issued pursuant to the Proposition BB Authorization are not counted against the Proposition BB Authorization of \$2.4 billion.

Source: Los Angeles Unified School District.

**TABLE A-24**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Measure K (Election of 2002) Bonds**  
**(\$ in thousands)**

<u>Bond Issue</u>	<u>Aggregate Principal Amount</u>	<u>Outstanding Amount as of April 1, 2015</u>	<u>Date of Issue</u>
2006 Refunding Bonds, Series B <sup>(1)</sup>	\$ 320,361	\$ 308,085	November 15, 2006
2007 Refunding Bonds, Series A-1 <sup>(1)</sup>	1,153,195	1,122,690	January 31, 2007
Series B Bonds	500,000	258,570	February 22, 2007
Series C Bonds	150,000	66,995	August 16, 2007
Series D Bonds	250,000	215,210	February 19, 2009
Series KRY Bonds (2009) (Federally Taxable Build America Bonds)	200,000	200,000	October 15, 2009
2010 Refunding Bonds, Series A <sup>(1)</sup>	54,185	52,050	March 4, 2010
Series KRY Bonds (2010) (Tax-Exempt)	149,140	145,250	March 4, 2010
Series KY (2010) (Tax Exempt)	860	860	May 6, 2010
2011 Refunding Bonds, Series A-2 <sup>(1)</sup>	201,070	160,530	November 1, 2011
2012 Refunding Bonds, Series A <sup>(1)</sup>	59,190	46,370	May 8, 2012
2014 Refunding Bonds, Series B <sup>(1)</sup>	<u>323,170</u>	<u>323,170</u>	June 26, 2014
<b>TOTAL</b>	<b><u>\$3,361,171</u></b>	<b><u>\$2,899,780</u></b>	

<sup>(1)</sup> Refunding bonds issued to refund general obligation bonds, which were issued pursuant to the Measure K Authorization, are not counted against the Measure K Authorization of \$3.35 billion.

Source: Los Angeles Unified School District.

**TABLE A-25**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Measure R (Election of 2004) Bonds**  
**(\$ in thousands)**

<u>Bond Issue</u>	<u>Aggregate Principal Amount</u>	<u>Outstanding Amount as of April 1, 2015</u>	<u>Date of Issue</u>
Series E Bonds <sup>(1)</sup>	\$ 400,000	\$ 12,010	August 10, 2005
Series F Bonds	500,000	73,960	February 16, 2006
Series G Bonds	400,000	48,630	August 17, 2006
Series H Bonds	550,000	244,780	August 16, 2007
Series I Bonds	550,000	455,575	February 19, 2009
2009 Refunding Bonds, Series A <sup>(1)</sup>	23,675	4,465	October 15, 2009
Series KRY Bonds (2009) (Federally Taxable Build America Bonds)	363,005	363,005	October 15, 2009
Series KRY Bonds (2009) (Tax-Exempt)	36,995	25,900	October 15, 2009
Series RY Bonds (2010) (Federally Taxable Build America Bonds)	477,630	477,630	March 4, 2010
Series KRY Bonds (2010) (Tax-Exempt)	157,165	157,165	March 4, 2010
2012 Refunding Bonds, Series A <sup>(1)</sup>	95,840	94,975	May 8, 2012
2014 Refunding Bond, Series C <sup>(1)</sup>	948,795	948,795	June 26, 2014
2014 Series J Bonds	68,170	68,170	August 19, 2014
2014 Series K Bonds	<u>7,045</u>	<u>7,045</u>	August 19, 2014
<b>TOTAL</b>	<b><u>\$4,578,320</u></b>	<b><u>\$2,982,105</u></b>	

<sup>(1)</sup> Refunding bonds issued to refund general obligation bonds, which were issued pursuant to the Measure R Authorization, are not counted against the Measure R Authorization of \$3.87 billion.

Source: Los Angeles Unified School District.

**TABLE A-26**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Measure Y (Election of 2005) Bonds**  
**(\$ in thousands)**

<u>Bond Issue</u>	<u>Aggregate Principal Amount</u>	<u>Outstanding Amount as of April 1, 2015</u>	<u>Date of Issue</u>
Series A Bonds	\$ 56,785	\$ 7,225	February 22, 2006
Series B Bonds	80,200	16,160	February 22, 2006
Series C Bonds	210,000	100,905	February 22, 2006
Series E Bonds	300,000	134,760	August 16, 2007
Series F Bonds	150,000	129,520	February 19, 2009
Series KRY Bonds (2009) (Federally Taxable Build America Bonds)	806,795	806,795	October 15, 2009
Series KRY Bonds (2009) (Tax-Exempt)	168,790	68,975	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 RY Bonds (2010) (Federally Taxable Build America Bonds)	772,955	772,955	March 4, 2010
Series KY Bond (2010) (Tax-Exempt)	158,635	80,500	May 6, 2010
Series J (Qualified School Construction Bonds)	290,195	290,195	May 6, 2010
2014 Refunding Bonds, Series D <sup>(1)</sup>	153,385	153,385	June 26, 2014
2014 Series K Bonds	35,465	35,465	August 19, 2014
2014 Series L Bonds	<u>25,150</u>	<u>25,150</u>	August 19, 2014
<b>TOTAL</b>	<b><u>\$ 3,699,425</u></b>	<b><u>\$ 3,071,240</u></b>	

<sup>(1)</sup> Refunding bonds issued to refund general obligation bonds, which were issued pursuant to the Measure Y Authorization, are not counted against Measure Y Authorization of \$3.985 billion.

Source: Los Angeles Unified School District.

**Certificates of Participation.** As of April 1, 2015, the District had outstanding lease obligations issued in the form of COPs in the aggregate principal amount of approximately \$296 million. The District estimates that the aggregate payment of principal and interest evidenced by COPs will be approximately \$388 million until the final maturity thereof. This amount does not reflect the receipt of the direct cash subsidy payments from the United States Department of the Treasury made in connection with the District's Certificates of Participation 2010 Series B-1 (Federally Taxable Direct Pay Build America Bonds) (Capital Projects I). See " – Limitations Related to Receipt of Federal Funds" herein. The following Table A-27 sets forth the District's lease obligations paid from the District General Fund and developer fees with respect to its outstanding COPs as of April 1, 2015.

**TABLE A-27**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Certificates of Participation Lease Obligations Debt Service Schedule<sup>(1)</sup>**  
**(as of April 1, 2015)**  
**(\$ in thousands)**

<b>Fiscal Year Ending (June 30)</b>	<b>Paid from General Fund<sup>(2)(3)</sup></b>	<b>Paid From Developer Fees<sup>(4)</sup></b>	<b>Fiscal Year Total Debt Service</b>
2015	\$ 1,910	\$ 815	\$ 2,725
2016	34,290	9,574	43,865
2017	33,672	9,575	43,247
2018	23,052	16,886	39,938
2019	25,043	--	25,043
2020	24,955	--	24,955
2021	24,864	--	24,864
2022	17,532	--	17,532
2023	17,429	--	17,429
2024	16,668	--	16,668
2025	16,048	--	16,048
2026	16,218	--	16,218
2027	16,163	--	16,163
2028	16,112	--	16,112
2029	16,037	--	16,037
2030	14,147	--	14,147
2031	14,073	--	14,073
2032	14,001	--	14,001
2033	2,277	--	2,277
2034	2,222	--	2,222
2035	2,169	--	2,169
2036	<u>2,108</u>	<u>--</u>	<u>2,108</u>
<b>Total<sup>(5)</sup></b>	<b><u>\$ 350,991</u></b>	<b><u>\$ 36,851</u></b>	<b><u>\$ 387,841</u></b>

<sup>(1)</sup> The lease payments reflect the net obligations of the District due to the defeasance of certain COPs.

<sup>(2)</sup> The District expects to pay all or a portion of the final debt service payments evidenced by such series of COPs from funds on deposit in the related debt service reserve fund.

<sup>(3)</sup> Does not assume receipt of a direct cash subsidy payment from the United States Department of Treasury. See "District Financial Information – District Debt – Limitations Related to Receipt of Federal Funds" herein.

<sup>(4)</sup> Developer fees are used to satisfy debt service payments on a portion of the District's outstanding lease obligations. The General Fund is obligated to pay these obligations in the event that insufficient developer fees are available to pay these lease obligations, subject to the terms of the lease. The District expects to pay a portion of the final debt service for Fiscal Year 2017-18 with funds from developer fees. In addition, the District expects to fund a portion of the final debt service payment on these lease obligations from funds released from the debt service reserve fund on the maturity date. To date, such developer fees have been and are expected to continue to be sufficient to date to pay these lease obligations as and when due.

<sup>(5)</sup> Totals may not equal sum of component parts due to rounding.

Source: Los Angeles Unified School District.

***Limitations Related to Receipt of Federal Funds.*** On March 1, 2013, President Barack Obama signed an executive order (the “Sequestration Executive Order”) to reduce budgetary authority in certain accounts subject to sequester in accordance with the Budget Control Act of 2011 and the American Taxpayer Relief Act of 2012. Pursuant to the Sequestration Executive Order, budget authority for all accounts in the domestic mandatory spending category including, among others, accounts for the payments to issuers of “Direct Pay Bonds”, which includes the District’s outstanding Series KRY Bonds (2009) (Federally Taxable Build America Bonds) (the “Series KRY Bonds (2009)”) and Series RY Bonds (2010) (Federally Taxable Build America Bonds) (the “Series RY Bonds (2010)”) and Series J (Qualified School Construction Bonds) (the “Series J Bonds”). In addition, the District’s Certificates of Participation 2010 Series B-1 (Federally Taxable Direct Pay Build America Bonds)(Capital Projects I) (the “2010 Series B-1 Certificates”) were executed and delivered as Direct Pay Bonds. Direct Pay Bonds are issued as taxable bonds and provide credits to the District from the federal government pursuant to Section 54AA(d) and 54AA(g) of the Code.

Pursuant to the Bipartisan Budget Act of 2013 which was signed into law in December 2013, the District’s Direct Pay Bonds are subject to the full amount of sequestration budget cuts and will have their planned federal payments reduced until the federal Fiscal Year ending September 30, 2023. The federal subsidy for the Direct Pay Bonds for the federal Fiscal Year ending September 30, 2014 was reduced by 7.2% and will be reduced by 7.30% for the federal Fiscal Year ended September 30, 2015. During the federal Fiscal Year ending September 30, 2015, the District expects that the sequester will result in a reduction in the aggregate amount of \$5.4 million with respect to the refundable credits for the Series KRY Bonds (2009), Series RY Bonds (2010) and Series J Bonds and a reduction in the amount of \$44,845 with respect to the refundable credit for the 2010 Series B-1 Certificates. The District’s Series KRY Bonds (2009), Series RY Bonds (2010), and Series J Bonds are payable from and secured by *ad valorem* taxes which are to be assessed in amounts sufficient to pay principal of and interest on the Series KRY Bonds (2009), Series RY Bonds (2010), and Series J Bonds when due. The County has levied and will continue to levy *ad valorem* property taxes in an amount sufficient to pay principal of and interest on the Series KRY Bonds (2009), Series RY Bonds (2010), and Series J Bonds when due.

## **Future Financings**

***General Obligation 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. The District may issue additional general obligation bonds or general obligation refunding bonds in the future depending upon project needs and market conditions. The District may not issue general obligation bonds under the Measure R, Measure Y or Measure Q Authorization, as applicable, if the tax rate levied to meet the debt service requirements under the related Authorization for general obligation bonds is projected to exceed \$60 per year per \$100,000 of taxable property in accordance with Article XIII A of the State Constitution. See “California Constitutional and Statutory Provisions Relating to *Ad Valorem* Property Taxes, District Revenues and Appropriations – Article XIII A” and “ – Proposition 39” herein.

The District has approximately \$159.8 million authorized and unissued general obligation bond authorization remaining under the Measure R Authorization, \$382.1 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.

Pursuant to the Education Code, the District’s bonding capacity for general obligation bonds may not exceed 2.5% of taxable property valuation in the District as shown by the last equalized assessment roll of the County. Based upon the Fiscal Year 2014-15 assessed valuation of property within the District’s boundaries, the District’s bonding capacity for general obligation bonds is approximately \$13.3

billion. Accordingly, the District's available capacity for issuance of new general obligation bonds is currently approximately \$2.9 billion. The assessed valuation of property within the District's boundaries of approximately \$532.9 billion reflects an increase of 5.81% from Fiscal Year 2013-14. See "Security and Sources of Payment for the Bonds – Assessed Valuation of Property within the District" in the forepart of this Official Statement. See "California Constitutional and Statutory Provisions relating to *Ad Valorem* Property Taxes, District Revenues and Appropriations—Article XIII A of the State Constitution" herein.

As provided 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.

***Lease Revenue Financings.*** The District may finance capital projects through the execution and delivery of certificates of participation or other obligations secured by general fund lease payments from time to time, but it does not presently expect to issue any COPs during Fiscal Year 2014-15. See "District Financial and Economic Information – District Financial Policies – Debt Management Policy" herein.

***Tax and Revenue Anticipation Notes.*** The District may issue tax and revenue anticipation notes in Fiscal Year 2015-16.

### **Overlapping Debt Obligations**

Set forth on Table A-28 on the following page is the report prepared by California Municipal Statistics Inc. which provides information with respect to direct and overlapping debt within the District as of April 1, 2015 (the "Overlapping Debt Report"). The Overlapping Debt Report is included for general information purposes only. The District has not reviewed the Overlapping Debt Report for completeness or accuracy and makes no representations in connection therewith. The Overlapping 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 A-28 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 A-28) 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 A-28**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Schedule of Direct and Overlapping Bonded Debt**  
**As of April 1, 2015**

2014-15 Assessed Valuation: \$532,934,207.012

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 4/1/15</u>
<b>Los Angeles Unified School District</b>	<b>100.000%</b>	<b>10,348,740,000<sup>(1)</sup></b>
Los Angeles County Flood Control District	45.460	\$ 6,866,733
Metropolitan Water District of Southern California	22.922	25,310,472
Los Angeles Community College District	80.729	2,881,900,170
Pasadena Area Community College District	0.001	916
City of Los Angeles	99.931	887,122,463
Other Cities	Various	24,380,607
Palos Verdes Library District	4.722	114,272
Other Cities' Community Facilities Districts	100.000	87,060,000
City of Los Angeles Landscaping and Special Tax Assessment Districts	99.931	16,013,943
Other Cities' and Special District 1915 Act Bonds	99.899 -100.000	21,664,031
Los Angeles County Regional Park & Open Space Assessment District	44.364	36,768,883
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b><u>\$14,335,942,490</u></b>
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
<b>Los Angeles Unified School District Certificates of Participation</b>	<b>100.000%</b>	<b>\$ 307,180,000</b>
Los Angeles County General Fund Obligations	44.364	842,057,786
Los Angeles County Superintendent of Schools Certificates of Participation	44.364	3,868,147
City of Los Angeles General Fund and Judgment Obligations	99.931	1,679,513,222
Other Cities' General Fund and Pension Obligation Bonds	Various	175,383,140
Los Angeles County Sanitation District Nos. 1,2,4,5,8,9,16 & 23 Authorities	Various	26,906,080
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b><u>\$3,034,908,375</u></b>
Less: Los Angeles County General Fund Obligations supported by landfill revenues		2,233,833
<b>Los Angeles Unified School District Qualified Zone Academy Bonds:</b>		<b>5,852,571</b>
<b>Amount accumulated in Sinking Fund for repayment of 2005 QZAB</b>		<b>11,237,807</b>
Los Angeles Unified School District 2007 Certificates of Participation portion economically defeased		8,329,824
City supported obligations		<u>8,329,824</u>
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b><u>\$3,007,254,340</u></b>
 <u>OVERLAPPING TAX INCREMENT DEBT:</u>		
City of Los Angeles Redevelopment Agency (Successor Agency)	100.000%	\$532,779,999
Other Redevelopment Agencies (Successor Agencies)	Various	387,522,989
<b>TOTAL OVERLAPPING TAX INCREMENT DEBT</b>		<b>\$920,302,988</b>
 <b>GROSS COMBINED TOTAL DEBT</b>		<b><u>\$18,291,153,853<sup>(2)</sup></u></b>
<b>NET COMBINED TOTAL DEBT</b>		<b><u>\$18,263,499,818</u></b>

<sup>(1)</sup> Includes the Refunded Bonds described in the forepart of this Official Statement. Excludes the Bonds.

<sup>(2)</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2014-15 Assessed Valuation:

<b>Direct Debt (\$10,348,740,000)</b> .....	<b>1.94%</b>
Total Overlapping Tax and Assessment Debt .....	2.69%
<b>Gross Combined Direct Debt (\$10,655,920,000)</b> .....	<b>2.00%</b>
<b>Net Combined Direct Debt (\$10,638,829,622)</b> .....	<b>2.00%</b>
Gross Combined Total Debt.....	3.43%
Net Combined Total Debt.....	3.43%

Ratios to Redevelopment Incremental Valuation (\$49,494,839,235):

Total Overlapping Tax Increment Debt.....	1.86%
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Source: California Municipal Statistics, Inc.

## 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, the District receives a portion of its operating income from the State's Education Protection Account established by Proposition 30. See "California Constitutional and Statutory Provisions Relating to *Ad Valorem* Property Taxes, District Revenues and Appropriations – Proposition 30" herein. 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. See "State Funding of School Districts – Local Control Funding Formula" and "District Financial Information – District Budget" herein.

The following description 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 or the Financial Advisor) 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](http://www.dof.ca.gov). These websites are not incorporated herein by reference and none of the District, its counsel (including Disclosure Counsel), or the Financial Advisor 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").

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 2014-15 State Budget Act**

On June 20, 2014, the Governor approved the State Budget Act for Fiscal Year 2014-15 (the “Fiscal Year 2014-15 State Budget Act”), which projects Fiscal Year 2013-14 State General Fund revenues and transfers of \$102.2 billion, total expenditures of \$100.7 billion and a year-end surplus of \$3.90 billion (inclusive of the \$2.4 billion fund balance in the State’s General Fund from Fiscal Year 2012-13), of which \$955 million would be reserved for the liquidation of encumbrances and \$2.95 billion would be deposited in a reserve for economic uncertainties. The Fiscal Year 2014-15 State Budget Act projects Fiscal Year 2014-15 State General Fund revenues and transfers of \$105.5 billion, total expenditures of \$108.0 billion and a year-end surplus of \$1.40 billion (inclusive of the projected \$3.90 million State General Fund balance as of June 30, 2014 which would be available for Fiscal Year 2014-15), of which \$955 million would be reserved for the liquidation of encumbrances and \$449 million would be deposited in a reserve for economic uncertainties. The Fiscal Year 2014-15 State Budget Act projects that the State’s multi-year budget will be balanced for the foreseeable future, but cautions that the unprecedented level of debts, deferrals, and budgetary obligations accumulated over the prior decade contribute to the State’s fiscal challenges.

The Fiscal Year 2014-15 State Budget included the constitutional amendment (“Proposition 2 (2014)”) which, upon its approval at the November 2014 Statewide election, changed the formula by which the Rainy Day Fund is funded and established certain accounts therein. Proposition 2( 2014), among other things, established a Public School System Stabilization Account in the Rainy Day Fund. See “State Funding of Education – Limitations on School District Reserves” and “California Constitutional and Statutory Provisions Relating to *Ad Valorem* Property Taxes, District Revenues and Appropriations – Proposition 98” herein.

Features of the Fiscal Year 2014-15 State Budget Act affecting school districts in general include, but are not limited to, the following:

1. The Fiscal Year 2014-15 State Budget Act includes Proposition 98 funding for education in the amount of \$60.9 billion for Fiscal Year 2014-15 which reflects an increase of \$5.6 billion compared to the expected funding set forth in the Fiscal Year 2013-14 State Budget Act.

2. The Fiscal Year 2014-15 State Budget Act allocates an additional \$4.75 billion of Proposition 98 General Fund to address the projected deficit in funding for implementation of the LCFF. The additional funding for the LCFF is expected to reduce the LCFF Gap Funding from 28.06% to 29.59% for Fiscal Year 2014-15.

3. The Fiscal Year 2014-15 State Budget Act allocates approximately \$4.7 billion of Proposition 98 General Fund to reduce outstanding deferrals to K-12 school districts. The Fiscal Year 2014-15 State Budget estimates that the outstanding deferrals as of June 30, 2015 will be approximately \$900 million. In addition, the Fiscal Year 2014-15 State Budget Act requires the State to appropriate any additional funding resources attributable to Fiscal Year 2013-14 and Fiscal Year 2014-15 determined to be available after the enactment of the Fiscal Year 2014-15 State Budget Act to reduce outstanding deferrals.

4. The Fiscal Year 2014-15 State Budget Act increases Proposition 98 General Fund by approximately \$400.5 million to provide school districts, county offices of education and charter schools with discretionary resources for expenditures such as implementation of the Common Core State Standards (the “Common Core”) promulgated by the State. Pursuant to the Fiscal Year 2014-15 State Budget Act, the scheduled allocations will be offset by any applicable mandate reimbursement claims

5. The Fiscal Year 2014-15 State Budget Act increases the Proposition 98 General Fund by approximately \$26.7 million in funding for internet connectivity and infrastructure. The Governor expects that this allocation will be used for, among other things, technical assistance and grants to LEAs to address technical requirements necessary for implementation of the Common Core.

6. The Fiscal Year 2014-15 State Budget Act includes an increase of approximately \$250 million in the Proposition 98 General Fund for grants related to the Career Technical Education Pathways Program. Participating LEAs are eligible to receive grant awards to improve career technical programs and linkages between employers, schools and community colleges. Pursuant to the Governor's proposal, LEAs that receive funding would be required to provide matching funds and demonstrate a long-term commitment to career technical education with plans to continue programs from other funding sources, including the LCFF, once grant funds expire.

7. AB 1469, which was approved in conjunction with the Fiscal Year 2014-15 State Budget Act, implements a new funding strategy for CalSTRS pursuant to which the employer and employee contribution rates will increase incrementally each year. In addition, the State Teachers Retirement Board will have the authority to modify the percentages paid by employers and employees for Fiscal Year 2021-22 and each fiscal year thereafter in order to eliminate CalSTRS' unfunded liability by June 30, 2046 based upon actuarial recommendations. See "District Financial Information – Retirement Systems – California State Teachers' Retirement System" herein.

### **Fiscal Year 2015-16 Proposed State Budget**

On January 9, 2015, the Governor released the 2015-16 Proposed State Budget (the "Fiscal Year 2015-16 Proposed State Budget"), which projects Fiscal Year 2014-15 State General Fund revenues and transfers of \$108.0 billion, total expenditures of \$111.7 billion and a year-end surplus of \$1.4 billion (inclusive of the \$5.1 billion fund balance in the State's General Fund from Fiscal Year 2013-14), of which \$971 million would be reserved for the liquidation of encumbrances and \$452 million would be deposited in a reserve for economic uncertainties. In addition, the Fiscal Year 2015-16 Proposed State Budget projects a deposit to the Budget Stabilization Account in the amount of \$1.6 billion during Fiscal Year 2014-15. The Fiscal Year 2015-16 Proposed State Budget projects Fiscal Year 2015-16 State General Fund revenues and transfers of \$114.8 billion, total expenditures of \$113.3 billion and a year-end surplus of \$1.5 billion (inclusive of the projected \$1.4 billion State General Fund balance as of June 30, 2015 which would be available for Fiscal Year 2015-16), of which \$971 million would be reserved for the liquidation of encumbrances and \$534 million would be deposited in a reserve for economic uncertainties. In addition, the Fiscal Year 2015-16 Proposed State Budget projects a deposit to the Budget Stabilization Account in the amount of \$2.8 billion during Fiscal Year 2015-16. The Fiscal Year 2015-16 Proposed State Budget projects that the State's multi-year budget will be balanced for the foreseeable future, but cautions that the State continues to significant existing liability including deferred maintenance on roads and other infrastructure and the unfunded liability for future retiree health care benefits for state employees and various pension benefits which need to be addressed.

Features of the Fiscal Year 2015-16 Proposed State Budget affecting school districts in general included, but were not limited to, the following:

1. The Fiscal Year 2015-16 Proposed State Budget proposes to fully fund the Proposition 98 minimum guarantee in Fiscal Year 2015-16. If implemented, Proposition 98 funding would be approximately \$65.7 billion for Fiscal Year 2015-16 which reflects an increase of \$2.6 billion compared to the funding estimate for Fiscal Year 2014-15.

2. The Fiscal Year 2015-16 Proposed State Budget proposes to allocate approximately \$992 million to eliminate all deferrals to K-12 school districts and community college districts by June 30, 2016.

3. The Fiscal Year 2015-16 Proposed State Budget states that the Governor does not expect fiscal conditions during Fiscal Year 2015-16 to cause a deposit to the Public School Stabilization Account established pursuant to Proposition 2 (2014). Accordingly, the related limitations on school district reserves would not be triggered. See “ – Limitations on School District Reserves” herein.

4. The Fiscal Year 2015-16 Proposed State Budget proposes to allocate approximately \$4 billion to address the projected deficit in funding for implementation of the LCFF. The additional funding for the LCFF is expected to reduce the LCFF Gap Funding by more than 32% for Fiscal Year 2015-16.

5. The Fiscal Year 2015-16 Proposed State Budget proposes to allocate \$500 million of Proposition 98 General Fund for the Adult Education Block Grant. Pursuant to the Governor’s proposal, an allocation board designated by community college districts and school districts will allocate funds from the block grant. During the initial year of funding, the Governor proposes that the State provide funding directly to K-12 school districts in the amount of the K-12 school districts’ maintenance of effort for adult education.

6. The Fiscal Year 2015-16 Proposed State Budget proposes an increase of approximately \$250 million in the Proposition 98 General Fund for grants related to the Career Technical Education Pathways Program. Participating LEAs are eligible to receive grant awards to improve career technical programs and linkages between employers, schools and community colleges. Pursuant to the Governor’s proposal, LEAs that receive funding would be required to provide matching funds and demonstrate a long-term commitment to career technical education with plans to continue programs from other funding sources, including the LCFF, once grant funds expire.

7. The Fiscal Year 2015-16 Proposed State Budget proposes to allocate more than \$1.1 billion of discretionary funding from Proposition 98 on a one-time basis to LEAs for further implementation of the Common Core with respect to English-language arts and mathematics. The majority of the funding would be provided to school districts and charter schools on the basis of ADA. Pursuant to the Governor’s proposal, scheduled allocations will be offset by any applicable mandate reimbursement claims.

8. The Fiscal Year 2015-16 Proposed State Budget proposes to increase the Proposition 98 General Fund by approximately \$100 million in one-time funding for internet connectivity and infrastructure. The Governor expects that this allocation will be used for, among other things, technical assistance and grants to LEAs to address technical requirements necessary for implementation of the Common Core.

9. The Fiscal Year 2015-16 Proposed State Budget proposes to allocate energy efficiency funds from California Clean Energy Jobs Act of 2012. If enacted, the Governor proposes to allocate approximately \$320.1 million to K-12 school districts for energy efficiency projects, \$5.3 million to the California Conservation Corps for technical assistance to K-12 school districts, and \$3 million to the Workforce Investment Board for job-training programs.

10. The Fiscal Year 2015-16 Proposed State Budget states that the State expects to allocate approximately \$273.4 million in Proposition 98 General Fund resources in Fiscal Year 2014-15 to eliminate the State’s remaining obligation to repair and rehabilitate facilities pursuant to the terms of the *Williams v. California* settlement agreement.

11. The Fiscal Year 2015-16 Proposed State Budget proposes to fund a 1.58% COLA for categorical programs that are outside of the LCFF including special education, child nutrition, foster youth, preschool, American Indian Education Centers, and the American Indian early childhood education program.

12. The Administration has proposed a new school facilities program which, if enacted in its proposed form, will increase tools for local control, by increasing the assessed valuation limits for specific bond measures and the total limits on local bonded indebtedness, restructuring the amount and process by which a school district levies developer fees against construction within its boundaries to fund school facilities, and expanding the permitted uses of routine restricted maintenance funds. In addition, the Administration proposes that the school facilities program target State funding for districts that demonstrate the greatest need by and increase support for the charter school facility grant program.

***LAO Analysis of the Fiscal Year 2015-16 Proposed State Budget.*** On January 13, 2015, the LAO released a report entitled “The 2015-16 Budget: Overview of the Governor’s Budget” (the “2015 LAO Budget Overview”), which provides an analysis by the LAO of the Fiscal Year 2015-16 Proposed State Budget. The 2015-16 LAO Budget Overview is available on the LAO website at [www.lao.ca.gov](http://www.lao.ca.gov). Information on the website is not incorporated herein by reference. The 2015-16 LAO Budget Overview states that the Governor’s budgeting philosophy is largely prudent and projects that the presence of few significant new program commitments outside of Proposition 98 may help the State avoid returning to the boom and bust budgeting used in prior years. Although a recession does not appear imminent, the LAO cautions that an economic downturn could cause budgetary deficits. Further, the LAO cautions that the array of complex budget formulas adopted into State law may complicate budget planning and could exacerbate the State’s vulnerabilities in the event an economic downturn occurs.

Based on the LAO’s estimates, the State’s revenues for Fiscal Year 2014-15 may exceed the Governor’s projections. However, the LAO cautions that revenue collections may be peaking. Accordingly, the State may be susceptible to weaker revenue growth in Fiscal Year 2015-16 compared to Fiscal Year 2014-15, and the State’s budgets may have to address difficulties with respect to spending levels. The 2015 LAO Overview notes that the State has an opportunity to address its debts including, among other things, the State’s non-retirement liabilities, deferred payments to schools, special fund loans, and prior-year Proposition 98 settle-up obligations. Further, the LAO recommends that the State’s unfunded retirement liabilities and the development of a system to fund retiree health benefits should remain a high priority for the State Legislature. The 2015 LAO Budget Overview projects that the Governor’s proposals to address the State’s retiree health liabilities, if implemented, may provide the State with budgeting flexibility in future years.

***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](http://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](http://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](http://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.

### **Limitations on School District Reserves**

On June 15, 2014, the State Legislature approved Senate Bill 858 ("SB 858"), an education omnibus bill. SB 858 was approved by the Governor on June 21, 2014. In connection with voter approval of Proposition 2 (2014) in November 2014 with respect to the State's Rainy Day Fund, SB 858 amended the Education Code to limit school district reserves. In addition to the conditions described herein, additional conditions must be satisfied before the reserve limitations are operative. Pursuant to Proposition 2 (2014), in any fiscal year following a year in which the State has made a transfer into the Public School System Stabilization Account and all other applicable conditions have been satisfied, the combined unassigned and assigned ending fund balance in any budget adopted or revised by a school district may not be (i) more than two times the amount of the minimum recommended reserve specified under the Education Code for school districts such as the District with an ADA of less than 400,000 or (ii) more than three times the amount of the minimum recommended reserve specified under the Education Code for school districts with an ADA of 400,000 or greater. Further, a county superintendent of schools may grant a school district a waiver from this limitation on reserves for up to two consecutive fiscal years within a three-year period if certain extraordinary fiscal circumstances exist.

The State-imposed minimum recommended reserve for the District, which is accounted for in the Reserve for Economic Uncertainties, is an amount equal to 3% of General Fund expenditures and other financing uses. The District cannot predict the extent to which the State will fund the Public School System Stabilization Account. In addition, the District cannot predict what steps it will implement, if any, to adjust its budgeted reserves to comply with the amended Education Code. Further, the District cannot predict whether the limitations on reserves in the Education Code, as amended, will apply solely to fund balances in the District's General Fund or if it will apply to other funds of the District. However, the District does not expect the limitations on reserves in the Education Code, as amended, to adversely affect its ability to pay the principal of and interest on the Bonds described in the forepart of this Official Statement, which are payable from voter-approved *ad valorem* property taxes.

### **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. However, the District does not expect any delays in payments from the State to adversely affect its ability to pay the principal of and interest on the Bonds described in the forepart of this Official Statement, which are payable from voter-approved *ad valorem* property taxes.

## **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"). On June 3, 1986, California voters approved Proposition 46 ("Proposition 46") which amended Article XIII A to permit local governments and school districts to increase the *ad valorem* property tax rate above 1% if two-thirds of those voting in a local election approve the issuance of such bonds and the proceeds of such bonds are used to acquire or improve real property. See "Security and Sources of Payment for the Bonds - California Constitutional and Statutory Provisions Relating to *Ad Valorem* Property Taxes - Article XIII A of the California Constitution" in the forepart of this Official Statement.

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. The Measure R Authorization and the Measure Y Authorization were approved under Proposition 39. See " – Proposition 39" and "District Financial Information – District Debt – General Obligation Bonds" herein.

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 "situation." 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 Budget” herein.

The District Board adopted the annual appropriation limit for Fiscal Year 2013-14 of approximately \$4.3 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 2012-13, the funds subject to limitation totaled approximately \$3.7 billion and were approximately \$423 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 XIII B 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 XIII B limit to K-14 districts.

The Fiscal Year 2014-15 State Budget projects Proposition 98 expenditures for Fiscal Year 2014-15 of approximately \$60.9 billion (inclusive of approximately \$16.4 billion of local property tax revenues and \$44.5 billion from the State's General Fund), which reflects an increase of approximately \$2.6 billion compared to the projected Proposition 98 expenditures for Fiscal Year 2013-14. 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. See "District Financial Information – District Debt – General Obligation Bonds" herein. The District is in full compliance with all Proposition 39 requirements.

### **Proposition 1A**

Proposition 1A, which was approved by California voters in November 2004 ("Proposition 1A"), 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 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, 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 eliminated the State's authority to temporarily shift property taxes from cities, counties, and special districts to schools, temporarily increased school and community college district's share of property tax revenues, prohibited the State from borrowing or redirecting redevelopment property tax revenues or requiring increased pass-through payments thereof, and prohibited 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 stated that Proposition 22 would prohibit the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies. However, the California Supreme Court, in *California Redevelopment Association v. Matosantos*, held that the dissolution provisions set forth in ABx1 26 were constitutional and permitted the State to allocate revenues that would have been directed to the redevelopment agencies to make pass-through payments (*i.e.*, payments that such entities would have received under prior law) to local agencies and to successor agencies for retirement of the debts and certain administrative costs of the redevelopment 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 stated that Proposition 22 would require the State to adopt alternative actions to address its fiscal and policy objectives, particularly with respect to short-term cash flow needs. The District does not believe that the adoption of Proposition 22 will have a significant impact on their respective revenues and expenditures.

### **Proposition 30**

Proposition 30, which was approved voters in the State in November 2012 ("Proposition30") authorizes the State to temporarily increase the maximum marginal personal income tax rates for individuals, heads of households and joint filers above 9.3 percent by creating three additional tax brackets of 10.3 percent, 11.3 percent and 12.3 percent. The tax increases set forth in Proposition 30 are in effect from tax year 2012 to tax year 2018. In addition, Proposition 30 temporarily increases the State's sales and use tax rate by 0.25 percent from 2013 to 2016.

Pursuant to Proposition 30, the State will include revenues from the temporary tax increases in the General Fund calculation of the Proposition 98 minimum guarantee for education spending. The State will deposit a portion of the new General Fund revenues into an Education Protection Account be established to support funding for schools and community colleges. The remainder of the new General Fund revenues will be available to help the State balance its budget through Fiscal Year 2017-18. However, the allocation of such revenues to particular programs is subject to the discretion of the Governor and the State Legislature.

In addition, Proposition 30 amends the State Constitution to address certain provisions relating to the realignment of State program responsibilities to local governments. Proposition 30 requires the State to continue to provide tax revenues that were redirected in calendar year 2011 (or equivalent funds) to local governments to pay for transferred program responsibilities. Further, Proposition 30 permanently excludes sales tax revenues that are redirected to local governments from the calculation of the Proposition 98 minimum guarantee for schools and community colleges.

Pursuant to Proposition 30, the State's ability to expand program requirements will be limited. Local governments will not be required to implement any future State laws that increase local costs to administer realigned program responsibilities unless the State provides such local governments with additional money to pay for the increased costs. Further, Proposition 30 requires the State to pay part of any new local costs that result from certain court actions and changes in federal statutes or regulations that are related to the realigned program responsibilities. Proposition 30 eliminates potential funding liability on the part of the State for mandates imposed upon local governments. Previously, the State was required to reimburse local governments when the State imposed new mandates upon them. In addition, Proposition 30 eliminates the State's practice of reimbursing local governments for costs resulting from certain provisions of the Ralph M. Brown Act including, among other things, the requirement to prepare and post agendas for public meetings.

### **State School Facilities Bonds**

**Proposition 47.** 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. As of June 30, 2014, the District has approximately \$161.4 million in funds attributable to Proposition 47 available for eligible school projects.

**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. As of June 30, 2014, the District has approximately \$221.4 million in funds attributable to Proposition 55 available for eligible school projects.

**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. Pursuant to Proposition 1D, the Governor and the State Legislature select specific projects to be funded by the bond proceeds. As of June 30, 2014, the District has approximately \$145.4 million in funds attributable to Proposition 1D available for eligible school projects.

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.

### **REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION**

*The District is located in the City of Los Angeles and portions of the County of Los Angeles. The following economic and demographic information pertains to the City of Los Angeles and the County of Los Angeles. The Bonds are general obligations of the District, but they are not general obligations of the City or the County.*

## Population

The following Table A-29 sets forth the estimates of the population of the City, the County and the State in calendar years 2011 through 2015.

**TABLE A-29**  
**POPULATION ESTIMATES**  
**2011 through 2015**

<b><u>Year</u></b> <b>(as of January 1)</b>	<b><u>City of</u></b> <b><u>Los Angeles</u></b>	<b><u>County of</u></b> <b><u>Los Angeles</u></b>	<b><u>State of</u></b> <b><u>California</u></b>
2011	3,806,499	9,847,712	37,427,946
2012	3,827,240	9,889,467	37,668,804
2013	3,866,133	9,963,811	37,984,138
2014	3,904,657	10,041,797	38,340,074
2015			

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

## Income

The following Table A-30 sets forth the median household income for the City, the County, the State and the United States for calendar years 2009 through 2013.

**TABLE A-30**  
**Median Household Income<sup>(1)</sup>**  
**2009 through 2013**

<b><u>Year</u></b>	<b><u>City of</u></b> <b><u>Los Angeles</u></b>	<b><u>County of</u></b> <b><u>Los Angeles</u></b>	<b><u>State of</u></b> <b><u>California</u></b>	<b><u>United States</u></b>
2009	\$48,617	\$54,467	\$58,931	\$50,221
2010	47,031	52,684	57,708	50,046
2011	46,148	52,280	57,287	50,502
2012	46,803	53,001	58,328	51,371
2013	48,466	54,529	60,190	52,250

<sup>(1)</sup> Estimated. In inflation-adjusted dollars.

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

The following Table A-31 sets forth the distribution of income by certain income groupings per household for the City, the County, the State and the United States for calendar year 2013.

**TABLE A-31**  
**Income Groupings 2013<sup>(1)</sup>**  
**(Percent of Households)**

<u>Income Per Household</u>	<u>City of Los Angeles</u>	<u>County of Los Angeles</u>	<u>State of California</u>	<u>United States</u>
\$24,999 & Under	27.75%	24.05%	21.23%	23.74%
\$25,000-49,999	23.30	22.14	21.39	23.91
\$50,000 & Over	48.95	53.80	57.38	52.35

<sup>(1)</sup> 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). The following Table A-32 sets forth wage and salary employment in the County from calendar years 2009 through 2013.

**TABLE A-32**  
**Labor Force and Employment in the County of Los Angeles<sup>(1)</sup>**  
**2009 through 2013**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Civilian Labor Force <sup>(2)</sup>	4,907,600	4,916,300	4,936,400	4,901,300	4,960,300
Employment	4,339,300	4,298,500	4,331,500	4,365,800	4,470,700
Unemployment	568,300	617,900	604,900	535,500	489,600
Unemployment Rate <sup>(3)</sup>	11.6%	12.6%	12.3%	10.9%	9.9%
<b>Wage and Salary Employment</b>					
Farm	6,200	6,200	5,600	5,400	5,500
Mining and Logging	4,100	4,100	4,000	4,300	4,600
Construction	117,300	104,500	105,000	109,100	116,500
Manufacturing	389,200	373,200	366,800	367,200	366,500
Trade, Transportation and Utilities	742,600	739,900	749,900	766,600	780,700
Information	191,200	191,500	191,900	191,400	197,300
Financial Activities	216,000	209,500	208,400	210,700	211,800
Professional and Business Services	529,800	527,500	542,900	570,000	590,300
Educational and Health Services	639,900	637,200	643,100	674,100	713,400
Leisure and Hospitality	385,500	384,800	394,600	415,300	436,700
Other Services	137,900	136,700	136,900	141,600	145,500
Government	595,900	579,600	565,500	556,800	549,200
Total <sup>(1)</sup>	<u>3,955,600</u>	<u>3,894,700</u>	<u>3,914,600</u>	<u>4,012,500</u>	<u>4,118,000</u>

<sup>(1)</sup> Totals may not equal sum of component parts due to rounding. All information updated per March 2013 Benchmark.

<sup>(2)</sup> Based on place of residence.

<sup>(3)</sup> The State Employment Development Department has reported an unemployment rate (not seasonally adjusted) within the County of 7.7% for February 2015.

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

The following Table A-33 sets forth taxable sales in the County for the calendar years 2009 through 2013.

**TABLE A-33**

**County of Los Angeles  
Taxable Transactions<sup>(1)</sup>  
2009 through 2013<sup>(2)</sup>  
(\$ in thousands)**

<b>Type of Business</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013<sup>(2)</sup></b>
Motor Vehicle and Parts Dealers	\$ 10,801,444	\$ 11,285,457	\$ 12,686,384	\$ 14,479,392	\$ 15,543,657
Furniture and Home Furnishings Stores	2,058,460	2,158,334	2,321,830	2,441,922	2,568,630
Electronics and Appliance Stores	3,406,513	3,454,412	3,416,744	3,570,668	3,576,308
Building Materials and Garden Equipment and Supplies	5,754,600	6,129,586	6,306,814	6,510,966	6,558,312
Food and Beverage Stores	5,410,953	5,405,254	5,591,250	5,824,815	6,051,754
Health and Personal Care Stores	2,735,112	2,773,004	2,998,946	3,163,312	3,306,274
Gasoline Stations	9,629,797	11,012,642	13,394,467	14,037,507	13,817,056
Clothing and Clothing Accessories Stores	7,145,713	7,607,711	8,356,612	9,166,549	9,926,558
Sporting Goods, Hobby, Book & Music Stores	2,434,950	2,448,246	2,478,020	2,454,806	2,487,061
General Merchandise Stores	10,059,028	10,369,383	10,866,531	11,157,997	11,463,750
Miscellaneous Store Retailers	4,319,761	4,449,560	4,649,598	4,798,211	4,953,245
Nonstore Retailers	810,972	790,565	897,596	1,200,322	1,906,573
Food Services and Drinking Places	<u>13,876,812</u>	<u>14,291,264</u>	<u>15,286,655</u>	<u>16,512,136</u>	<u>17,481,996</u>
Total Retail and Food Services	\$ <u>78,444,115</u>	\$ <u>82,175,416</u>	\$ <u>89,251,447</u>	\$ <u>95,318,603</u>	\$ <u>99,641,174</u>
All Other Outlets	\$ <u>34,300,613</u>	\$ <u>34,766,918</u>	\$ <u>37,189,291</u>	\$ <u>39,976,979</u>	\$ <u>40,438,534</u>
<b>TOTAL ALL OUTLETS</b>	\$ <u>112,744,727</u>	\$ <u>116,942,334</u>	\$ <u>126,440,737</u>	\$ <u>135,295,582</u>	\$ <u>140,079,708</u>

<sup>(1)</sup> Totals may not equal sum of component parts due to rounding.

<sup>(2)</sup> Reflects data through September 30, 2013.

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 following Table A-34 sets forth the major employers in the County.

**TABLE A-34**  
**County of Los Angeles**  
**Major Employers<sup>(1)</sup>**

<u>Employer</u>	<u>Product/Service</u>	<u>Employees</u>
Los Angeles County	Government	101,610
Los Angeles Unified School District	Education	59,811
U.S. Government	Government	48,000
Kaiser Permanente	Non-profit health plan	36,495
City of Los Angeles	Government	31,817
University of California, Los Angeles	Education	31,457
State of California	Government	30,700
Northrop Grumman Corp.	Defense contractor	16,100
Target Corp.	Retailer	15,000
University of Southern California	Private university	14,525
Bank of America Corp.	Banking and financial services	13,746
Ralphs/Food 4 Less (Kroger Co. division)	Retail grocer	13,500
Providence Health & Services Southern California	Health care	10,983
Cedars-Sinai Medical Center	Medical center	10,663
Home Depot	Home improvement specialty retailer	10,630
Walt Disney Co.	Entertainment	10,500
Boeing Co.	Integrated aerospace and defense systems	10,463
Wells Fargo	Diversified financial services	10,100
Metro	Transportation	9,011
AT&T Inc.	Telecommunications	8,900
UPS	Transportation and freight	8,845
California Institute of Technology	Private university; operator of Jet Propulsion Laboratory	8,649
Los Angeles Department of Water & Power	Energy	8,600
Long Beach Unified School District	Education	6,511
Los Angeles Community College District	Education	6,336
City of Long Beach	Government	5,155
California State University, Long Beach	Education	4,597
Los Angeles World Airports	Transportation	3,552
California State University, Northridge	Education	3,429
City of Santa Monica	Government	2,169

<sup>(1)</sup> The information on this list was provided by representatives of the employers themselves. Companies are ranked by the current number of full-time employees in Los Angeles County. Several additional companies may have qualified for this list, but failed to submit information or do not break out local employment data.

Source: Los Angeles Business Journal 2014. The List 2014.

## Construction

The following Table A-35 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 2010 through 2013 and for the period from January 2014 through March 2014.

**TABLE A-35**  
**City of Los Angeles**  
**Permit Valuations and Units of Construction**  
**2010 to 2014**  
**(\$ in thousands)**

<u>Year</u>	<u>New Residential Valuation</u>	<u>New Single Family Dwelling Units</u>	<u>New Multi-Family Dwelling Units</u>	<u>Total New Units</u>
2010	\$1,282,731	681	3,576	4,257
2011	1,591,893	531	5,974	6,505
2012	1,858,562	875	5,801	6,676
2013	2,487,445	1,061	9,427	10,488
2014 <sup>(1)</sup>	661,290	393	2,721	3,114

<sup>(1)</sup> Data for calendar year 2014 reflects information from January 2014 through March 2014.

Sources: Construction Industry Research Board (2010), California Homebuilding Foundation (2011-2014).

## **GLOSSARY OF CERTAIN TERMS AND ABBREVIATIONS**

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

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

“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.

“ARC” means annual required contribution.

“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.

“CDE” means the California Department of Education.

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

“Common Core” means Common Core State Standards.

“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.

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

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

“LCAP” means the Local Control and Accountability Plan.

“LCFF” means the Local Control Funding Formula.

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

“NOO” means net OPEB obligation.

“OPEB” means Other Post-Employment Benefits.

“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.

“PEPRA” means the California Public Employees’ Pension Reform Act of 2013.

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

“UAAL” means unfunded actuarial accrued liability.

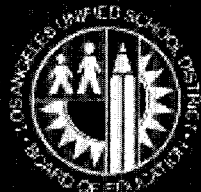
“UTLA” means the United Teachers of Los Angeles, which is the collective bargaining unit representing teachers and support service personnel of the District.

**APPENDIX B**

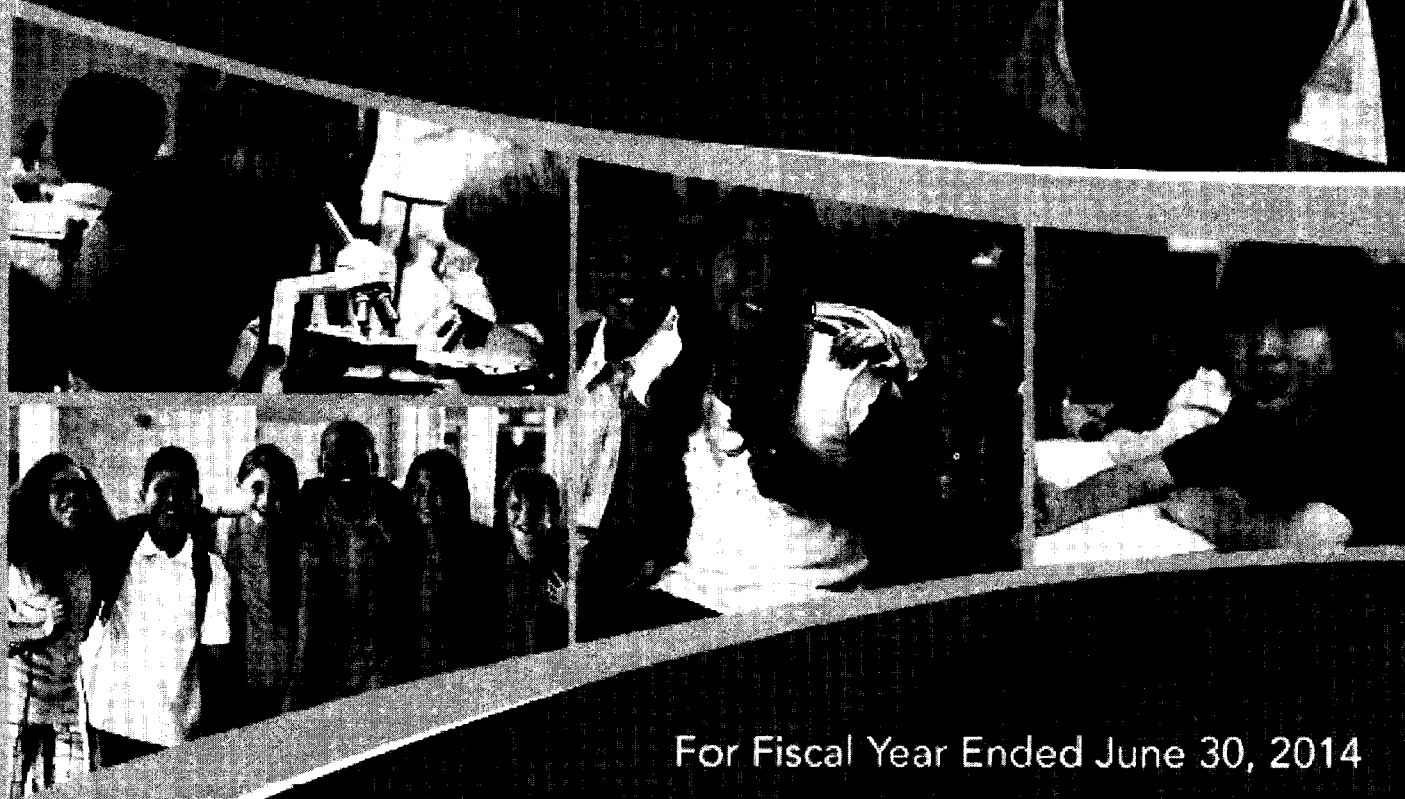
**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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LOS ANGELES UNIFIED SCHOOL DISTRICT



COMPREHENSIVE ANNUAL  
**FINANCIAL  
REPORT**



For Fiscal Year Ended June 30, 2014

**2013-2014**

**LOS ANGELES, CA**

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

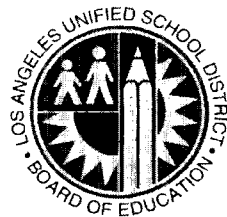
**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2014**

**MR. RAMON C. CORTINES**  
SUPERINTENDENT OF SCHOOLS  
(EFFECTIVE OCTOBER 20, 2014)

**MR. JOHN E. DEASY**  
SUPERINTENDENT OF SCHOOLS  
(APRIL 18, 2011 – OCTOBER 15, 2014)

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

**MR. V. LUIS BUENDIA**  
CONTROLLER



**PREPARED BY  
ACCOUNTING AND DISBURSEMENTS DIVISION**

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

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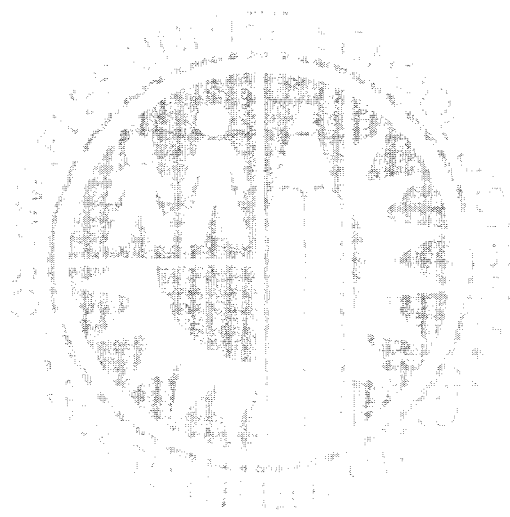
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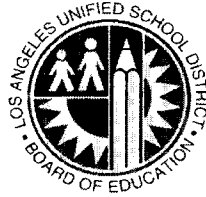


# INTRODUCTORY SECTION

## MEMBERS OF THE BOARD

## LOS ANGELES UNIFIED SCHOOL DISTRICT

**DR. RICHARD A. VLADOVIC, PRESIDENT**  
TAMAR GALATZAN  
MÓNICA GARCÍA  
BENNETT KAYSER  
DR. GEORGE J. MCKENNA III  
MÓNICA RATLIFF  
STEVEN ZIMMER



**RAMON C. CORTINES**  
*Superintendent of Schools*

**MICHELLE KING**  
*Chief Deputy Superintendent*

**MEGAN K. REILLY**  
*Chief Financial Officer*

**V. LUIS BUENDIA**  
*Controller*

December 15, 2014

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, 2014, 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 2013-14 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.

### **Management 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.

### **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, 2014, the District is operating 457 elementary schools, 83 middle/junior high schools, 100 senior high schools, 55 options schools, 22 multi level schools, 15 special education schools, 34 magnet schools and 148 magnet centers, 6 community adult schools, 3 regional occupational centers, 1 skills centers, 1 regional occupational program center, 86 early education centers, 4 infant centers, and 18 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, 2014, the District employed 37,832 certificated, 26,387 classified, and 12,524 unclassified employees. Enrollment as of September 2013 was 556,115 students in K-12 schools, 62,073 students in adult schools and centers, and 12,829 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**

Below is a table to show unemployment rates for both the nation and the state of California. For the month of October 2014, states that have significantly higher unemployment rates than the nation include Georgia at 7.7%, Mississippi at 7.6%, Rhode Island at 7.4%, and California at 7.3%. California’s October unemployment rate is the lowest since July 2008.

Month (2014)	U.S.	California
January	6.6%	8.1%
February	6.7%	8.1%
March	6.7%	8.1%
April	6.3%	7.8%
May	6.3%	7.6%
June	6.1%	7.4%
July	6.2%	7.4%
August	6.1%	7.4%
September	5.9%	7.3%
October	5.8%	7.3% (P)

*P - Preliminary estimate*

*Source: Bureau of Labor Statistics – Labor Force Statistics from the Current Population Survey*

Nationwide, the unemployment rate has improved from 7.3% to 5.8% from October 2013 to October 2014. States with the highest statistically significant change over this period are Illinois at -2.5%, Nevada at -2.3%, and Colorado at -2.2%. California’s year-over-year change in unemployment rate is -1.3%, from 8.6% in October 2013 to 7.3% in October 2014.

California’s economy has accelerated this year and is expected to its current momentum next year. The forecast is that more jobs will be created in the U.S. this year than in any year since 2000, dropping the unemployment rate to a 6-year low.

According to UCLA Anderson Forecast, the drought in California will have a marginal overall impact on agriculture in the State. But School Services of California noted that the loss of average daily attendance that may result from the drought in communities that are hit by the loss of workers who leave the area due to a lack of work was not addressed. However, State Superintendent of Public Instruction Torlakson

announced that he will use his administrative authority to maintain school funding levels for districts impacted by the drought.

Noticeable uptick in the housing market, the stock market, and the labor market are signs of improving national and state economies. The Legislative Analyst's Office (LAO) forecasts a stronger California economy for 2014 than what was projected by the Department of Finance during the May Revision Budget, which means a higher revenue forecast compared to the State Budget Act estimate for 2014-15. LAO predicts that all of the remaining K-14 apportionment deferrals may terminate after fiscal year 2014-15. There may even be a partial pay down of the remaining state mandates backlog and Emergency Repair Program and additional funding for Common Core State Standards or the California Career Pathways Trust.

LAO also forecasted that the Local Control Funding Formula (LCFF) target entitlement may not be fully-funded at the end of the eight-year implementation period (2020-21) as planned by the governor, but several years thereafter.

The LAO forecast extends to 2019-20 which includes the years when the Proposition 30 temporary increased taxes will expire. The increase in sales tax rates will end in 2016, while the income tax increase on high-income earners will end in 2018. Although the expiration of these temporary taxes will reduce Proposition 98 and directly impact support to education, the total change in education funding would depend on the State's economic climate before, during, and after the years when Proposition 30 expires.

### **Superintendent's Strategic Plan**

The Los Angeles Unified School District has developed five Key Strategies. These strategies refer to the set of common sense approaches we will use to support the instructional core to help every LAUSD student achieve their maximum potential:

1. Transform teaching and learning so that we prepare all youth to graduate college and be workforce ready.
2. Ensure there is an effective employee at every level of the organization focused on improving student outcomes.
3. Provide a portfolio of high quality schools for all youth, families and communities.
4. Ensure a safe, caring, and nurturing environment for all youth.
5. Operate an effective, efficient, and transparent organization in order to assure the public trust.

### **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 assigned fund balance for subsequent year expenditures.

### **Financial Results**

In 2013-14, the Statement of Changes in Net Position shows that the District's Net Position decreased by \$521.3 million during the year. This includes a \$57.6 million restatement of beginning balance to reflect the cumulative effect of the change in accounting principle as a result of adopting Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The Unrestricted Net Position, which is negative, declined from (\$4,035.2 million) to (\$4,476.9 million). The negative Unrestricted Net Position is largely the result of the District's retiree health benefit liability (OPEB liability). The liability reflected, which represents the previous year's liability increased by the current year's unfunded expense, is \$5,351.8 million, an increase of \$564.0 million from 2012-13. The latest actuarial report estimates the net present value of the entire 30-year liability to be \$10.9 billion. The District started to pre-fund its OPEB liability through an irrevocable Trust. However, the contribution made to the Trust is not enough to offset any existing or increase in the OPEB liability. Hence, it is projected that the District's Total Liabilities will eventually exceed its Total Assets.

In 2013-14, the fund balance of the General Fund increased by \$107.6 million from \$592.7 million to \$700.3 million. This increase is primarily due to higher apportionment received from Local Control Funding Formula sources brought about by the new revenue apportionment calculation.

### **Audit Results**

The District received an Unmodified financial audit. An unmodified or "clean" opinion is issued when the auditor can state, without reservation, that the financial statements are fairly presented in all material respects in conformity with generally accepted accounting principles (GAAP). For the federal compliance audit, 20 programs received an Unmodified audit and 5 programs were Qualified. The District received an Unmodified state compliance audit.

There were 15 audit findings in 2013-14. The amount of the questioned costs declined 18.7%, from \$0.470 million in 2012-13 to \$0.382 million in 2013-14. 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.

### **Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Los Angeles Unified School District for its comprehensive annual financial report for the fiscal year ended June 30, 2013. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

### **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, school based and program staff, and acknowledge the effort of our independent auditors.

Respectfully submitted,

Ramon C. Cortines  
Superintendent of Schools

Prepared by:



V. Luis Buendia  
Controller



Megan K. Reilly  
Chief Financial Officer



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Los Angeles Unified School District  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO

## BOARD OF EDUCATION

Richard Vladovic  
President

Marguerite Poindexter LaMotte  
(In Memoriam 2003 - 2013)

George McKenna  
(Effective August 22, 2014)

Mónica García

Tamar Galatzan

Steve Zimmer

Bennett Kayser

Mónica Ratliff

## PRINCIPAL SCHOOL DISTRICT OFFICIALS

Ramon C. Cortines  
Superintendent of Schools  
(Effective October 20, 2014)

John E. Deasy  
Superintendent of Schools  
(April 18, 2011 - October 15, 2014)

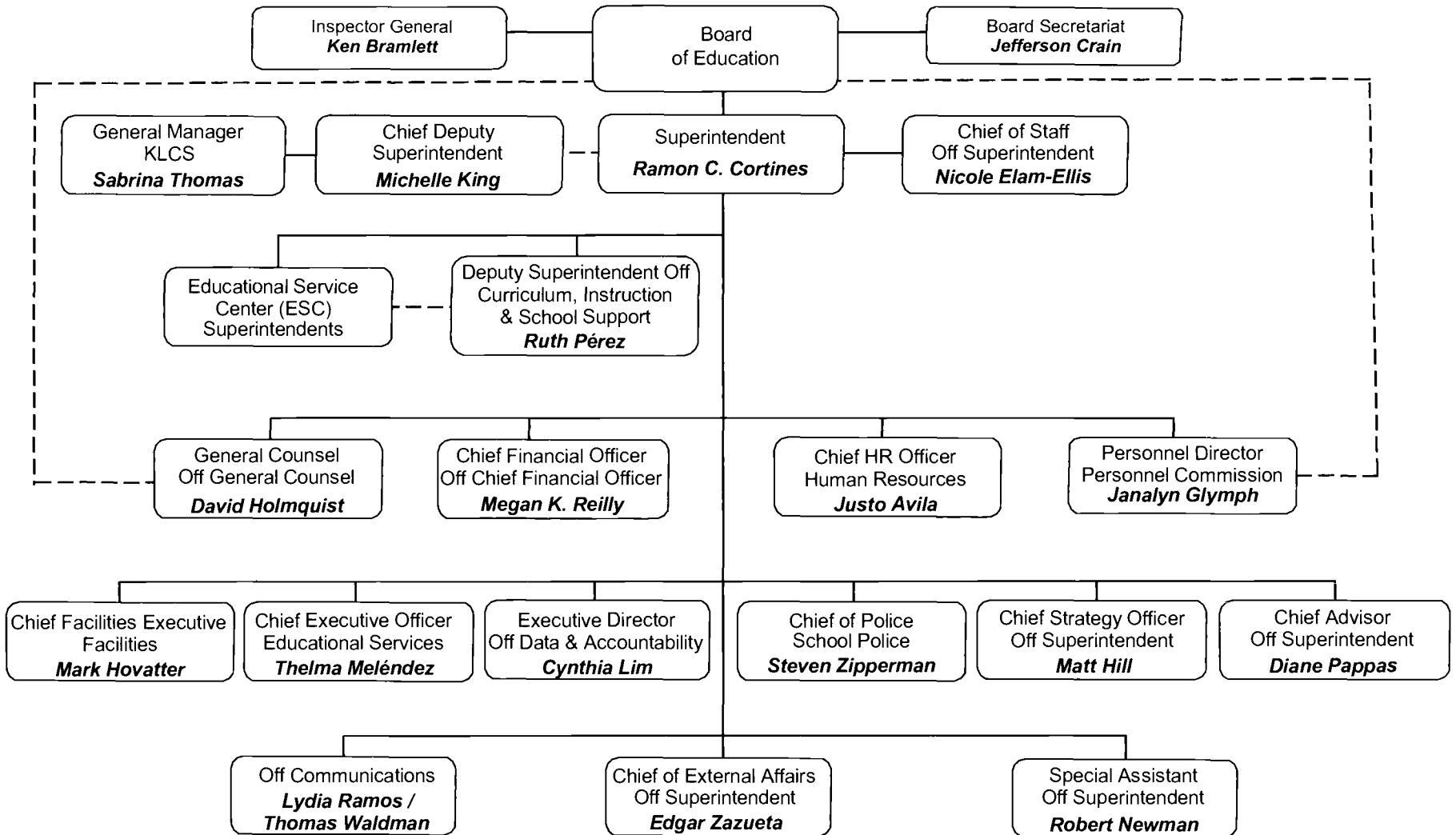
Megan K. Reilly  
Chief Financial Officer

V. Luis Buendia  
Controller

## EDUCATIONAL SERVICE CENTERS

	Instructional Area Superintendents:	Administrators of Operations:	Administrators of Parent & Community Engagement:	Administrators, Special Education
North:	Byron J. Maltez	Juan A. Flecha	Marilu Pigliapoco	Cindy Welden
South:	Dr. Robert Bravo	Dr. James Noble	Rene Robinson	Emily Kuwahara
East:	Roberto A. Martinez	Eugene L. Hernandez	Miguel Dueñas	Janet Montoya
West:	Cheryl Hildreth	Jan Davis	Desiree Manuel	Bette Medina
ISIC:	Tommy Chang, Ed.D.	Daryl Narimatsu	Rene Martinez	Karla Estrada Marco Tolj

**Los Angeles Unified School District  
Organization of Central Support System  
(Effective December 1, 2014)**



**FINANCIAL  
SECTION**





SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS  
BRAINARD C. SIMPSON, CPA  
MELBA W. SIMPSON, CPA

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633 WEST 5TH STREET, SUITE 3320  
LOS ANGELES, CA 90071  
(213) 736-6664 TELEPHONE  
(213) 736-6692 FAX  
www.simpsonandsimpsoncpas.com

## Independent Auditor's Report

To The Honorable Board of Education  
Los Angeles Unified School District

### Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

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 provisions of California Code of Regulations (CCR), Title 5, Education, Section 19810 et seq. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.





### ***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, 2014, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1(p) to the basic financial statements, on July 1, 2013 the District adopted Government Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 and the required supplementary information on page 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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, and 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 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 on pages 66 to 105 and the schedule of expenditures of federal awards on pages 252-256, the information on pages 189 to 244 and page 251 in the state and federal compliance section are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.



The introductory and statistical sections and the information on pages 159 to 188 and 245 to 250 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2014, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read 'Simpson &amp; Simpson'. The signature is written in a cursive, flowing style.

Los Angeles, California  
December 15, 2014

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Management's Discussion and Analysis

June 30, 2014

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, 2014.

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-v of this report.

### Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$1.7 billion (net position). This amount is net of a \$4.5 billion deficit in unrestricted net position resulting primarily from the cumulative increase in unfunded liabilities for other postemployment benefits (OPEB).
- The District's total net position decreased by \$521.3 million from prior year total primarily due to lower operating grants and contributions received.
- As of the close of the 2014 fiscal year, the District's governmental funds reported combined ending fund balances of \$3.4 billion, a decrease of \$387.3 million from June 30, 2013.
- At the end of the current fiscal year, committed, assigned and unassigned fund balances for the General Fund, including reserve for economic uncertainties, was \$487.7 million, or 8.6% of total General Fund expenditures.
- The District's total long-term obligations increased by \$260.5 million (1.5%) during the current fiscal year. The increase resulted primarily from additional net OPEB obligation offset by the decrease in certificate of participation and general obligation bonds payable resulting from payment of matured debts and refunding.

### 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 position presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between these elements as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Management's Discussion and Analysis

June 30, 2014

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.

**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 19 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, County School Facilities Fund, Bond Interest and Redemption Fund, and all other funds. Individual account data for 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.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Management's Discussion and Analysis

June 30, 2014

**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 page 24-25 of this report.

**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 27-63 of this report.

**Combining and individual fund schedules and statements.** Combining schedules and statements consisting of the budget to actual comparisons for District Bonds Fund, County School Facilities Fund, Bond Interest and Redemption Fund, the individual accounts within the nonmajor governmental funds, the internal service funds and the fiduciary funds are presented immediately following the required supplementary information. Combining and individual fund schedules and statements can be found on pages 66-95 of this report.

#### **Government-wide Financial Analysis**

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the District, assets plus deferred outflow of resources exceeded liabilities plus deferred inflows of resources by \$1.7 billion at the close of the most recent year.

By far the largest portion of the District's net position (\$4.6 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 position (\$1.5 billion) represents resources that are subject to external restrictions on how they may be used. The majority of this pertains to Federally Funded Programs. The remaining negative balance in unrestricted net position (-\$4.5 billion) resulted primarily from the recognition of \$5.4 billion of net OPEB obligation.

At the end of the 2014 fiscal year, the District is able to report positive balances in all categories of net position except for unrestricted net position.

The \$10.3 million increase in capital assets, net primarily relates to the continuing school construction and modernization projects throughout the District.

Long-term liabilities increased by \$260.5 million primarily due to additional net OPEB obligation offset by the decrease in certificate of participations and general obligation bonds payable as a result of debt service payments and debt refunding to avail of lower interest rates.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Management's Discussion and Analysis

June 30, 2014

**Summary Statements of Net Position (in thousands)**

As of June 30, 2014 and 2013:

	<u>Governmental Activities</u>	
	<b>2013</b>	
	<u>2014</u>	<u>(As Restated)</u>
Current Assets	\$ 5,229,676	\$ 6,300,062
Capital Assets, net	14,678,942	14,668,690
Total Assets	<u>19,908,618</u>	<u>20,968,752</u>
Deferred Outflows of Resources	<u>174,224</u>	<u>106,970</u>
Current Liabilities	900,726	1,632,823
Long-term Liabilities	<u>17,519,475</u>	<u>17,258,974</u>
Total Liabilities	<u>18,420,201</u>	<u>18,891,797</u>
Deferred Inflows of Resources	<u>—</u>	<u>—</u>
Net Position:		
Net investment in capital assets	4,600,870	4,863,878
Restricted for:		
Debt service	326,582	401,698
Program activities	1,212,106	953,554
Unrestricted	<u>(4,476,917)</u>	<u>(4,035,205)</u>
Total Net Position	<u>\$ 1,662,641</u>	<u>\$ 2,183,925</u>

In 2014, the District adopted GASB Statement No. 65, which requires the restatement of the June 30, 2013 net position in Governmental Activities. The result is a decrease in net position at July 1, 2013 of \$57.6 million. See further discussion in Note 1p on pages 36-37 of this report.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Management's Discussion and Analysis

June 30, 2014

**Summary Statements of Changes in Net Position (in thousands)**

Year ended June 30, 2014 and 2013:

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
		<u>(Restated)</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 120,372	\$ 104,263
Operating grants and contributions	1,761,456	2,569,029
Capital grants and contributions	129,706	166,197
Total Program Revenues	<u>2,011,534</u>	<u>2,839,489</u>
General Revenues:		
Property taxes levied for general purposes	1,017,071	1,139,313
Property taxes levied for debt service	839,521	965,955
Property taxes levied for community redevelopment	19,306	13,841
State aid – formula grants	3,391,144	1,774,431
Grants, entitlements, and contributions not restricted to specific programs	131,827	553,115
Unrestricted investment earnings	16,605	20,727
Miscellaneous	19,379	(18,464)
Total General Revenues	<u>5,434,853</u>	<u>4,448,918</u>
Total Revenues	<u>7,446,387</u>	<u>7,288,407</u>
Expenses:		
Instruction	3,626,268	3,604,189
Support services:		
Support services – students	290,689	306,293
Support services – instructional staff	401,027	363,839
Support services – general administration	40,666	80,969
Support services – school administration	365,401	382,251
Support services – business	180,041	298,548
Operation and maintenance of plant services	567,386	535,754
Student transportation services	166,377	152,485
Data processing services	84,404	66,306
Operation of noninstructional services	485,670	451,192
Facilities acquisition and construction services	158,102	214,972
Other uses	6,327	1,240
Interest expense	536,864	571,076
Depreciation – unallocated	494,457	442,802
Unfunded OPEB expense – unallocated	563,992	792,805
Total Expenses	<u>7,967,671</u>	<u>8,264,721</u>
Changes in Net Position	(521,284)	(976,314)
Net Position – Beginning of Year, Restated	<u>2,183,925</u>	<u>3,160,239</u>
Net Position – End of Year	<u>\$ 1,662,641</u>	<u>\$ 2,183,925</u>

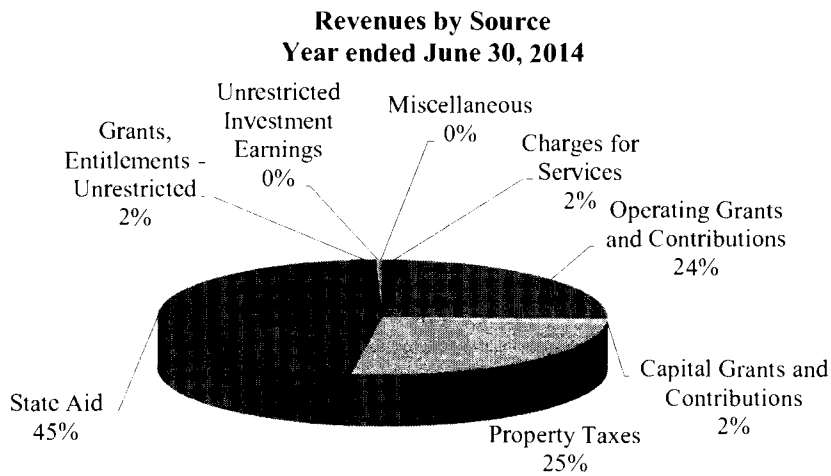
The District's net position decreased by \$521.3 million in the current fiscal year. In addition, operating grants and contributions is lower by \$807.6 million resulting from decreased funding appropriation for major categorical programs.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

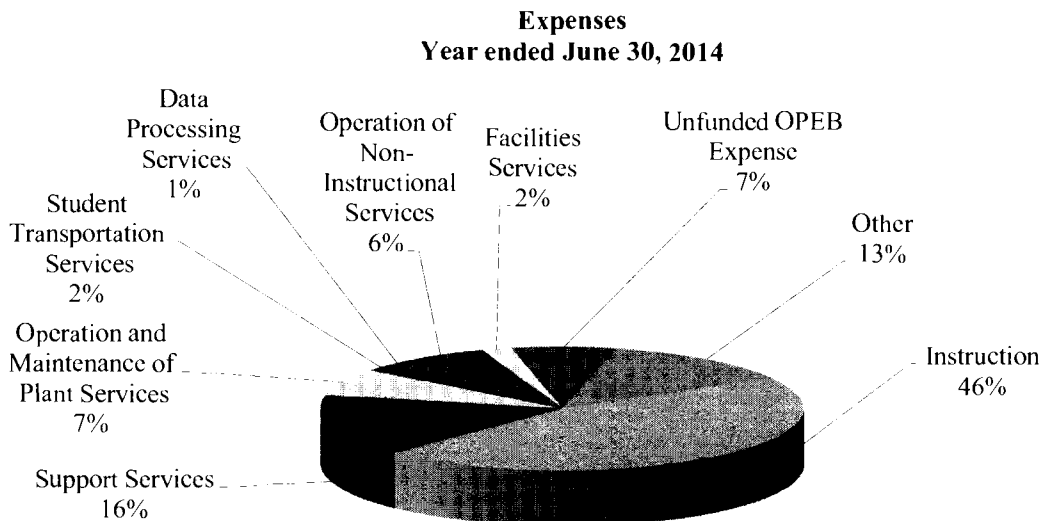
Management's Discussion and Analysis

June 30, 2014

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



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



## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Management's Discussion and Analysis

June 30, 2014

#### Financial Analysis of the Governmental 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. Committed, assigned, and unassigned balances comprise the unrestricted fund balances and 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 \$3.4 billion, a decrease of \$387.3 million in comparison with the prior year. Approximately 18.7% (\$646.4 million) of this total combined ending fund balance constitutes unrestricted fund balance, which is available for spending at the District's discretion. The remaining 81.3% are either restricted or nonspendable and are not available for new spending: restricted balances (\$2.8 billion), nonspendable inventories and revolving cash (\$32.0 million).

The General Fund is the primary operating fund of the District. At the end of the 2014 fiscal year, the unrestricted fund balance of the General Fund was \$487.7 million, while the total fund balance is \$700.3 million. As a measure of the General Fund's liquidity, it may be useful to compare both the unrestricted fund balance and the total fund balance to the total fund expenditures. The unrestricted fund balance represents 8.6% of the total General Fund expenditures, while the total fund balance represents 12.4% of that same amount.

The fund balance of the District's General Fund increased by \$107.5 million during the current fiscal year. This is primarily due to higher apportionment received from Local Control Funding Formula sources brought about by the new revenue apportionment calculation.

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

	District Bonds	County School Facilities Bonds	Bond Interest and Redemption	Other Governmental Funds			Total
				Special Revenue	Debt Service	Other Capital Projects	
Fund Balance, June 30, 2014:							
Nonspendable	\$ 5,602	\$ 33	\$ --	\$ 6,718	\$ --	\$ --	\$ 6,718
Restricted	1,121,750	544,965	712,646	19,373	55,441	123,772	198,586
Committed	--	--	--	8,949	--	--	8,949
Assigned	--	--	--	626	--	149,150	149,776
Total	1,127,352	544,998	712,646	35,666	55,441	272,922	364,029
Fund Balance, July 1, 2013	1,729,066	454,334	750,540	34,405	54,698	220,797	309,900
Increase (decrease) in fund balance	<u>\$ (601,714)</u>	<u>\$ 90,664</u>	<u>\$ (37,894)</u>	<u>\$ 1,261</u>	<u>\$ 743</u>	<u>\$ 52,125</u>	<u>\$ 54,129</u>

The fund balance decreased during the current year for the District Bonds due to continued spending for school construction, modernization projects, and renovation; and for the Bond Interest Redemption Fund primarily from lower property taxes levied to pay principal and interest on bond issues plus a decrease in federal subsidy for the payment of interest. On the other hand, County School Facilities Bonds increased primarily due to fewer projects in progress causing a lower expenditure level; Special Revenue increased primarily due to lower operating deficit from Adult Education; Other Capital Projects increased primarily due to very minimal spending

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Management's Discussion and Analysis

June 30, 2014

of project funds combined with project cost transfers to other capital project accounts. Debt Service has a very slight movement in the account. This is primarily due to the offsetting effect of debt service payments and revenues derived from operating transfers from user funds and investment income.

*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 position of \$337.3 million. The net increase of \$3.9 million in the current year is primarily attributed to the increase in net position of the Health and Welfare fund as a result of slightly higher investment income and Medicare Part D subsidy that offsets its operating loss.

#### **General Fund Budgetary Highlights**

Los Angeles Unified School District closely monitors and reviews its revenue and expenditure data to ensure that a sufficient ending balance is maintained. This monitoring and review occurs from the development of the budgeted data through the State-mandated first and second interim financial reports, and at year end, utilizing the actual revenue and expenditure data.

#### *Modified Final Budget vs. Original Final Budget*

The District's Original Final Budget is based on assumptions from the State's May Revision Budget, while the Modified Final Budget is based not only on the State's May Revision Budget but also on all other known State budgetary changes and changes to the District's priority of program implementations and/or planned expenditures. Differences between the 2013-14 General Fund Original Final Budget adopted by the Board of Education in June 2013 and the Modified Final Budget resulted in a lower budgeted ending balance by \$105.2 million – from \$482.0 million to \$376.8 million. Adjustments to the Original Final Budget were a decrease in beginning balance by \$46.0 million, a decrease in budgeted revenues by \$60.0 million, an increase in other financing sources by \$4.7 million, and an increase in budgeted expenditures and other financing uses by \$3.9 million.

The decrease in beginning balance by \$46.0 million was to reflect the actual ending balance as of June 30, 2013 as opposed to the estimated June 30, 2013 ending balance. The net decrease in budgeted revenues and other financing sources of \$55.3 million was mainly due to reduced estimated Other State revenues from grants.

The estimated expenditures and other financing uses remained at about the same level with a variance of only \$3.9 million.

#### *Actual vs. Modified Final Budget*

The beginning balance remained the same on both the actual and the Modified Final Budget. The unfavorable variance of \$128.4 million in revenues and other financing sources between the actual and Modified Final Budget was primarily due to multi-year grants budgeted in their entirety but earned only to the extent of actual expenditures incurred.

The favorable variance of \$451.8 million in expenditures and other financing uses between the actual and the Modified Final Budget was due to lower than anticipated expenditures across all major objects of expenditures. The largest decreases in expenditures were mainly in Certificated Salaries (\$94.5 million), Books and Supplies

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Management's Discussion and Analysis

June 30, 2014

(\$128.3 million), and Services and Other Operating Expenditures (\$93.3 million). Lastly, Transfers Out decreased by \$83.4 million.

#### Capital Assets and Debt Administration

**Capital assets.** The District's investment in capital assets for its governmental activities as of June 30, 2014 amounts to \$14.7 billion (net of accumulated depreciation), a 0.07% 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. The increase is primarily due to various building additions and modernizations that were completed at a cost of \$453.7 million. Four new schools were opened in fiscal year 2013-14.

Summary of capital assets (net of accumulated depreciation) is as follows (in thousands):

	Governmental Activities	
	2014	2013
Sites	\$ 3,084,939	\$ 3,180,152
Improvement of sites	193,696	205,463
Buildings and improvements	10,359,210	10,375,371
Equipment	351,510	332,394
Construction in progress	689,587	575,310
Total	\$ 14,678,942	\$ 14,668,690

Additional information on the District's capital assets can be found in Note 7 on pages 43-44 of this report.

**Long-term obligations.** At the end of the current fiscal year, the District had total long-term obligations of \$17.5 billion. Of this amount, \$11.0 billion comprises debt to be repaid by voter-approved property taxes and not by the General Fund of the District.

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

	Governmental Activities	
	2014	2013
General Obligation Bonds*	\$ 11,011,840	\$ 11,258,179
Certificates of Participation (COPs)	383,237	416,597
Capital Lease Obligations	2,162	1,308
Children's Center Facilities Revolving Loan	555	634
Liability for Compensated Absences	61,660	61,595
Liability for Other Employee Benefits	68,008	87,870
Self-insurance Claims	640,178	644,947
Other Postemployment Benefits (OPEB)	5,351,835	4,787,843
Total	\$ 17,519,475	\$ 17,258,973

\* On July 1, 2013, the District adopted GASB Statement No. 65 and reported deferred refunding charges under deferred outflows of resources. The GO Bonds balance at July 1, 2013 was adjusted to exclude the deferred refunding charges of \$106.97 million.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Management's Discussion and Analysis

June 30, 2014

The District's total long-term obligations increased by \$260.5 million (1.5%) during the current fiscal year. The key factor in this increase was the recognition of additional net OPEB obligation and increase in legal cost accrual offset by the decrease in certificate of participations and general obligation bonds payable resulting from payment of matured debts.

#### **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 COPs are currently rated A1 and A+ by 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, 2014 is \$12.6 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 54-59 of this report.

#### **Impact of Upcoming Standard**

Effective for FY 2014-15, the District will adopt Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement changes accounting and financial reporting by state and local government for pensions. One of the major changes in financial reporting is that state and local governments are now required to recognize net pension liability and a more comprehensive measure of pension expense. This will have a significant impact in the District's net position of the government-wide financial statements as a result of an existing large unfunded liability in the pension plan. The amount will be determined and disclosed in next year's CAFR reporting.

#### **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](http://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 Position  
June 30, 2014  
(in thousands)

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and cash equivalents	\$ 4,130,489
Property taxes receivable	66,912
Accounts receivable, net	914,608
Accrued interest receivable	13,904
Prepays	46,188
Inventories	23,635
Accounts receivable, non current	28,487
Other assets	5,453
<b>Capital assets:</b>	
Sites	3,084,939
Improvement of sites	563,691
Buildings and improvements	14,530,648
Equipment	1,723,511
Construction in progress	689,587
Less accumulated depreciation	(5,913,434)
Total Capital Assets, Net of Depreciation	14,678,942
Total Assets	19,908,618
<b>Deferred Outflows of Resources:</b>	
Refunding charges	174,224
<b>Liabilities:</b>	
Vouchers and accounts payable	240,251
Contracts payable	42,160
Accrued payroll	272,221
Accrued interest	232,921
Other payables	104,668
Uncarned revenue	8,505
<b>Long-term liabilities:</b>	
Portion due within one year	689,909
Portion due after one year	16,829,566
Total Liabilities	18,420,201
<b>Deferred Inflows of Resources</b>	
—	
<b>Net Position:</b>	
Net investment in capital assets	4,600,870
<b>Restricted for:</b>	
Debt service	326,582
Program activities	1,212,106
Unrestricted	(4,476,917)
Total Net Position	\$ 1,662,641

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Statement of Activities  
Year Ended June 30, 2014  
(in thousands)

Functions/programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 3,626,268	\$ 24,933	\$ 813,619	\$ —	\$ (2,787,716)
Support services – students	290,689	—	116,343	—	(174,346)
Support services – instructional staff	401,027	96	263,904	—	(137,027)
Support services – general administration	40,666	—	309	—	(40,357)
Support services – school administration	365,401	—	31,688	—	(333,713)
Support services – business	180,041	7,602	47,016	—	(125,423)
Operation and maintenance of plant services	567,386	22,617	20,395	6	(524,368)
Student transportation services	166,377	—	1,250	—	(165,127)
Data processing services	84,404	—	—	—	(84,404)
Operation of non-instructional services	485,670	6,067	406,871	—	(72,732)
Facilities acquisition and construction services*	158,102	59,057	59,275	129,700	89,930
Other Uses	6,327	—	—	—	(6,327)
Interest expense	536,864	—	786	—	(536,078)
Depreciation – unallocated**	494,457	—	—	—	(494,457)
Unfunded OPEB expense – unallocated	563,992	—	—	—	(563,992)
Total Governmental Activities	\$ 7,967,671	\$ 120,372	\$ 1,761,456	\$ 129,706	(5,956,137)
General revenues:					
Taxes:					
Property taxes, levied for general purposes					1,017,071
Property taxes, levied for debt service					839,521
Property taxes, levied for community redevelopment					19,306
State aid – formula grants					3,391,144
Grants, entitlements, and contributions not restricted to specific programs					131,827
Unrestricted investment earnings					16,605
Miscellaneous					19,379
Total General Revenues					5,434,853
Change in Net Position					(521,284)
Net Position – Beginning of Year, Restated					2,183,925
Net Position – End of Year					\$ 1,662,641

\* 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, 2014  
(in thousands)

Assets:	<u>General</u>	<u>District Bonds</u>	<u>County School Facilities Bonds</u>	<u>Bond Interest and Redemption</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash in county treasury, in banks, and on hand	\$ 331,145	\$ 1,203,706	\$ 545,166	\$ 712,646	\$ 321,878	\$ 3,114,541
Cash held by trustee	15,192	—	—	—	46,985	62,177
Taxes receivable	—	—	—	66,912	—	66,912
Accounts receivable – net	837,555	4,131	—	—	27,815	869,501
Accrued interest receivable	3,099	4,812	1,933	—	942	10,786
Due from other funds	1,000	—	—	—	—	1,000
Prepays	3	—	—	—	—	3
Inventories	16,958	—	—	—	6,677	23,635
<b>Total Assets</b>	<b>1,204,952</b>	<b>1,212,649</b>	<b>547,099</b>	<b>779,558</b>	<b>404,297</b>	<b>4,148,555</b>
Deferred Outflows of Resources	—	—	—	—	—	—
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 1,204,952</b>	<b>\$ 1,212,649</b>	<b>\$ 547,099</b>	<b>\$ 779,558</b>	<b>\$ 404,297</b>	<b>\$ 4,148,555</b>
<b>Liabilities and Fund Balances:</b>						
Vouchers and accounts payable	\$ 191,843	\$ 36,265	\$ 284	\$ —	\$ 7,424	\$ 235,816
Contracts payable	2,544	37,356	1,567	—	693	42,160
Accrued payroll	251,005	7,321	42	—	14,339	272,707
Other payables	52,622	4,355	208	—	14,995	72,180
Due to other funds	—	—	—	—	1,000	1,000
Unearned revenue	6,688	—	—	—	1,817	8,505
<b>Total Liabilities</b>	<b>504,702</b>	<b>85,297</b>	<b>2,101</b>	<b>—</b>	<b>40,268</b>	<b>632,368</b>
Deferred Inflows of Resources:						
Unavailable revenue – property taxes	—	—	—	66,912	—	66,912
<b>Fund Balances:</b>						
Nonspendable	19,631	5,602	33	—	6,718	31,984
Restricted	192,932	1,121,750	—	712,646	—	2,027,328
Restricted, reported in:						
Special revenue funds	—	—	—	—	19,373	19,373
Debt service funds	—	—	—	—	55,441	55,441
Capital projects funds	—	—	544,965	—	123,772	668,737
Committed, reported in:						
Special revenue funds	—	—	—	—	8,949	8,949
Assigned	336,430	—	—	—	—	336,430
Assigned, reported in:						
Special revenue funds	—	—	—	—	626	626
Capital projects funds	—	—	—	—	149,150	149,150
Unassigned:						
Reserved for economic uncertainties	65,376	—	—	—	—	65,376
Unassigned	85,881	—	—	—	—	85,881
<b>Total Fund Balances</b>	<b>700,250</b>	<b>1,127,352</b>	<b>544,998</b>	<b>712,646</b>	<b>364,029</b>	<b>3,449,275</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 1,204,952</b>	<b>\$ 1,212,649</b>	<b>\$ 547,099</b>	<b>\$ 779,558</b>	<b>\$ 404,297</b>	<b>\$ 4,148,555</b>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Reconciliation of the Governmental Funds Balance Sheet  
 to the Statement of Net Position  
 June 30, 2014  
 (in thousands)

Total Fund Balances – Governmental Funds	\$ 3,449,275
Amounts reported for governmental activities in the statement of net position 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 \$20,592,376 and the accumulated depreciation is \$5,913,434.	14,678,942
Property taxes receivable will be collected this year, but are not available soon enough to pay the current period’s expenditures and therefore are unearned in the funds.	66,912
Receivables that will be collected in the following year and thereafter that are not available soon enough to pay the current period's expenditures.	32,046
Federal subsidies for debt service expenditures are recognized in the governmental funds only when the corresponding interest expenditure is recognized.	34,364
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.	337,261
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.	(16,936,159)
Total Net Position – Governmental Activities	<u>\$ 1,662,641</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, 2014  
(in thousands)

	General	District Bonds	County School Facilities Bonds	Bond Interest and Redemption	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Local Control Funding Formula sources	\$ 4,351,103	\$ -	\$ -	\$ -	\$ 57,111	\$ 4,408,214
Federal revenues	557,314	-	-	67,889	340,627	965,830
Other state revenues	822,388	-	105,211	5,266	96,060	1,028,925
Other local revenues	122,843	22,839	24,388	767,590	111,707	1,049,367
<b>Total Revenues</b>	<b>5,853,648</b>	<b>22,839</b>	<b>129,599</b>	<b>840,745</b>	<b>605,505</b>	<b>7,452,336</b>
<b>Expenditures:</b>						
<b>Current:</b>						
Certificated salaries	2,585,367	-	-	-	71,981	2,657,348
Classified salaries	800,322	56,731	62	-	146,022	1,003,137
Employee benefits	1,385,732	26,673	44	-	146,188	1,558,637
Books and supplies	182,228	6,386	23	-	195,737	384,374
Services and other operating expenditures	667,515	25,751	566	-	12,042	705,874
Capital outlay	32,302	497,794	38,240	-	21,178	589,514
Debt service - principal	887	-	-	327,270	30,587	358,744
Debt service - refunding bond issuance cost	-	-	-	2,087	-	2,087
Debt service - bond, COPS, and capital leases interest	27	-	-	551,369	16,066	567,462
Other outgo	6,326	-	-	-	-	6,326
<b>Total Expenditures</b>	<b>5,660,706</b>	<b>613,335</b>	<b>38,935</b>	<b>880,726</b>	<b>639,801</b>	<b>7,833,503</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>192,942</b>	<b>(590,496)</b>	<b>90,664</b>	<b>(39,981)</b>	<b>(34,296)</b>	<b>(381,167)</b>
<b>Other Financing Sources (Uses):</b>						
Transfers in	22,681	-	-	-	133,308	155,989
Transfers - support costs	17,436	-	-	-	(17,436)	-
Transfers out	(128,112)	(11,218)	-	-	(27,447)	(166,777)
Issuance of refunding bonds	-	-	-	1,622,200	-	1,622,200
Payment to refunded bond escrow agent	-	-	-	(1,887,989)	-	(1,887,989)
Premium on refunding bonds issued	-	-	-	267,876	-	267,876
Insurance proceeds - fire damage	845	-	-	-	-	845
Capital leases	1,741	-	-	-	-	1,741
<b>Total Other Financing Sources (Uses)</b>	<b>(85,409)</b>	<b>(11,218)</b>	<b>-</b>	<b>2,087</b>	<b>88,425</b>	<b>(6,115)</b>
<b>Net Changes in Fund Balances</b>	<b>107,533</b>	<b>(601,714)</b>	<b>90,664</b>	<b>(37,894)</b>	<b>54,129</b>	<b>(387,282)</b>
Fund Balances, July 1, 2013	592,717	1,729,066	454,334	750,540	309,900	3,836,557
Fund Balances, June 30, 2014	<u>\$ 700,250</u>	<u>\$ 1,127,352</u>	<u>\$ 544,998</u>	<u>\$ 712,646</u>	<u>\$ 364,029</u>	<u>\$ 3,449,275</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  
 Year Ended June 30, 2014  
 (in thousands)

Net Changes in Fund Balances – Governmental Funds	\$ (387,282)
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.	10,251
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 position.	(1,741)
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 position.	624,534
Premiums and discounts are reported as other financing sources and uses in the governmental funds, but presented as liabilities, net of amortization in the statement of net position.	(267,876)
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.	6,859
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).	16,225
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.	40,716
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.	(563,992)
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.	3,886
Legal settlement gains are recognized in the government wide statements as soon as the underlying event has occurred but not until collected in the governmental funds.	(3,559)
Federal subsidies for debt interest payments are recognized in the government wide statement as soon as it is earned. In the governmental funds, it is recorded when the corresponding interest expenditure is recognized.	695
Change in Net Position of Governmental Activities	\$ (521,284)

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, 2014  
(in thousands)

	<b>Budget</b>		<b>Actual</b>	<b>Variance with Final Budget – Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Local Control Funding Formula sources	\$ 3,055,860	\$ 3,148,895	\$ 4,351,103	\$ 1,202,208
Federal revenues	726,152	679,293	557,314	(121,979)
Other state revenues	2,119,469	2,029,646	822,388	(1,207,258)
Other local revenues	141,339	124,941	122,843	(2,098)
Total Revenues	<u>6,042,820</u>	<u>5,982,775</u>	<u>5,853,648</u>	<u>(129,127)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Certificated salaries	2,582,171	2,679,915	2,585,367	94,548
Classified salaries	804,358	832,542	800,322	32,220
Employee benefits	1,374,157	1,387,693	1,385,732	1,961
Books and supplies	504,701	310,501	182,228	128,273
Services and other operating expenditures	729,558	760,846	667,515	93,331
Capital outlay	30,579	50,227	32,302	17,925
Debt service - principal	1,113	963	887	76
Debt service - bond, COPs, and capital leases interest	-	-	27	(27)
Other outgo	1,224	6,490	6,326	164
Total Expenditures	<u>6,027,861</u>	<u>6,029,177</u>	<u>5,660,706</u>	<u>368,471</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>14,959</u>	<u>(46,402)</u>	<u>192,942</u>	<u>239,344</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	21,378	23,438	22,681	(757)
Transfers – support costs	15,103	17,771	17,436	(335)
Transfers out	(208,914)	(211,482)	(128,112)	83,370
Insurance proceeds – fire damage	800	800	845	45
Capital leases	-	-	1,741	1,741
Total Other Financing Uses	<u>(171,633)</u>	<u>(169,473)</u>	<u>(85,409)</u>	<u>84,064</u>
Net Changes in Fund Balances	<u>(156,674)</u>	<u>(215,875)</u>	<u>107,533</u>	<u>323,408</u>
Fund Balances, July 1, 2013	<u>638,691</u>	<u>592,717</u>	<u>592,717</u>	<u>-</u>
Fund Balances, June 30, 2014	<u>\$ 482,017</u>	<u>\$ 376,842</u>	<u>\$ 700,250</u>	<u>\$ 323,408</u>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Statement of Net Position  
Proprietary Funds  
Governmental Activities – Internal Service Funds  
June 30, 2014  
(in thousands)

Assets:	
Cash in county treasury, in banks, and on hand	\$ 953,771
Accounts receivable – net	7,183
Accrued interest and dividends receivable	3,118
Prepays	46,185
Other assets	5,453
Total Assets	1,015,710
Liabilities:	
Current:	
Vouchers and accounts payable	4,435
Accrued payroll	1,346
Other payables	32,488
Estimated liability for self-insurance claims	263,701
Total Current Liabilities	301,970
Nonecurrent:	
Estimated liability for self-insurance claims	376,478
Total Liabilities	678,448
Total Net Position – Unrestricted	\$ 337,262

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Funds  
Governmental Activities – Internal Service Funds  
Year Ended June 30, 2014  
(in thousands)

Operating Revenues:	
In-District premiums	\$ 1,090,433
Others	4,191
Total Operating Revenues	<u>1,094,624</u>
Operating Expenses:	
Certificated salaries	151
Classified salaries	5,011
Employee benefits	2,840
Supplies	265
Premiums and claims expenses	1,084,499
Claims administration	13,694
Other contracted services	1,337
Total Operating Expenses	<u>1,107,797</u>
Operating Loss	<u>(13,173)</u>
Nonoperating Revenues (Expenses):	
Interest income	6,300
Miscellaneous expense	(27)
Total Nonoperating Revenues	<u>6,273</u>
Loss before transfers	(6,900)
Transfers in	<u>10,786</u>
Change in Net Position	3,886
Total Net Position, July 1, 2013	<u>333,376</u>
Total Net Position, June 30, 2014	<u><u>\$ 337,262</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, 2014  
(in thousands)

Cash Flows from Operating Activities:	
Cash payments to employees for services	\$ (22,063)
Cash payments for goods and services	(1,080,054)
Receipts from assessment to other funds	1,090,460
Other operating revenue	4,191
Net Cash Used by Operating Activities	<u>(7,466)</u>
Cash Flows from Non-Capital Financing Activities:	
Transfer from other funds	10,786
Net Cash Provided by Non-Capital Financing Activities	<u>10,786</u>
Cash Flows from Investing Activities:	
Earnings on investments	4,305
Net Cash Provided by Investing Activities	<u>4,305</u>
Net Increase in Cash and Cash Equivalents	7,625
Cash and Cash Equivalents, July 1	<u>946,146</u>
Cash and Cash Equivalents, June 30	<u>\$ 953,771</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating loss	\$ (13,173)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in operating assets and liabilities:	
Increase in accounts receivable	(672)
Increase in prepaids	(3,539)
Increase in other assets	(5,453)
Increase in vouchers and accounts payable	3,538
Increase in accrued payroll	834
Increase in other payables	15,768
Increase in estimated liability for self-insurance claims – current	21,987
Decrease in estimated liability for self-insurance claims – noncurrent	<u>(26,756)</u>
Total Adjustments	<u>5,707</u>
Net Cash Used by Operating Activities	<u>\$ (7,466)</u>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Statement of Net Position  
Fiduciary Funds  
June 30, 2014  
(in thousands)

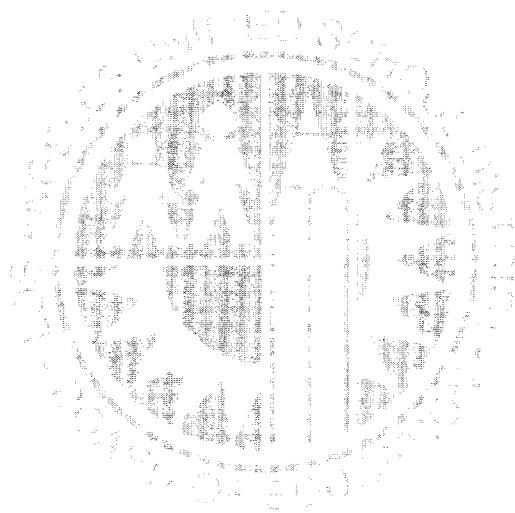
	<u>Other Postemployment Benefits (OPEB) Trust Fund</u>	<u>Agency Funds</u>
Assets:		
Cash in county treasury, in banks, and on hand	\$ —	\$ 117,203
Accounts receivable – net	60,000	—
Accrued interest receivable	—	64
Total Assets	<u>\$ 60,000</u>	<u>\$ 117,267</u>
Liabilities:		
Other payables	\$ —	\$ 117,267
Total Liabilities	<u>\$ —</u>	<u>\$ 117,267</u>
Net Position:		
Restricted for other postemployment benefits	<u>\$ 60,000</u>	

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Statement of Changes in Net Positions  
Fiduciary Funds  
Year Ended June 30, 2014  
(in thousands)

	Other Postemployment Benefits (OPEB) Trust Fund
Additions:	
In-District Contributions	\$ 60,000
Total Additions	60,000
Change in net position	60,000
Total Net Position, June 30, 2013	—
Total Net Position, June 30, 2014	\$ 60,000

See accompanying notes to basic financial statements.



## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Notes to Basic Financial Statements

Year Ended June 30, 2014

#### (1) Summary of Significant Accounting Policies

The Los Angeles Unified School District (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, 2014

**(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 position 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 and trust funds. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. The agency funds report only assets and liabilities and therefore have no measurement focus.

Governmental 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, 2014

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 position 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 position. 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 2013-14:

*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 (GO 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, 2014

*County School Facilities Bonds Fund* – This fund is established to account for apportionments received from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), and the 2006 State School Facilities Fund (Proposition 1D).

*Bond Interest and Redemption Fund* – This Debt Service fund is used to account for the payment of principal and interest on the general obligation bond issues (Proposition BB, Measure K, Measure R, and Measure Y). Revenues are derived from ad valorem taxes levied upon all property subject to tax by the District.

#### **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 that are restricted or committed to expenditures for the specific purpose (other than debt service or capital projects) of the individual funds. The District maintains the following Special Revenue Funds: Adult Education, Cafeteria, and Child Development.

*Debt Service Funds* – Debt Service Funds are used to account for all financial resources that are restricted, committed, or assigned to expenditures for the repayment of general long-term debt principal and interest. The District maintains the following nonmajor Debt Service Funds: Tax Override and Capital Services. The Bond Interest and Redemption Fund is reported separately as a major fund in fiscal year 2013-14.

*Capital Projects Funds* – Capital Projects Funds are used to account for all financial resources that are restricted, committed, or assigned to expenditures for 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, and Capital Facilities Account. The District Bonds Fund (BB Bonds, Measure K, Measure R, and Measure Y) and the County School Facilities Bonds Fund (Proposition 1A, Proposition 47, Proposition 55, and Proposition 1D) are reported separately as a major fund in fiscal year 2013-14.

#### **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.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Notes to Basic Financial Statements

Year Ended June 30, 2014

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.

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:

*Agency Funds* – Agency Funds are used to report resources held by the reporting government in a purely custodial capacity. Accordingly, all assets reported are offset by a liability to the party on whose behalf they are held. Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations or other governments. The District maintains the following agency funds:

*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.

*Student Body Fund* – The Student Body Fund is used to account for cash held by the District on behalf of student bodies at various school sites.

*Payroll Agency Fund* – The Payroll Agency Fund is used to account for cash held by the District consisting of state and federal income taxes, social security taxes, retirement deductions and other amounts withheld from the payroll checks of employees, from which a legal or contractual obligation exists to remit monies to a third party.

*Pension (and Other Employee Benefit) Trust Fund* – The Pension (and Other Employee Benefit) Trust Fund is 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, or other postemployment benefit plans. The District maintains one type of pension trust fund:

*Other Postemployment Benefit (OPEB) Trust Fund* – The OPEB Trust Fund accounts for all financial resources used to provide health and welfare benefits to District retirees in accordance with collective bargaining unit agreements and Board rules. These are non-pension benefits that the District has committed to its employees as future compensation for services already rendered.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Notes to Basic Financial Statements

Year Ended June 30, 2014

**(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 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.

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, and Internal Service 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 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. 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 for 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 debts, 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.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Notes to Basic Financial Statements

Year Ended June 30, 2014

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 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. 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 position.

**(i) *Inventories***

Inventories consist of expendable materials and supplies held for consumption, which are valued at cost, using the average-cost method. 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 \$5,000.

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.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2014

All capital assets, except land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives. A full month's depreciation is applied on the date the asset is placed in service.

<u>Assets</u>	<u>Years</u>
Buildings	50
Portable buildings	20
Building improvements	20
Improvement of sites	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

**(k) Contracts Payable**

Contracts payable includes only the portion applicable to work completed and unpaid as of June 30, 2014.

**(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.

Liability is accrued in the government-wide statements for all unpaid balances. A liability is reported in the governmental funds only for employees who have separated from the District as of June 30.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Notes to Basic Financial Statements

Year Ended June 30, 2014

**(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 position. Bond premiums and discounts are 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 recognized as expense in the period incurred. Gains and losses on refunding related to bonds redeemed by proceeds from the issuance of new bonds are amortized as an adjustment to interest 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 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 sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**(n) Local Control Funding Formula (LCFF) Sources/Property Taxes/Education Protection Account (EPA)**

LCFF sources are the basic financial support for District activities. The District's LCFF is received from a combination of local property taxes, EPA, and state apportionments. For the fiscal year 2013-14, the District received \$870.5 million of local property taxes, \$592.5 million of EPA, and \$2,945.2 million of State aid.

Implementation of the LCFF began in 2013-14 with a projected eight-year transition period. For school districts and charter schools, the LCFF creates base, supplemental, and concentration grants in place of most previously existing K-12 funding streams, including revenue limits and most state categorical programs. Until full implementation, local educational agencies (LEAs) will receive roughly the same amount of funding they received in 2012-13 plus an additional amount each year to bridge the gap between current funding levels and the new LCFF target levels. Funding is calculated based on data reported by each LEA including pupil attendance, local revenue, and other demographic factors, in accordance with the LCFF. Allocations are made through the Principal Apportionment system.

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

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Notes to Basic Financial Statements

Year Ended June 30, 2014

reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as LCFF sources by the District.

Another funding component to the total LCFF is the Education Protection Account (EPA). The EPA provides LEAs with general purpose state aid funding pursuant to Proposition 30, The Schools and Local Public Safety Protection Act of 2012, approved by the voters on November 6, 2012. Proposition 30 temporarily increases the state's sales tax rate for all taxpayers and the personal income tax rates for upper-income taxpayers. A portion of the revenues generated by the measure's temporary tax increases is deposited into the EPA which is used to support increased school funding.

The California Department of Education reduces the District's entitlement by the District's local property tax revenue and EPA entitlement. 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.

**(o) 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.

**(p) New Accounting Pronouncements**

The GASB has issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* effective for period beginning after December 15, 2012. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

In 2014, the District adopted GASB Statement No. 65, which requires the restatement of the June 30, 2013 net position in Governmental Activities by the amount of the unamortized bond issuance costs, as these costs are now required to be recognized as expenses in the period incurred. The result is a decrease in net position at July 1, 2013 of \$57.6 million. This change is in accordance with generally accepted accounting principles.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2014

The following table illustrates the cumulative effect of change in accounting principle as shown on the face of the District's Statement of Activities (amount in thousands):

Net position at beginning of year, as previously reported	\$ 2,241,536
Restatement – Full amortization of bond issuance costs	<u>(57,611)</u>
Net position at beginning of year, as restated	<u><u>\$ 2,183,925</u></u>

The GASB has issued Statement No. 66, Technical Corrections – 2012” an amendment of GASB Statements Nos. 10 and 62. This statement improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and Statement No. 62, Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The District's adoption of this statement does not have a material impact on its financial statement.

**(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.

No TRANS were issued during fiscal year 2013-14. The principal and interest on the notes outstanding at the end of fiscal year 2012-13 were retired on their due date of November 28, 2013.

**TRANS – Short-Term Notes Payable  
(in thousands)**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Beginning balance, July 1, 2013	\$ 780,000	\$ 13,694	\$ 793,694
Additions	–	8,017	8,017
Deductions	<u>(780,000)</u>	<u>(21,711)</u>	<u>(801,711)</u>
Ending balance, June 30, 2014	<u><u>\$ –</u></u>	<u><u>\$ –</u></u>	<u><u>\$ –</u></u>

**(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 Position**

The accompanying governmental fund balance sheet includes reconciliation between *total fund balances – governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. 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 \$16,936,159 difference are as follows (in thousands):

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2014

Bonds payable	\$ (11,011,840)
Deferred refunding charges	174,224
Certificates of Participation (COPs)	(383,237)
Capital lease obligations	(2,162)
Children Center Facilities Revolving loan	(555)
Liability for compensated absences	(59,878)
Retirement bonus	(67,955)
Other Postemployment Benefits (OPEB)	(5,351,835)
Accrued interest	<u>(232,921)</u>
Net adjustment to reduce <i>total fund balances – governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ (16,936,159)</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 position 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 \$10,251 difference are as follows (in thousands):

Capital related expenditures	\$ 574,030
Depreciation expense	<u>(563,779)</u>
Net adjustment to increase net changes in <i>total fund balances – governmental funds</i> to arrive at <i>changes in net position – governmental activities</i>	<u>\$ 10,251</u>

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 position.” The details of this \$624,534 difference are as follows (in thousands):

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2014

Debt issued or incurred:	
General Obligation Bonds	\$ (1,622,200)
Principal repayments:	
General Obligation Bonds	327,270
Certificates of Participation	30,508
Refunding General Obligation Bonds	1,887,990
Children Center Facilities Loan	79
Capital Leases	<u>887</u>
Net adjustment to increase net changes in <i>total fund balances – governmental funds</i> to arrive at <i>changes in net position – governmental activities</i>	<u>\$ 624,534</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 \$1.2 million.

**(5) Cash and Investments**

Cash and investments as of June 30, 2014 are classified in the accompanying basic financial statements as follows (in thousands):

Statement of net position:	
Cash and investments	\$ 4,068,312
Cash and investments held by trustee	<u>62,177</u>
Subtotal	4,130,489
Fiduciary funds:	
Cash and investments	<u>117,203</u>
Total cash and investments	<u>\$ 4,247,692</u>

Cash and investments as of June 30, 2014 consist of the following (in thousands):

Cash on hand (cafeteria change funds) (a)	\$ 18
Deposits with financial institutions and LA County Pool (a)	<u>4,247,674</u>
Total cash and investments	<u>\$ 4,247,692</u>

- (a) Deposits with financial institutions include cash in the Los Angeles County Pooled Surplus Investment Fund (\$4,151,456), cash held by fiscal agents or trustees (\$62,177), and cash deposited with various other financial institutions, including cash on hand (\$18) and imprest funds for schools and offices (\$34,041).

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.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Notes to Basic Financial Statements

Year Ended June 30, 2014

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:

<b>Authorized Investment Type</b>	<b>Maximum Maturity</b>	<b>Maximum Total Par Value</b>	<b>Maximum Par Value per Issuer</b>
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 Securitics 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	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 of "prime" quality of the highest ranking or of the highest letter or number ranking as provided for by a nationally recognized statistical-rating organization (NRSRO)	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	None	15% of PSI portfolio with no more than 10% in any one fund	None
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.	None	None	None
N. Securities Lending Agreement	180 days	20% of base portfolio value (combined total value of reverse purchase agreements and securities lending)	None
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, 2014

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:

	<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Total Par Value</u>	<u>Maximum Par Value per Issuer</u>
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, 2014, 49.30% of district funds in the County PSI Fund does not exceed one year. In addition, variable-rate notes that comprised 3.30% 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, 2014, 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, 2014

**(6) Receivables/Payables**

Receivables by Fund at June 30, 2014 consist of the following (in thousands):

	<u>General</u>	<u>District Bonds</u>	<u>County School Facilities Bonds</u>	<u>Bond Interest and Redemption</u>	<u>Other Governmental</u>	<u>Internal Service Funds</u>	<u>Total</u>
Taxes	\$ -	\$ -	\$ -	\$ 66,912	\$ -	\$ -	\$ 66,912
Accrued grants and entitlements	806,073	-	-	-	19,964	-	826,037
Other	31,482	4,131	-	-	7,851	7,183	50,647
Interest and dividends	3,099	4,812	1,933	-	942	3,118	13,904
Total Receivables	<u>\$ 840,654</u>	<u>\$ 8,943</u>	<u>\$ 1,933</u>	<u>\$ 66,912</u>	<u>\$ 28,757</u>	<u>\$ 10,301</u>	<u>\$ 957,500</u>

Payables by Fund at June 30, 2014 consist of the following (in thousands):

	<u>General</u>	<u>District Bonds</u>	<u>County School Facilities Bonds</u>	<u>Other Governmental</u>	<u>Internal Service Funds</u>	<u>Total</u>
Vouchers and accounts	\$ 191,843	\$ 36,265	\$ 284	\$ 7,424	\$ 4,435	\$ 240,251
Contracts	2,544	37,356	1,567	693	-	42,160
Accrued payroll	251,005	7,321	42	14,339	1,346	274,053
Other	52,622	4,355	208	14,995	32,488	104,668
Total payables	<u>\$ 498,014</u>	<u>\$ 85,297</u>	<u>\$ 2,101</u>	<u>\$ 37,451</u>	<u>\$ 38,269</u>	<u>\$ 661,132</u>

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2014

**(7) Capital Assets**

A summary of changes in capital asset activities follows (in thousands):

	<u>Balance, June 30, 2013</u>	<u>Increases/ Reclassifications</u>	<u>Decreases/ Reclassifications</u>	<u>Balance, June 30, 2014</u>
Governmental activities:				
Capital assets, not being depreciated:				
Sites	\$ 3,180,152	\$ —	\$ (95,213)	\$ 3,084,939
Construction in progress	575,310	568,021	(453,744)	689,587
Total capital assets, not being depreciated	<u>3,755,462</u>	<u>568,021</u>	<u>(548,957)</u>	<u>3,774,526</u>
Capital assets, being depreciated:				
Improvement of sites	559,575	4,116	—	563,691
Buildings and improvements	14,091,455	439,193	—	14,530,648
Equipment	1,622,452	111,658	(10,599)	1,723,511
Total capital assets, being depreciated	<u>16,273,482</u>	<u>554,967</u>	<u>(10,599)</u>	<u>16,817,850</u>
Less accumulated depreciation for:				
Improvement of sites	(354,112)	(15,883)	—	(369,995)
Buildings and improvements	(3,716,084)	(455,354)	—	(4,171,438)
Equipment	(1,290,058)	(92,542)	10,599	(1,372,001)
Total accumulated depreciation	<u>(5,360,254)</u>	<u>(563,779)</u>	<u>10,599</u>	<u>(5,913,434)</u>
Total capital assets, being depreciated, net	<u>10,913,228</u>	<u>(8,812)</u>	<u>—</u>	<u>10,904,416</u>
Governmental activities capital assets, net	<u>\$ 14,668,690</u>	<u>\$ 559,209</u>	<u>\$ (548,957)</u>	<u>\$ 14,678,942</u>

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2014

Depreciation expense was charged to the following functions (in thousands):

Governmental activities:	
Instruction	\$ 4,073
Support services – students	437
Support services – instructional staff	1,207
Support services – general administration	118
Support services – school administration	3,367
Support services – business	1,888
Operation and maintenance of plant services	5,627
Student transportation services	7,763
Data processing services	42,397
Operation of noninstructional services	2,445
Facilities acquisition and construction	494,457
Total depreciation expense – governmental activities	\$ 563,779

**(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 California State Teachers’ Retirement System (CalSTRS), and 3) the Public Agency Retirement (PARS) which is administered under a Trust. In general, certificated employees are members of CalSTRS and classified employees are members of CalPERS. Part-time, seasonal, temporary and other employees who are not members of CalPERS or CalSTRS 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, 2014

**Funding Policy**

On January 1, 2013, the Public Employees' Pension Reform Act (PEPRA) went into effect. PEPRA generally applies to employees hired on or after January 1, 2013 that are new to CalPERS. These employees are termed PEPRA members, and employees that were enrolled in CalPERS (without significant separation) prior to January 1, 2013 are now referred to as classic members. Among other things, PEPRA establishes new retirement formulas for PEPRA members and prohibits public employers from offering defined benefit pension plans to PEPRA members that exceed the benefits provided thereunder. Classic 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. PEPRA members are required to contribute 6% (miscellaneous) or 12.75% (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 2013-14 were 11.442% for miscellaneous and 31.821% 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, 2014, 2013, and 2012 (in thousands).

Schedule of Employer Contributions:

	<u>2014</u>		<u>2013</u>	<u>2012</u>
	<u>Safety</u>	<u>Miscellaneous</u>	<u>Safety and Miscellaneous</u>	<u>Safety and Miscellaneous</u>
District contributions:				
Regular	\$ 8,518	\$ 106,221	\$ 110,441	\$ 112,011
Annual Savings Recapture – AB 702 Credits	—	—	2,370	6,623
Total district contributions	<u>8,518</u>	<u>106,221</u>	<u>112,811</u>	<u>118,634</u>
Employee contributions:				
Paid by Employees	648	49,062	48,580	51,374
Paid by District	<u>1,958</u>	<u>14,513</u>	<u>15,854</u>	<u>17,801</u>
Total employee contributions	<u>2,606</u>	<u>63,575</u>	<u>64,434</u>	<u>69,175</u>
Total CalPERS contributions	<u><u>\$ 11,124</u></u>	<u><u>\$ 169,796</u></u>	<u><u>\$ 177,245</u></u>	<u><u>\$ 187,809</u></u>
Percentage of required contributions made	100%	100%	100%	100%

The District's contributions for all members for the fiscal years ended June 30, 2014, 2013, and 2012 were in accordance with the required contribution rates calculated by the CalPERS actuary for each

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Notes to Basic Financial Statements

Year Ended June 30, 2014

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, 2014, 2013, and 2012.

A summary of principal assumptions and methods used to determine the ARC for the Safety plan is shown below:

Valuation Date	June 30, 2013
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Asset Valuation Method	Market Value
Actuarial Assumptions	
Discount Rate	7.50 % (net of administrative expenses)
Projected Salary Increases	3.30% to 14.20% depending on Age, Service, and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% 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 period with Direct Rate Smoothing with a 5-year ramp up/ramp down. 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, 2013, the most recent actuarial valuation date, the actuarial value of plan assets, which equals market value of assets per CalPERS Direct Rate Smoothing policy beginning with this valuation, was \$212.66 million and the actuarial accrued liability for benefits was \$277.74 million. The unfunded actuarial liability was \$65.08 million. The actuarial value of assets as a percentage of the actuarial accrued liability was 76.6% (funded ratio). The covered payroll (annual payroll of active employees covered by the plan) was \$25.45 million, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 255.7%.

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 65 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, 2014

**(b) California State Teachers' Retirement System (CalSTRS)**

**Plan Description**

The District contributes to the CalSTRS, 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 CalSTRS. At June 30, 2013, there were 1,659 contributing employers (charter schools, 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. CalSTRS 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 CalSTRS 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 CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-14 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. Required contributions to CalSTRS for fiscal years ended June 30, 2014, 2013, and 2012 (in thousands) are as follows:

	<b>Percentage of applicable member earnings</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
District contributions	8.25%	\$ 212,465	\$ 213,485	\$ 224,963
Employee contributions (including adjustments)	8.00%	207,995	208,248	218,026
Total STRS contributions	<u>16.25%</u>	<u>\$ 420,460</u>	<u>\$ 421,733</u>	<u>\$ 442,989</u>
Percentage of required contributions made		100%	100%	100%

The District's contributions for all members for the fiscal years ended June 30, 2014, 2013, and 2012 were in accordance with the required contribution rates calculated by the CalSTRS actuary for each year.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Notes to Basic Financial Statements

Year Ended June 30, 2014

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 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. 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 54,773 as of June 30, 2014. District and employee contributions to the plan for the last three fiscal years are as follows: 2013-14 - \$9,691,586, 2012-13 - \$8,224,146, and 2011-12 - \$9,001,987.

The District's contributions for all members for the fiscal years ended June 30, 2014, 2013, and 2012 were in accordance with the required contributions.

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### Notes to Basic Financial Statements

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#### ***Termination Benefits***

To lessen the impact of anticipated reductions in work force, the District offered early retirement incentive programs in fiscal years 2008-09 and 2009-10 to certificated and classified employees. 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. As of June 30, 2014, the benefits were fully funded.

#### ***Postemployment Benefits – Health and Welfare for Retirees***

##### **Plan Description**

The District administers a single-employer defined benefit healthcare plan. The plan provides other postemployment (health care) benefits in accordance with collective bargaining unit agreements and Board rules. Certificated and classified employees who retire from the District receiving a CalSTRS/CalPERS retirement allowance (for either age or disability) may be eligible to continue coverage under the District-sponsored hospital/medical, dental, and vision plans which cover both active and retired members and their eligible dependents. 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 qualifying service and age. For those employees that have a break in service, this must include 10 consecutive years immediately prior to retirement.
- e. Those hired from March 1, 2007 through March 31, 2009 must have at least 80 years combined total of 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, except School Police, must have at least 85 years combined total of 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, 2014

- g. School Police (sworn personnel) hired on or after April 1, 2009 must have at least 80 years combined total of qualifying service and age. In addition, the employee must have a minimum of 20 consecutive years of qualifying service immediately prior to retirement.

Qualifying years of service consist of school years in which an employee was in “paid status” for at least 100 full-time days and eligible for District-sponsored health care benefits.

In order to maintain coverage, the retirees must continue to receive a CalSTRS/CalPERS retirement allowance and retirees/spouses or domestic partners must enroll in those parts of Medicare for which they are eligible. Lack of Medicare does not impact dental or vision coverage. As of July 1, 2014, approximately 38,000 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.

Moreover, the District established in fiscal year 2013-14 an irrevocable other postemployment benefits (OPEB) trust with CalPERS – California Employers’ Retiree Benefit Trust (CERBT) to address its fiscal obligation in relation to its OPEB liability. Contributions to the OPEB trust will be calculated annually and are governed by the District’s Budget and Finance Policy wherein such contributions will be subject to maintaining an Unrestricted General Fund balance of 5% of the unrestricted revenue.

For fiscal year 2013-14, the District contributed a total of \$326.9 million to the plan including \$60 million contributed to the OPEB trust. The total contribution covers a portion of the normal cost of active employees and the amortization of past service costs for both actives and retirees based on an actuarially calculated valuation.

#### **Healthcare Reform Act**

The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010, collectively referred to as the Health Care Reform Act of 2010 (“The Act”), were signed into law in March 2010. The Act imposes a 40% excise tax on employers that carry “Cadillac healthcare plans” beginning in 2018. The tax is applied to the amount of premium in excess of stated single (\$10,200) and family (\$27,500) thresholds. As of June 30, 2014 actuarial valuation, the District’s actuary considered the potential additional costs due to the reduced funding on Medicare Advantage Plans by the federal government and excise taxes on high cost plans and these are included in the actuary’s valuation of liabilities.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

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**Annual OPEB Cost and Net OPEB Obligation**

The District's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and 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	\$ 868,620
Interest on net OPEB obligation	242,744
Adjustment to annual required contribution	<u>(220,484)</u>
Annual OPEB cost (expense)	890,880
Contributions made	<u>(326,888)</u>
Increase in net OPEB obligation	563,992
Net OPEB obligation – beginning of year	<u>4,787,843</u>
Net OPEB obligation – end of year	<u>\$ 5,351,835</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2014, 2013, and 2012 were as follows (in thousands):

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2014	\$ 890,880	37 %	\$ 5,351,835
6/30/2013	1,038,193	24	4,787,843
6/30/2012	1,047,987	22	3,995,038

**Funded Status and Funding Progress**

As of July 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$10.9 billion, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$10.9 billion. These valuations include the effects of establishing an irrevocable trust and considered a partial pre-funding plan. 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 237%.

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

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Notes to Basic Financial Statements

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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 July 1, 2013 actuarial valuation, the actuarial method used in estimating the liability is the Level Percentage of Pay Entry Age Normal (EAN) cost method, which spreads plan costs for each participant from entry date to the expected retirement date. Under this EAN cost method, the plan's normal cost is developed as a level percentage of pay spread over the participants' working lifetime. The significant assumptions used in the computation include a 5.07% discount rate, inflation of 2.75% per annum, and healthcare cost trend rates in 2013 of 8.5% or 8.75% for non-Medicare advantage plans and 1.09% or -7.94% for Medicare advantage plans. The rate varies depending on the participants' choice of healthcare provider (i.e. Anthem Blue Cross, Kaiser, Health Net or UHC). Ultimately, the assumed rates decline to 5% across the board in 2023. A healthcare cost trend rate of 5% is assumed for dental and vision. The UAAL is being amortized as a level percentage of pay amortization amounts (assuming 3% annual increase) over a 30-year open amortization period.

#### **(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 physical property loss damages, which currently provides \$1 billion coverage above a \$500,000 self-insurance retention and for general liability, which currently provides \$35 million coverage above a \$5 million self-insurance retention. No settlements exceeded insurance coverage in the last five fiscal years ended June 30, 2014.

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

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Notes to Basic Financial Statements

Year Ended June 30, 2014

program, workers' compensation coverage with statutory limits and primary general liability and excess liability coverage with limits of \$100 million have been underwritten by seven major insurance carriers.

The District has also purchased contractors' pollution liability insurance coverage for the construction program. The policy protects contractors and the District from losses resulting from pollution liability related incidents occurring during construction. The 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, 2014, the amount of the total claims liabilities recorded for health and welfare, liability self-insurance, and workers' compensation was \$640.2 million. Changes in the reported liabilities since July 1, 2012 are summarized as follows (in thousands):

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>End of Fiscal Year Liability</u>
2013-2014				
Health and welfare benefits	\$ 22,363	\$ 237,406	\$ (239,135)	\$ 20,634
Workers' compensation	420,831	98,642	(97,928)	421,545
Liability self-insurance	201,753	47,233	(50,987)	197,999
Total	<u>\$ 644,947</u>	<u>\$ 383,281</u>	<u>\$ (388,050)</u>	<u>\$ 644,178</u>
2012-2013				
Health and welfare benefits	\$ 24,246	\$ 216,728	\$ (218,611)	\$ 22,363
Workers' compensation	433,988	89,286	(102,443)	420,831
Liability self-insurance	49,504	168,345	(16,096)	201,753
Total	<u>\$ 507,738</u>	<u>\$ 474,359</u>	<u>\$ (337,150)</u>	<u>\$ 644,947</u>

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2014

**(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. The COPs outstanding as of June 30, 2014 are as follows (in thousands):

<u>COPs Issue</u>	<u>Sale Date</u>	<u>Original Principal Amount</u>	<u>Outstanding June 30, 2014</u>	<u>Interest Rates to Maturity</u>	<u>Final Maturity</u>
2004 Series A	2004	\$ 50,700	\$ 2,340	4.0%	2014
Series 2005 (QZAB)	2005	10,000	10,000	0.0	2020
2007 Series A	2007	99,660	45,225	5.0	2017
2009 Series A	2009	40,728	24,344	3.92	2019
2010 Series A	2010	69,685	40,975	3.0 - 5.0	2017
2010 Series B-1 (BABs)	2010	21,615	21,615	7.663 - 8.525	2035
2010 Series B-2	2010	61,730	45,870	4.0 - 5.75	2020
2012 Series A	2012	87,845	80,635	3.75 - 5.0	2031
2012 Series B	2012	72,345	71,545	2.125 - 5.0	2031
2013 Series A	2013	24,780	23,310	2.29	2028
			<u>\$ 365,859</u> *		

\* The total amount shown above excludes net unamortized premium of \$17.4 million.

In prior years, the District defeased certain principal amounts of its COPs and refunding COPs by placing proceeds of refunding COPs and general obligation bonds into irrevocable escrow funds to provide for all future debt service payments on the refunded and defeased COPs and refunding COPs. Accordingly, the escrow account assets and the liability for the defeased COPs are not included in the District's financial statements. As of June 30, 2014, there are no defeased COPs outstanding.

In prior years, the District defeased certain sinking fund payments for its 2005 Certificates of Participation (Qualified Zone Academy Bonds) by placing proceeds of general obligation bonds, interest earnings on all said deposits and interest earnings on forward delivery agreements into the sinking fund account held by the trustee to provide for the payment of the 2005 Certificates of Participation (Qualified Zone Academy Bonds) at maturity. While the District's financial statements indicate that the full principal amount of the 2005 Certificates of Participation (Qualified Zone Academy Bonds) are outstanding as of June 30, 2014, a total of \$5.24 million of accumulated sinking fund payments have been made, which reflects the portion of the COPs that are considered economically defeased.

***Other Leasing Arrangements***

The District has entered into various lease agreements ranging from four to seven years to finance the acquisition of transportation 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.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2014

The District's operating leases consist of various leased facilities and office equipment (primarily copiers). The leased facilities have varying terms ranging from three years to 83 years. Some leases are month to month. The leases expire over the next 69 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 year.

The total expenditure for all operating leases amounted to \$9.0 million in 2013-14. The future minimum commitments for noncancelable operating lease of the District as of June 30, 2014 are as follows (in thousands):

<u>Fiscal year ending</u>	<u>Amount</u>
2015	\$ 8,617
2016	6,060
2017	5,210
2018	5,317
2019	4,773
2020-2024	16,708
2025-2029	15,911
2030-2034	18,046
2035-2039	20,941
2040-2044	16,381
2045-2049	14,117
2050-2054	15,586
2055-2059	17,208
2060-2064	18,999
2065-2069	20,977
2070-2074	23,160
2075-2079	25,571
2080-2084	27,988
	<u>\$ 281,570</u>

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2014

**(11) Long-Term Obligations**

The following is a summary of changes in long-term obligations for the year ended June 30, 2014 (in thousands):

	<u>Balance, July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, June 30, 2014</u>	<u>Due Within One Year</u>	<u>Interest Expense</u>
General Obligation Bonds*	\$ 11,258,179	\$ 1,890,132	\$ 2,136,471	\$ 11,011,840	\$ 382,847	\$ 513,100
Certificates of Participation (Note 10)**	416,597	19	33,379	383,237	41,211	13,617
Capital Lease Obligations	1,308	1,741	887	2,162	656	27
Children Center Facilities Revolving Loan	634	-	79	555	79	-
Liability for Compensated Absences	61,595	62,425	62,360	61,660	1,362	-
Liability for Other Employee Benefits	87,870	-	19,862	68,008	53	-
Self-Insurance Claims (Note 9)	644,947	383,281	388,050	640,178	263,701	-
Other Postemployment Benefits (OPEB)	4,787,843	890,880	326,888	5,351,835	-	-
Total	<u>\$ 17,258,973</u>	<u>\$ 3,228,478</u>	<u>\$ 2,967,976</u>	<u>\$ 17,519,475</u>	<u>\$ 689,909</u>	<u>\$ 526,744</u>

\* On July 1, 2013, the District adopted GASB Statement No. 65 and reported deferred refunding charges under deferred outflows of resources. The GO Bonds balance at July 1, 2013 was adjusted to exclude the deferred refunding charges of \$106.97 million. The amounts shown above include unamortized premiums and discounts.

\*\* The amounts shown above include unamortized premiums and discounts.

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	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 332,225	\$ 491,337	\$ 39,039	\$ 16,472	\$ 79	\$ —	\$ 371,343	\$ 507,809
2016	336,695	513,629	38,070	14,776	79	—	374,844	528,405
2017	336,940	498,103	39,062	12,993	79	—	376,081	511,096
2018	364,895	481,596	48,274	10,937	79	—	413,248	492,533
2019	392,740	490,471	20,399	9,325	79	—	413,218	499,796
2020-2024	2,187,585	2,364,742	78,302	34,745	160	—	2,266,047	2,399,487
2025-2029	3,199,885	1,006,730	60,025	20,553	—	—	3,259,910	1,027,283
2030-2034	2,720,295	635,610	40,900	5,820	—	—	2,761,195	641,430
2035-2036	673,875	20,882	3,950	327	—	—	677,825	21,209
	<u>\$ 10,545,135</u>	<u>\$ 6,503,100</u>	<u>\$ 368,021</u>	<u>\$ 125,948</u>	<u>\$ 555</u>	<u>\$ —</u>	<u>\$ 10,913,711</u>	<u>\$ 6,629,048</u>

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2014

The General Obligation (GO) Bonds balance of \$11.01 billion, which includes unamortized bond premiums (net of unamortized discount) of \$467.7 million, consists of (in thousands):

<u>Bond Issue</u>	<u>Sale Date</u>	<u>Original Principal Amount</u>	<u>Outstanding June 30, 2014</u>	<u>Interest Rates to Maturity</u>	<u>Final Maturity</u>
Proposition BB, Series A	1997	\$ 356,000	\$ 33,980	6.0%	2015
Measure K, Series B	2007	500,000	273,925	4.0 - 5.0	2031
Measure K, Series C	2007	150,000	71,255	4.0 - 5.0	2032
Measure K, Series D	2009	250,000	221,890	3.125 - 5.3	2034
Measure R, Series C	2004	50,000	1,690	4.0	2014
Measure R, Series E	2005	400,000	23,465	4.0 - 5.0	2015
Measure R, Series F	2006	500,000	89,700	3.75 - 5.0	2027
Measure R, Series G	2006	400,000	53,705	4.0 - 5.0	2031
Measure R, Series H	2007	550,000	244,780	5.0	2032
Measure R, Series I	2009	550,000	491,930	5.0 - 5.25	2034
Measure Y, Series A	2006	56,785	7,990	3.75 - 4.1	2022
Measure Y, Series B	2006	80,200	17,460	3.75 - 4.4	2028
Measure Y, Series C	2006	210,000	111,005	5.0	2030
Measure Y, Series D (Taxable)	2006	47,400	7,820	6.0	2014
Measure Y, Series E	2007	300,000	143,140	4.75 - 5.0	2032
Measure Y, Series F	2009	150,000	133,520	3.6 - 5.25	2034
Measure Y, Series H (QSCB)(Taxable)	2009	318,800	318,800	1.54	2025
Measure Y, Series J-1 (QSCB)(Taxable)	2010	190,195	190,195	5.981	2027
Measure Y, Series J-2 (QSCB)(Taxable)	2010	100,000	100,000	5.72	2027
Series KRY	2009	205,785	106,535	4.0 - 5.0	2020
Series KRY (BABs)(Taxable)	2009	1,369,800	1,369,800	5.750 - 5.755	2034
Series KRY	2010	478,575	432,865	4.0-5.25	2034
Series RY (BABs)(Taxable)	2010	1,250,585	1,250,585	6.758	2034
Series KY	2010	159,495	120,160	2.0 - 5.0	2018
2002 GO Refunding Bonds	2002	258,375	137,600	4.5 - 5.75	2017
2004 GO Refunding Bonds, Series A-1	2004	90,740	115	3.6	2014
2004 GO Refunding Bonds, Series A-2	2004	128,385	255	3.6	2014
2005 GO Refunding Bonds, Series A-1	2005	346,750	345,980	3.5 - 5.5	2025
2005 GO Refunding Bonds, Series A-2	2005	120,925	120,925	5.0 - 5.5	2024
2006 GO Refunding Bonds, Series B	2006	574,905	555,695	4.0 - 5.0	2027
2007 GO Refunding Bonds, Series A-1	2007	1,153,195	1,126,445	4.0 - 5.0	2028
2007 GO Refunding Bonds, Series A-2	2007	136,055	136,055	4.25 - 4.5	2028
2007 GO Refunding Bonds, Series B	2007	24,845	24,650	5.0	2019
2009 GO Refunding Bonds, Series A	2009	74,765	47,350	3.0 - 5.0	2019
2010 GO Refunding Bonds, Series A	2010	74,995	55,715	3.0 - 5.0	2015
2011 GO Refunding Bonds, Series A-1	2011	206,735	202,680	2.0 - 5.0	2024
2011 GO Refunding Bonds, Series A-2	2011	201,070	197,275	4.0 - 5.0	2023
2012 GO Refunding Bonds, Series A	2012	156,000	156,000	2.0 - 5.0	2028
2014 GO Refunding Bonds, Series A	2014	196,850	196,850	1.0 - 5.0	2022
2014 GO Refunding Bonds, Series B	2014	323,170	323,170	5.0	2026
2014 GO Refunding Bonds, Series C	2014	948,795	948,795	1.0 - 5.0	2031
2014 GO Refunding Bonds, Series D	2014	153,385	153,385	5.0	2030
			<u>\$ 10,545,135</u>		

\* The total amount shown above excludes net unamortized premium of \$467.7 million.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Notes to Basic Financial Statements

Year Ended June 30, 2014

On June 26, 2014, the District issued the 2014 GO Refunding Bonds for \$1.622 billion consisting of four series:

1. Series A for \$196.850 million refunded the 2004 Refunding Bonds, Series A-1, Proposition BB for \$89.835 million and the 2004 Refunding Series A-2, Proposition BB for \$126.335 million;
2. Series B for \$323.170 million refunded Measure K, Series B (2007) for \$146.335 million, Measure K, Series C (2007) for \$55.495 million, and the 2006 GO Refunding Bonds, Series A for \$132.325 million;
3. Series C for \$948.795 million refunded Measure R, Series C (2004) for \$32.050 million, Measure R, Series E (2005) for \$184.375 million, Measure R, Series F (2006) for \$316.835 million, Measure R, Series G (2006) for \$259.420 million, and Measure R, Series H (2007) for \$203.315 million; and
4. Series D for \$153.385 million refunded Measure Y, Series C (2006) for \$47.720 million and Measure Y, Series E (2007) for \$112.310 million.

The 2014 refunding resulted in a reduction of the debt service payments of \$171.584 million over 18 years and an economic gain of \$150.523 million.

In prior years, the District defeased certain principal amounts of its general obligation bonds by placing proceeds of refunding bonds in an irrevocable escrow fund to provide for all future debt service payments on the refunded and defeased bonds. Accordingly, the escrow account assets and the liability for the defeased GO Bonds are not included in the District's financial statements. At June 30, 2014, \$1.822 billion of the defeased GO Bonds are still outstanding.

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 equal installments to commence on July 1, 2012 and each year thereafter until July 1, 2021.

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, Internal Revenue Service (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 United States 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. As of June 30, 2014, there was no arbitrage payable due to the IRS.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2014

***Debt Liquidation***

Payments on the General Obligation Bonds and Certificates of Participation are made by the debt service funds. The employee benefits liability for retirement bonus and early retirement incentive are all paid out of the General Fund, while the compensated absences portion will be liquidated from different governmental funds and proprietary funds. In fiscal year 2014, approximately 91% has been paid by the General Fund, 8% by the District Bonds Fund, and 1% by the proprietary funds.

The self-insurance claims and other postemployment benefits will generally be liquidated through the internal service funds which will finance the payment of those claims and benefits by charging user funds. The General Fund assumes 100% of liability self-insurance claims. For workers' compensation and health benefit claims, including retiree health benefits, the General Fund currently bears approximately 88% of the cost, while the Cafeteria Fund carries 6%; no other individual fund is charged more than 3% of the total amount.

**(12) Interfund Transactions**

***(a) Interfund Receivables/Payables (Due to/from Other Funds)***

Interfund receivables/payables are eliminated on the government-wide statement of net position 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, 2014 are as follows (in thousands):

<u>Fund Group</u>	<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General:	Unrestricted	\$ 1,000	\$ --
	Total General	1,000	--
Special Revenue:	Child development	--	1,000
	Total Special Revenue	--	1,000
	Total Interfund Receivables/Payables	<u>\$ 1,000</u>	<u>\$ 1,000</u>

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2014

**(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, 2014 were as follows (in thousands):

<u>From</u>	<u>To</u>	<u>Purpose</u>	<u>Amount</u>
General	Cafeteria	Cafeteria support	\$ 51,000
General	Capital Services	Debt service	36,116
General	Child Development	Child development support	30,198
General	Health and Welfare	Medicare Part D subsidy	10,787
General	Special Reserve	Reimbursement of capital expenditures	11
Adult Education	General	Balance transfer	35
Cafeteria	Capital Services	Debt service	787
Building - Measure R	Special Reserve	Reimbursement of capital expenditures	4,612
Building - Measure Y	Cafeteria	Reimbursement of capital expenditures	861
Building - Measure Y	General	Reimbursement of capital expenditures	5,745
Capital Facilities	Capital Services	Debt service	9,576
State School Building Lease-Purchase	Building	Reimbursement of capital expenditures	148
Special Reserve	General	Reimbursement of capital expenditures	16,901
Sub-total			<u>166,777</u>
Adult Education	General	Transfer of support costs	1,971
Child Development	General	Transfer of support costs	4,121
Cafeteria	General	Transfer of support costs	11,344
Total			<u>\$ 184,213</u>

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2014

**(13) Fund Equity**

The following is a summary of nonspendable, restricted, assigned, and unassigned fund balances at June 30, 2014 (in thousands):

	<u>General Fund</u>	<u>District Bonds</u>	<u>County School Facilities Bonds</u>	<u>Bond Interest and Redemption</u>	<u>Other Governmental Funds</u>
Nonspendable:					
Revolving cash and imprest funds	\$ 2,670	\$ 5,602	\$ 33	\$ —	\$ 41
Inventories	16,958	—	—	—	6,677
Prepays	3	—	—	—	—
Total Nonspendable Balances	<u>19,631</u>	<u>5,602</u>	<u>33</u>	<u>—</u>	<u>6,718</u>
Restricted for:					
Child Nutrition: School Programs	—	—	—	—	19,373
Medi-Cal Billing Options	1,923	—	—	—	—
FEMA Public Assistance Funds	155	—	—	—	5,967
California Clean Energy Jobs Act	29,728	—	—	—	—
Cops More Program	35	—	—	—	—
School Mental Health Medi-Cal Rehabilitation	5,629	—	—	—	—
Medi-Cal Electronic Health Record Incentive	449	—	—	—	—
English Language Acquisition Program, Teacher Training & Student Assistance	3,764	—	—	—	—
Special Education	3,924	—	—	—	—
Special Education: Early Education Individuals with Exceptional Needs (Infant Program)	487	—	—	—	—
Economic Impact Aid: Limited English Proficiency (LEP)	9,505	—	—	—	—
Quality Education Investment Act (QEIA)	28,884	—	—	—	—
Common Core State Standards Implementation	91,127	—	—	—	—
State School Facilities Projects	—	—	544,965	—	4,360
California Energy Commission Loan Expenditures	397	—	—	—	—
Employment Training Panel-Regional Occupational Centers and Programs	30	—	—	—	—
CDE Grant Olive Vista Middle School	—	—	—	—	44
Division of State Architect Certification/Close out	—	—	—	—	1,595
Capital Projects	—	—	—	—	111,806
Certificates of Participation (Acquisition Accounts) Proceeds	16,374	—	—	—	—
Clean Cities Grant	86	—	—	—	—
B.E.S.T. Behavior – Special Education	55	—	—	—	—
Cognitive Behavioral Intervention Therapy	380	—	—	—	—
Debt Service Reserve	—	—	—	712,646	55,441
District Bonds	—	1,121,750	—	—	—
Total Restricted Balances	<u>192,932</u>	<u>1,121,750</u>	<u>544,965</u>	<u>712,646</u>	<u>198,586</u>
Committed to:					
Adult Education	—	—	—	—	8,949
Assigned to:					
Subsequent year expenditures	336,430	—	—	—	149,776
Unassigned					
Reserved for economic uncertainties	65,376	—	—	—	—
Unassigned	85,881	—	—	—	—
Total Fund Balances	<u>\$ 700,250</u>	<u>\$ 1,127,352</u>	<u>\$ 544,998</u>	<u>\$ 712,646</u>	<u>\$ 364,029</u>

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Notes to Basic Financial Statements

Year Ended June 30, 2014

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

**Restricted** fund balances represent amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Committed** fund balances represent amounts that can be used only for specific purposes determined by a formal action of the governing board through the adoption of a resolution. The governing board is the highest level of decision-making authority for the District. These committed amounts cannot be used for any other purpose unless the governing board removes or changes the specific use through formal action. Governing board action to commit fund balance needs to occur within the fiscal reporting period, no later than June 30. The amount which will be committed can be determined subsequently but prior to the release of the District's financial statements.

**Assigned** fund balances represent amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The District's adopted policy delegates the authority to assign amounts for specific purposes to the Superintendent, or designated executive committee.

**Unassigned** fund balances represent all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which amounts in any of the unrestricted classifications of fund balance could be used, the District considers committed amounts to be reduced first, followed by assigned amounts, and then unassigned amounts.

#### **Minimum Fund Balance Policy**

As part of the Budget and Finance Policy, the governing board has adopted a minimum fund balance policy for the General Fund in order to avoid the need for service level reductions in the event that an economic downturn causes revenues to be substantially lower than budgeted. The policy requires the District to maintain an economic uncertainty reserve consisting of unassigned amounts equal to at least 1% of total General Fund operating expenditures. In the event that the District must expend all or part of this reserve, the District will identify and implement a budgetary plan to replenish this reserve the following year. This reserve may be increased based on legal requirement.

The policy also requires the Total General Fund balance to be maintained at a minimum level of 5% of Total General Fund expenditures and net transfers out. In the event that the General Fund balance falls below this level, all one-time monies are to be set-aside until the threshold is met, in addition to other recommendations that may be developed.

#### **(14) Contingencies**

##### **(a) General**

The District, as well as current and former Board Members and employees to whom the District has defense and indemnification responsibilities under the Government Code, has been named as defendants in numerous lawsuits, administrative proceedings and arbitrations. These seek, among

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Notes to Basic Financial Statements

Year Ended June 30, 2014

other things, to require the District to reinstate terminated, demoted, suspended, 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 many proceedings, monetary damages are sought including, for example, claims for retroactive pay and benefits and future pay and benefits. Based on the opinion of counsel, management 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 2013-14 the District entered into approximately 153 contracts with a combined value of \$148.8 million. The durations of the contracts range from one month to two years.

**(15) Subsequent Events**

Subsequent events have been evaluated through December 15, 2014, which is the date the financial statements were available to be issued.

On August 19, 2014, the District issued a total of \$135.83 million of General Obligation Bonds as follows:

- a. Election of 2004 (Measure R), Series J, for \$68.17 million
- b. Election of 2004 (Measure R), Series K, Federally Taxable, for \$7.045 million
- c. Election of 2005 (Measure Y), Series K, for \$35.465 million
- d. Election of 2005 (Measure Y), Series L, Federally Taxable for \$25.15 million

Proceeds from Measure Y, Series K will be used to pay a portion of the lease payments due on October 1, 2014 through and including October 1, 2017 with respect to the District's outstanding Certificates of Participation, 2007 Series A (Information Technology Projects) and to prepay its Certificates of Participation, 2009 Series A (Food Services Projects) in their entirety, using a combination of General Obligation Bonds, Measure K, Series Y proceeds and unspent project funds.

On November 21, 2014, the District announced a tentative settlement that would resolve all outstanding lawsuits regarding teacher misconduct at Miramonte Elementary School for \$139.25 million, which has been accrued as of June 30, 2014.



LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Required Supplementary Information  
 Year Ended June 30, 2014  
 (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		
06/30/11	\$ 258,518	\$ 214,253	\$ 191,662	\$ 44,265	82.9%	74.1%	\$ 24,677	179.4%
06/30/12	266,875	227,076	190,589	39,799	85.1	71.4	24,938	159.6
06/30/13	277,737	212,659	212,659	65,077	76.6	76.6	25,449	255.7

2. Schedule of Funding Progress for Postemployment Healthcare Benefits:

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (Entry Age Normal) (AAL)*	Unfunded Actuarial Accrued Liability (UAAL)*	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2009	\$ —	\$ 10,339,628	\$ 10,339,628	0%	\$ 4,628,914	223 %
6/30/2011	—	11,154,190	11,154,190	0	4,600,000	242
6/30/2013	—	10,901,982	10,901,982	0	4,600,000	237

\*Note: Includes adjustment for the 40% excise tax included in the Healthcare Reform Act.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
District Bonds Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual  
Year Ended June 30, 2014  
(in thousands)

	<b>Budget</b>		<b>Actual</b>	<b>Variance with Final Budget – Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
Revenues:				
Other local revenues	\$ 19,430	\$ 19,430	\$ 22,839	\$ 3,409
Total Revenues	<u>19,430</u>	<u>19,430</u>	<u>22,839</u>	<u>3,409</u>
Expenditures:				
Current:				
Classified salaries	91,825	144,194	56,731	87,463
Employee benefits	41,584	65,234	26,673	38,561
Books and supplies	5,389	124,258	6,386	117,872
Services and other operating expenditures	55,044	400,332	25,751	374,581
Capital outlay	1,273,864	715,838	497,794	218,044
Debt service – principal	2,401	—	—	—
Total Expenditures	<u>1,470,107</u>	<u>1,449,856</u>	<u>613,335</u>	<u>836,521</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,450,677)</u>	<u>(1,430,426)</u>	<u>(590,496)</u>	<u>839,930</u>
Other Financing Sources (Uses):				
Transfers out	(2,308)	(13,309)	(11,218)	2,091
Issuance of bonds	677,970	—	—	—
Total Other Financing Sources (Uses)	<u>675,662</u>	<u>(13,309)</u>	<u>(11,218)</u>	<u>2,091</u>
Net Changes in Fund Balances	<u>(775,015)</u>	<u>(1,443,735)</u>	<u>(601,714)</u>	<u>842,021</u>
Fund Balances, July 1, 2013	1,738,315	1,729,066	1,729,066	—
Fund Balances, June 30, 2014	<u>\$ 963,300</u>	<u>\$ 285,331</u>	<u>\$ 1,127,352</u>	<u>\$ 842,021</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 County School Facilities Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual  
 Year Ended June 30, 2014  
 (in thousands)

	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
	Original	Final		
Revenues:				
Other state revenues	\$ 35,623	\$ 35,623	\$ 105,211	\$ 69,588
Other local revenues	3,680	3,680	24,388	20,708
Total Revenues	<u>39,303</u>	<u>39,303</u>	<u>129,599</u>	<u>90,296</u>
Expenditures:				
Current:				
Classified salaries	—	3,716	62	3,654
Employee benefits	—	1,346	44	1,302
Books and supplies	—	2,043	23	2,020
Services and other operating expenditures	—	41,594	566	41,028
Capital outlay	456,066	367,438	38,240	329,198
Total Expenditures	<u>456,066</u>	<u>416,137</u>	<u>38,935</u>	<u>377,202</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(416,763)</u>	<u>(376,834)</u>	<u>90,664</u>	<u>467,498</u>
Other Financing Sources (Uses):				
Transfers in	—	—	—	—
Transfers out	—	—	—	—
Total Other Financing Sources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net Changes in Fund Balances	<u>(416,763)</u>	<u>(376,834)</u>	<u>90,664</u>	<u>467,498</u>
Fund Balances, July 1, 2013	494,263	454,334	454,334	—
Fund Balances, June 30, 2014	<u>\$ 77,500</u>	<u>\$ 77,500</u>	<u>\$ 544,998</u>	<u>\$ 467,498</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Bond Interest and Redemption Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual  
 Year Ended June 30, 2014  
 (in thousands)

	<b>Budget</b>		<b>Actual</b>	<b>Variance with Final Budget – Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Federal revenues	\$ 73,752	\$ 73,752	\$ 67,889	\$ (5,863)
Other state revenues	5,422	5,422	5,266	(156)
Other local revenues	796,506	796,506	767,590	(28,916)
Total Revenues	<u>875,680</u>	<u>875,680</u>	<u>840,745</u>	<u>(34,935)</u>
<b>Expenditures:</b>				
Debt service – principal	598,950	598,950	327,270	271,680
Debt service – refunding bond issuance cost	—	—	2,087	(2,087)
Debt service – bond and COPs interest	380,320	423,270	551,369	(128,099)
Total Expenditures	<u>979,270</u>	<u>1,022,220</u>	<u>880,726</u>	<u>141,494</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(103,590)</u>	<u>(146,540)</u>	<u>(39,981)</u>	<u>106,559</u>
<b>Other Financing Sources (Uses):</b>				
Issuance of refunding bonds	—	1,622,200	1,622,200	—
Premium on refunding bonds issued	—	267,876	267,876	—
Payment to refunded bond escrow agent	—	(1,890,076)	(1,887,989)	2,087
Total Other Financing Sources	<u>—</u>	<u>—</u>	<u>2,087</u>	<u>2,087</u>
Net Changes in Fund Balances	<u>(103,590)</u>	<u>(146,540)</u>	<u>(37,894)</u>	<u>108,646</u>
Fund Balances, July 1, 2013	<u>707,590</u>	<u>750,540</u>	<u>750,540</u>	<u>—</u>
Fund Balances, June 30, 2014	<u><u>\$ 604,000</u></u>	<u><u>\$ 604,000</u></u>	<u><u>\$ 712,646</u></u>	<u><u>\$ 108,646</u></u>

See accompanying independent auditor's report.

## **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.

#### **Debt Service Funds**

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.

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.

## **LOS ANGELES UNIFIED SCHOOL DISTRICT**

### Nonmajor Governmental Funds

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.



LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Nonmajor Governmental Funds  
 Combining Balance Sheet  
 June 30, 2014  
 (in thousands)

	<b>Special Revenue</b>			
	<b>Adult Education</b>	<b>Child Development</b>	<b>Cafeteria</b>	<b>Total</b>
Assets:				
Cash in county treasury, in banks, and on hand	\$ 4,016	\$ 6,030	\$ 19,138	\$ 29,184
Cash held by trustee	—	—	—	—
Accounts receivable – net	9,142	1,622	10,625	21,389
Accrued interest receivable	55	2	24	81
Inventories	—	—	6,677	6,677
Total Assets	13,213	7,654	36,464	57,331
Deferred Outflows of Resources	—	—	—	—
Total Assets and Deferred Outflows of Resources	\$ 13,213	\$ 7,654	\$ 36,464	\$ 57,331
Liabilities and Fund Balances:				
Vouchers and accounts payable	\$ 1,608	\$ 123	\$ 3,546	\$ 5,277
Contracts payable	1	—	—	1
Accrued payroll	2,485	5,676	5,787	13,948
Other payables	8	70	707	785
Due to other funds	—	1,000	—	1,000
Unearned revenue	122	158	374	654
Total Liabilities	4,224	7,027	10,414	21,665
Deferred Inflows of Resources	—	—	—	—
Fund Balances:				
Nonspendable	40	1	6,677	6,718
Restricted	—	—	19,373	19,373
Committed	8,949	—	—	8,949
Assigned	—	626	—	626
Total Fund Balances	8,989	627	26,050	35,666
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 13,213	\$ 7,654	\$ 36,464	\$ 57,331

See accompanying independent auditors' report.

**Debt Service**

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<b>Tax Override</b>	<b>Capital Services</b>	<b>Total</b>
\$ 383	\$ 10,395	\$ 10,778
—	44,625	44,625
—	—	—
1	37	38
—	—	—
<u>384</u>	<u>55,057</u>	<u>55,441</u>
—	—	—
<u>\$ 384</u>	<u>\$ 55,057</u>	<u>\$ 55,441</u>
\$ —	\$ —	\$ —
—	—	—
—	—	—
—	—	—
—	—	—
<u>—</u>	<u>—</u>	<u>—</u>
<u>—</u>	<u>—</u>	<u>—</u>
<u>—</u>	<u>—</u>	<u>—</u>
384	55,057	55,441
—	—	—
—	—	—
<u>384</u>	<u>55,057</u>	<u>55,441</u>
<u>\$ 384</u>	<u>\$ 55,057</u>	<u>\$ 55,441</u>

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Nonmajor Governmental Funds  
 Combining Balance Sheet (Continued)  
 June 30, 2014  
 (in thousands)

	<b>Building</b>	<b>Capital Facilities Account</b>	<b>State School Building Lease – Purchase</b>	<b>Capital Special Reserve – Community Redevelopment Agency</b>
Assets:				
Cash in county treasury, in banks, and on hand	\$ 4.472	\$ 136.448	\$ 14,607	\$ 34,901
Cash held by trustee	—	—	—	—
Accounts receivable – net	—	6,426	—	—
Accrued interest receivable	15	415	51	62
Inventories	—	—	—	—
Total Assets	<u>4.487</u>	<u>143,289</u>	<u>14,658</u>	<u>34,963</u>
Deferred Outflows of Resources	—	—	—	—
Total Asset and Deferred Outflows of Resources	<u>\$ 4.487</u>	<u>\$ 143,289</u>	<u>\$ 14,658</u>	<u>\$ 34,963</u>
Liabilities and Fund Balances:				
Vouchers and accounts payable	\$ 4	\$ 398	\$ 133	\$ 86
Contracts payable	—	29	174	—
Accrued payroll	—	28	—	241
Other payables	172	44	9,991	—
Due to other funds	—	—	—	—
Unearned revenue	—	—	—	—
Total Liabilities	<u>176</u>	<u>499</u>	<u>10,298</u>	<u>327</u>
Deferred Inflows of Resources	—	—	—	—
Fund Balances:				
Nonspendable	—	—	—	—
Restricted	—	—	4,360	34,636
Committed	—	—	—	—
Assigned	4,311	142,790	—	—
Total Fund Balances	<u>4,311</u>	<u>142,790</u>	<u>4,360</u>	<u>34,636</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4.487</u>	<u>\$ 143,289</u>	<u>\$ 14,658</u>	<u>\$ 34,963</u>

See accompanying independent auditors' report.

**Projects**

<b>Special Reserve</b>	<b>Special Reserve – FEMA – Earthquake</b>	<b>Special Reserve – FEMA – Hazard Mitigation</b>	<b>Total</b>	<b>Total Nonmajor Governmental Funds</b>
\$ 81,890	\$ 7,562	\$ 2,036	\$ 281,916	\$ 321,878
2,360	—	—	2,360	46,985
—	—	—	6,426	27,815
268	5	7	823	942
—	—	—	—	6,677
<u>84,518</u>	<u>7,567</u>	<u>2,043</u>	<u>291,525</u>	<u>404,297</u>
—	—	—	—	—
<u>\$ 84,518</u>	<u>\$ 7,567</u>	<u>\$ 2,043</u>	<u>\$ 291,525</u>	<u>\$ 404,297</u>
\$ 1,526	\$ —	\$ —	\$ 2,147	\$ 7,424
489	—	—	692	693
122	—	—	391	14,339
4,003	—	—	14,210	14,995
—	—	—	—	1,000
1,163	—	—	1,163	1,817
<u>7,303</u>	<u>—</u>	<u>—</u>	<u>18,603</u>	<u>40,268</u>
—	—	—	—	—
—	—	—	—	6,718
77,215	7,561	—	123,772	198,586
—	—	—	—	8,949
—	6	2,043	149,150	149,776
<u>77,215</u>	<u>7,567</u>	<u>2,043</u>	<u>272,922</u>	<u>364,029</u>
<u>\$ 84,518</u>	<u>\$ 7,567</u>	<u>\$ 2,043</u>	<u>\$ 291,525</u>	<u>\$ 404,297</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Nonmajor Governmental Funds  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Year Ended June 30, 2014  
 (in thousands)

	<b>Special Revenue</b>			
	<b>Adult Education</b>	<b>Child Development</b>	<b>Cafeteria</b>	<b>Total</b>
<b>Revenues:</b>				
Local Control Funding Formula sources	\$ 57,111	\$ —	\$ —	\$ 57,111
Federal revenues	17,059	20,270	297,001	334,330
Other state revenues	1,725	72,154	20,537	94,416
Other local revenues	2,242	5,709	6,558	14,509
Total Revenues	<u>78,137</u>	<u>98,133</u>	<u>324,096</u>	<u>500,366</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Certificated salaries	35,184	36,797	—	71,981
Classified salaries	10,241	42,520	88,712	141,473
Employee benefits	21,820	40,506	81,737	144,063
Books and supplies	4,158	1,773	188,271	194,202
Services and other operating expenditures	4,383	2,611	2,359	9,353
Capital outlay	207	—	1,548	1,755
Debt service – principal	—	79	—	79
Debt service – bond, C.O.P.s, and capital lease interest	—	—	—	—
Total Expenditures	<u>75,993</u>	<u>124,286</u>	<u>362,627</u>	<u>562,906</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,144</u>	<u>(26,153)</u>	<u>(38,531)</u>	<u>(62,540)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	—	30,198	51,861	82,059
Transfers – support costs	(1,971)	(4,121)	(11,344)	(17,436)
Transfers out	(35)	—	(787)	(822)
Total Other Financing Sources (Uses)	<u>(2,006)</u>	<u>26,077</u>	<u>39,730</u>	<u>63,801</u>
Net Changes in Fund Balances	138	(76)	1,199	1,261
Fund Balances, July 1, 2013	<u>8,851</u>	<u>703</u>	<u>24,851</u>	<u>34,405</u>
Fund Balances, June 30, 2014	<u>\$ 8,989</u>	<u>\$ 627</u>	<u>\$ 26,050</u>	<u>\$ 35,666</u>

See accompanying independent auditor's report.

**Debt Service**

<b>Tax Override</b>	<b>Capital Services</b>	<b>Total</b>
\$ —	\$ —	\$ —
—	570	570
50	—	50
2	216	218
<u>52</u>	<u>786</u>	<u>838</u>
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	30,508	30,508
—	16,066	16,066
<u>—</u>	<u>46,574</u>	<u>46,574</u>
<u>52</u>	<u>(45,788)</u>	<u>(45,736)</u>
—	46,479	46,479
—	—	—
—	—	—
<u>—</u>	<u>46,479</u>	<u>46,479</u>
52	691	743
332	54,366	54,698
<u>\$ 384</u>	<u>\$ 55,057</u>	<u>\$ 55,441</u>

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)  
Year Ended June 30, 2014  
(in thousands)

	<b>Building</b>	<b>Capital Facilities Account</b>	<b>State School Building Lease – Purchase</b>	<b>Capital Special Reserve – Community Redevelopment Agency</b>
<b>Revenues:</b>				
Local Control Funding Formula sources	\$ —	\$ —	\$ —	\$ —
Federal revenues	—	—	—	—
Other state revenues	—	—	—	—
Other local revenues	745	59,904	107	19,440
Total Revenues	<u>745</u>	<u>59,904</u>	<u>107</u>	<u>19,440</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Certificated salaries	—	—	—	—
Classified salaries	—	556	—	3,142
Employee benefits	—	250	—	1,477
Books and supplies	—	1	—	1
Services and other operating expenditures	1	382	—	854
Capital outlay	45	2,243	8	40
Debt service – principal	—	—	—	—
Debt service – bond, COPs, and capital lease interest	—	—	—	—
Total Expenditures	<u>46</u>	<u>3,432</u>	<u>8</u>	<u>5,514</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>699</u>	<u>56,472</u>	<u>99</u>	<u>13,926</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	147	—	—	—
Transfers – support costs	—	—	—	—
Transfers out	—	(9,576)	(148)	—
Total Other Financing Sources (Uses)	<u>147</u>	<u>(9,576)</u>	<u>(148)</u>	<u>—</u>
Net Changes in Fund Balances	846	46,896	(49)	13,926
Fund Balances, July 1, 2013	<u>3,465</u>	<u>95,894</u>	<u>4,409</u>	<u>20,710</u>
Fund Balances, June 30, 2014	<u>\$ 4,311</u>	<u>\$ 142,790</u>	<u>\$ 4,360</u>	<u>\$ 34,636</u>

See accompanying independent auditor's report.

**Projects**

<u>Special Reserve</u>	<u>Special Reserve – FEMA – Earthquake</u>	<u>Special Reserve – FEMA – Hazard Mitigation</u>	<u>Total</u>	<u>Total Nonmajor Governmental Funds</u>
\$ —	\$ —	\$ —	\$ —	\$ 57,111
—	5,727	—	5,727	340,627
—	1,594	—	1,594	96,060
16,778	6	—	96,980	111,707
<u>16,778</u>	<u>7,327</u>	<u>—</u>	<u>104,301</u>	<u>605,505</u>
—	—	—	—	71,981
851	—	—	4,549	146,022
398	—	—	2,125	146,188
1,533	—	—	1,535	195,737
1,452	—	—	2,689	12,042
17,087	—	—	19,423	21,178
—	—	—	—	30,587
—	—	—	—	16,066
<u>21,321</u>	<u>—</u>	<u>—</u>	<u>30,321</u>	<u>639,801</u>
(4,543)	7,327	—	73,980	(34,296)
4,623	—	—	4,770	133,308
—	—	—	—	(17,436)
(16,901)	—	—	(26,625)	(27,447)
<u>(12,278)</u>	<u>—</u>	<u>—</u>	<u>(21,855)</u>	<u>88,425</u>
(16,821)	7,327	—	52,125	54,129
94,036	240	2,043	220,797	309,900
<u>\$ 77,215</u>	<u>\$ 7,567</u>	<u>\$ 2,043</u>	<u>\$ 272,922</u>	<u>\$ 364,029</u>

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, 2014  
(in thousands)

	<b>Adult Education</b>			<b>Variance with Final Budget – Favorable (Unfavorable)</b>
	<b>Budget</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
Revenues:				
Local Control Funding Formula sources	\$ —	\$ —	\$ 57,111	\$ 57,111
Federal revenues	23,340	18,458	17,059	(1,399)
Other state revenues	11,197	2,089	1,725	(364)
Other local revenues	1,848	2,230	2,242	12
Total Revenues	<u>36,385</u>	<u>22,777</u>	<u>78,137</u>	<u>55,360</u>
Expenditures:				
Current:				
Certificated salaries	38,902	39,617	35,184	4,433
Classified salaries	10,384	10,394	10,241	153
Employee benefits	22,572	22,732	21,820	912
Books and supplies	20,827	10,274	4,158	6,116
Services and other operating expenditures	4,234	6,202	4,383	1,819
Capital outlay	4,209	2,823	207	2,616
Debt Service – principal	—	—	—	—
Total Expenditures	<u>101,128</u>	<u>92,042</u>	<u>75,993</u>	<u>16,049</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(64,743)</u>	<u>(69,265)</u>	<u>2,144</u>	<u>71,409</u>
Other Financing Sources (Uses):				
Transfers in	66,091	66,091	—	(66,091)
Transfers – support costs		(1,980)	(1,971)	9
Transfers out	(6,178)	(35)	(35)	—
Total Other Financing Sources (Uses)	<u>59,913</u>	<u>64,076</u>	<u>(2,006)</u>	<u>(66,082)</u>
Net Changes in Fund Balances	<u>(4,830)</u>	<u>(5,189)</u>	<u>138</u>	<u>5,327</u>
Fund Balances, July 1, 2013	<u>4,886</u>	<u>8,851</u>	<u>8,851</u>	<u>—</u>
Fund Balances, June 30, 2014	<u>\$ 56</u>	<u>\$ 3,662</u>	<u>\$ 8,989</u>	<u>\$ 5,327</u>

See accompanying independent auditor's report.

Child Development				Cafeteria			
Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
Original	Final			Original	Final		
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
52,808	27,027	20,270	(6,757)	259,179	283,726	297,001	13,275
71,883	69,882	72,154	2,272	17,675	17,675	20,537	2,862
6,412	7,731	5,709	(2,022)	7,068	7,068	6,558	(510)
131,103	104,640	98,133	(6,507)	283,922	308,469	324,096	15,627
38,903	36,876	36,797	79	—	—	—	—
41,633	43,996	42,520	1,476	85,734	88,756	88,712	44
41,956	42,087	40,506	1,581	83,022	81,750	81,737	13
36,096	9,179	1,773	7,406	159,188	188,299	188,271	28
2,852	3,457	2,611	846	8,248	2,360	2,359	1
36	7	—	7	2,798	1,552	1,548	4
—	79	79	—	—	—	—	—
161,476	135,681	124,286	11,395	338,990	362,717	362,627	90
(30,373)	(31,041)	(26,153)	4,888	(55,068)	(54,248)	(38,531)	15,717
34,442	35,412	30,198	(5,214)	65,222	65,110	51,861	(13,249)
(4,457)	(4,439)	(4,121)	318	(10,645)	(11,353)	(11,344)	9
—	—	—	—	(787)	(787)	(787)	—
29,985	30,973	26,077	(4,896)	53,790	52,970	39,730	(13,240)
(388)	(68)	(76)	(8)	(1,278)	(1,278)	1,199	2,477
389	703	703	—	13,712	24,851	24,851	—
\$ 1	\$ 635	\$ 627	\$ (8)	\$ 12,434	\$ 23,573	\$ 26,050	\$ 2,477

(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, 2014  
(in thousands)

	<b>Total</b>			<b>Variance with Final Budget – Favorable (Unfavorable)</b>
	<b>Budget</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Local Control Funding Formula sources	\$ —	\$ —	\$ 57,111	\$ 57,111
Federal revenues	335,327	329,211	334,330	5,119
Other state revenues	100,755	89,646	94,416	4,770
Other local revenues	15,328	17,029	14,509	(2,520)
Total Revenues	<u>451,410</u>	<u>435,886</u>	<u>500,366</u>	<u>64,480</u>
<b>Expenditures:</b>				
Current:				
Certificated salaries	77,805	76,493	71,981	4,512
Classified salaries	137,751	143,146	141,473	1,673
Employee benefits	147,550	146,569	144,063	2,506
Books and supplies	216,111	207,752	194,202	13,550
Services and other operating expenditures	15,334	12,019	9,353	2,666
Capital outlay	7,043	4,382	1,755	2,627
Debt Service – principal	—	79	79	—
Total Expenditures	<u>601,594</u>	<u>590,440</u>	<u>562,906</u>	<u>27,534</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(150,184)</u>	<u>(154,554)</u>	<u>(62,540)</u>	<u>92,014</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	165,755	166,613	82,059	(84,554)
Transfers – support costs	(15,102)	(17,772)	(17,436)	336
Transfers out	(6,965)	(822)	(822)	—
Total Other Financing Sources (Uses)	<u>143,688</u>	<u>148,019</u>	<u>63,801</u>	<u>(84,218)</u>
Net Changes in Fund Balances	<u>(6,496)</u>	<u>(6,535)</u>	<u>1,261</u>	<u>7,796</u>
Fund Balances, July 1, 2013	<u>18,987</u>	<u>34,405</u>	<u>34,405</u>	<u>—</u>
Fund Balances, June 30, 2014	<u>\$ 12,491</u>	<u>\$ 27,870</u>	<u>\$ 35,666</u>	<u>\$ 7,796</u>

See accompanying independent auditor's report.



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, 2014  
(in thousands)

	<b>Tax Override</b>			<b>Variance with Final Budget – Favorable (Unfavorable)</b>
	<b>Budget</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
Revenues:				
Federal revenues	\$ —	\$ —	\$ —	\$ —
Other state revenues	—	—	50	50
Other local revenues	—	—	2	2
Total Revenues	<u>—</u>	<u>—</u>	<u>52</u>	<u>52</u>
Expenditures:				
Debt service – principal	—	—	—	—
Debt service – bond, COPS, and capital lease interest	306	332	—	332
Total Expenditures	<u>306</u>	<u>332</u>	<u>—</u>	<u>332</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(306)</u>	<u>(332)</u>	<u>52</u>	<u>384</u>
Other Financing Sources (Uses):				
Transfers in	—	—	—	—
Total Other Financing Sources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net Changes in Fund Balances	<u>(306)</u>	<u>(332)</u>	<u>52</u>	<u>384</u>
Fund Balances, July 1, 2013	<u>306</u>	<u>332</u>	<u>332</u>	<u>—</u>
Fund Balances, June 30, 2014	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 384</u>	<u>\$ 384</u>

See accompanying independent auditor's report.

Capital Services				Total			
Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
Original	Final			Original	Final		
\$ 522	\$ 570	\$ 570	\$ —	\$ 522	\$ 570	\$ 570	\$ —
—	—	—	—	—	—	50	50
239	240	216	(24)	239	240	218	(22)
761	810	786	(24)	761	810	838	28
30,503	30,508	30,508	—	30,503	30,508	30,508	—
15,826	16,392	16,066	326	16,132	16,724	16,066	658
46,329	46,900	46,574	326	46,635	47,232	46,574	658
(45,568)	(46,090)	(45,788)	302	(45,874)	(46,422)	(45,736)	686
46,632	46,632	46,479	(153)	46,632	46,632	46,479	(153)
46,632	46,632	46,479	(153)	46,632	46,632	46,479	(153)
1,064	542	691	149	758	210	743	533
54,421	54,366	54,366	—	54,727	54,698	54,698	—
\$ 55,485	\$ 54,908	\$ 55,057	\$ 149	\$ 55,485	\$ 54,908	\$ 55,441	\$ 533

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, 2014  
 (in thousands)

	<b>Building</b>			<b>Variance with Final Budget – Favorable (Unfavorable)</b>
	<b>Budget</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Federal revenues	\$ —	\$ —	\$ —	\$ —
Other state revenues	—	—	—	—
Other local revenues	675	675	745	70
Total Revenues	<u>675</u>	<u>675</u>	<u>745</u>	<u>70</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Classified salaries	—	10	—	10
Employee benefits	—	3	—	3
Books and supplies	—	5	—	5
Services and other operating expenditures	—	472	1	471
<b>Capital outlay</b>	2,100	3,797	45	3,752
Total Expenditures	<u>2,100</u>	<u>4,287</u>	<u>46</u>	<u>4,241</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,425)</u>	<u>(3,612)</u>	<u>699</u>	<u>4,311</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	—	147	147	—
Transfers out	—	—	—	—
Total Other Financing Sources (Uses)	<u>—</u>	<u>147</u>	<u>147</u>	<u>—</u>
Net Changes in Fund Balances	<u>(1,425)</u>	<u>(3,465)</u>	<u>846</u>	<u>4,311</u>
Fund Balances, July 1, 2013	<u>1,425</u>	<u>3,465</u>	<u>3,465</u>	<u>—</u>
Fund Balances, June 30, 2014	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4,311</u>	<u>\$ 4,311</u>

See accompanying independent auditor's report.

<b>Capital Facilities Account</b>				<b>State School Building – Lease Purchase</b>			
<b>Budget</b>		<b>Actual</b>	<b>Variance with Final Budget – Favorable (Unfavorable)</b>	<b>Budget</b>		<b>Actual</b>	<b>Variance with Final Budget – Favorable (Unfavorable)</b>
<b>Original</b>	<b>Final</b>			<b>Original</b>	<b>Final</b>		
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
33,208	33,208	59,904	26,696	—	—	107	107
33,208	33,208	59,904	26,696	—	—	107	107
430	914	556	358	—	—	—	—
200	352	250	102	—	—	—	—
34	34	1	33	—	—	—	—
40,564	70,377	382	69,995	—	50	—	50
21,518	16,847	2,243	14,604	5,103	4,212	8	4,204
62,746	88,524	3,432	85,092	5,103	4,262	8	4,254
(29,538)	(55,316)	56,472	111,788	(5,103)	(4,262)	99	4,361
—	—	—	—	—	—	—	—
(9,578)	(9,578)	(9,576)	2	—	(147)	(148)	(1)
(9,578)	(9,578)	(9,576)	2	—	(147)	(148)	(1)
(39,116)	(64,894)	46,896	111,790	(5,103)	(4,409)	(49)	4,360
70,116	95,894	95,894	—	5,103	4,409	4,409	—
\$ 31,000	\$ 31,000	\$ 142,790	\$ 111,790	\$ —	\$ —	\$ 4,360	\$ 4,360

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, 2014  
 (in thousands)

	<b>Special Reserve – Community Redevelopment Agency</b>			<b>Variance with Final Budget – Favorable (Unfavorable)</b>
	<b>Budget</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Federal revenues	\$ —	\$ —	\$ —	\$ —
Other state revenues	—	—	—	—
Other local revenues	7,767	7,767	19,440	11,673
Total Revenues	<u>7,767</u>	<u>7,767</u>	<u>19,440</u>	<u>11,673</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Classified salaries	3,445	3,406	3,142	264
Employee benefits	1,728	1,709	1,477	232
Books and supplies	—	4	1	3
Services and other operating expenditures	99	904	854	50
Capital outlay	9,487	22,454	40	22,414
Total Expenditures	<u>14,759</u>	<u>28,477</u>	<u>5,514</u>	<u>22,963</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,992)</u>	<u>(20,710)</u>	<u>13,926</u>	<u>34,636</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	—	—	—	—
Transfers out	—	—	—	—
Total Other Financing Sources (Uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net Changes in Fund Balances	(6,992)	(20,710)	13,926	34,636
Fund Balances, July 1, 2013	<u>6,992</u>	<u>20,710</u>	<u>20,710</u>	<u>—</u>
Fund Balances, June 30, 2014	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 34,636</u>	<u>\$ 34,636</u>

See accompanying independent auditors' report.

(Continued)

Special Reserve				Special Reserve – FEMA – Earthquake			
Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
Original	Final			Original	Final		
\$ 1,163	\$ 1,163	\$ —	\$ (1,163)	\$ 5,708	\$ 5,708	\$ 5,727	\$ 19
—	—	—	—	568	568	1,594	1,026
44,587	44,587	16,778	(27,809)	—	—	6	6
45,750	45,750	16,778	(28,972)	6,276	6,276	7,327	1,051
—	3,557	851	2,706	—	—	—	—
—	1,371	398	973	—	—	—	—
—	3,925	1,533	2,392	—	—	—	—
5	16,800	1,452	15,348	—	—	—	—
71,479	72,469	17,087	55,382	—	—	—	—
71,484	98,122	21,321	76,801	—	—	—	—
(25,734)	(52,372)	(4,543)	47,829	6,276	6,276	7,327	1,051
—	4,623	4,623	—	—	—	—	—
(15,200)	(16,901)	(16,901)	—	—	—	—	—
(15,200)	(12,278)	(12,278)	—	—	—	—	—
(40,934)	(64,650)	(16,821)	47,829	6,276	6,276	7,327	1,051
92,975	94,036	94,036	—	240	240	240	—
\$ 52,041	\$ 29,386	\$ 77,215	\$ 47,829	\$ 6,516	\$ 6,516	\$ 7,567	\$ 1,051

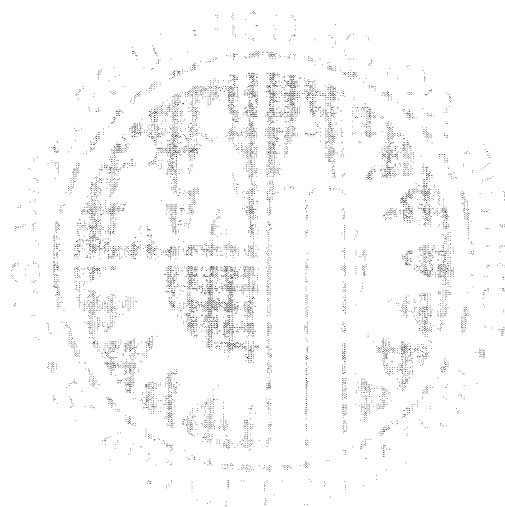
(Continued)

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, 2014  
 (in thousands)

	<b>Special Reserve – FEMA – Hazard Mitigation</b>			<b>Variance with Final Budget – Favorable (Unfavorable)</b>
	<b>Budget</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
Revenues:				
Federal revenues	\$     —	\$     —	\$     —	\$     —
Other state revenues	—	—	—	—
Other local revenues	—	—	—	—
Total Revenues	—	—	—	—
Expenditures:				
Current:				
Classified salaries	—	—	—	—
Employee benefits	—	—	—	—
Books and supplies	—	—	—	—
Services and other operating expenditures	—	—	—	—
Capital outlay	—	—	—	—
Total Expenditures	—	—	—	—
Excess (Deficiency) of Revenues Over (Under) Expenditures	—	—	—	—
Other Financing Sources (Uses):				
Transfers in	—	—	—	—
Transfers out	—	—	—	—
Total Other Financing Sources (Uses)	—	—	—	—
Net Changes in Fund Balances	—	—	—	—
Fund Balances, July 1, 2013	2,043	2,043	2,043	—
Fund Balances, June 30, 2014	<u>\$ 2,043</u>	<u>\$ 2,043</u>	<u>\$ 2,043</u>	<u>\$ —</u>

See accompanying independent auditors' report.

<b>Total</b>			
<b>Budget</b>		<b>Actual</b>	<b>Variance with Final Budget – Favorable (Unfavorable)</b>
<b>Original</b>	<b>Final</b>		
\$ 6,871	\$ 6,871	\$ 5,727	\$ (1,144)
568	568	1,594	1,026
<u>86,237</u>	<u>86,237</u>	<u>96,980</u>	<u>10,743</u>
93,676	93,676	104,301	10,625
3,875	7,887	4,549	3,338
1,928	3,435	2,125	1,310
34	3,968	1,535	2,433
40,668	88,603	2,689	85,914
<u>109,687</u>	<u>119,779</u>	<u>19,423</u>	<u>100,356</u>
156,192	223,672	30,321	193,351
(62,516)	(129,996)	73,980	203,976
—	4,770	4,770	—
(24,778)	(26,626)	(26,625)	1
(24,778)	(21,856)	(21,855)	1
(87,294)	(151,852)	52,125	203,977
<u>178,894</u>	<u>220,797</u>	<u>220,797</u>	<u>—</u>
<u>\$ 91,600</u>	<u>\$ 68,945</u>	<u>\$ 272,922</u>	<u>\$ 203,977</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 Statement of Net Position  
June 30, 2014  
(in thousands)

	<b>Health and Welfare Benefits</b>	<b>Workers' Compensation Self-Insurance</b>	<b>Liability Self-Insurance</b>	<b>Total</b>
<b>Assets:</b>				
Cash in county treasury, in banks, and on hand	\$ 329,264	\$ 425,982	\$ 198,525	\$ 953,771
Accounts receivable – net	7,075	108	—	7,183
Accrued interest and dividends receivable	1,183	1,445	490	3,118
Prepays	44,247	—	1,938	46,185
Other assets	5,453	—	—	5,453
Total Assets	<u>387,222</u>	<u>427,535</u>	<u>200,953</u>	<u>1,015,710</u>
<b>Liabilities:</b>				
<b>Current:</b>				
Vouchers and accounts payable	2,324	1,803	308	4,435
Accrued payroll	324	814	208	1,346
Other payables	32,488	—	—	32,488
Estimated liability for self-insurance claims	20,634	75,558	167,509	263,701
Total Current Liabilities	<u>55,770</u>	<u>78,175</u>	<u>168,025</u>	<u>301,970</u>
<b>Noncurrent:</b>				
Estimated liability for self-insurance claims	—	345,988	30,490	376,478
Total Liabilities	<u>55,770</u>	<u>424,163</u>	<u>198,515</u>	<u>678,448</u>
<b>Total Net Position – Unrestricted</b>	<u><u>\$ 331,452</u></u>	<u><u>\$ 3,372</u></u>	<u><u>\$ 2,438</u></u>	<u><u>\$ 337,262</u></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 Position  
Year Ended June 30, 2014  
(in thousands)

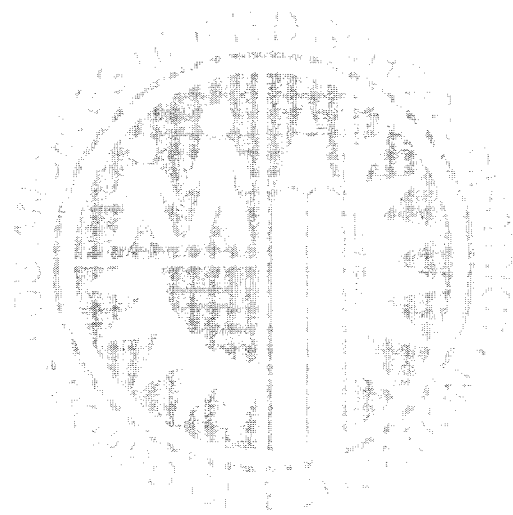
	<b>Health and Welfare Benefits</b>	<b>Workers' Compensation</b>	<b>Liability</b>	<b>Total</b>
Operating Revenues:				
In-District premiums	\$ 925,781	\$ 113,825	\$ 50,827	\$ 1,090,433
Others	4,191	—	—	4,191
Total Operating Revenues	<u>929,972</u>	<u>113,825</u>	<u>50,827</u>	<u>1,094,624</u>
Operating Expenses:				
Certificated salaries	—	—	151	151
Classified salaries	1,719	2,470	822	5,011
Employee benefits	989	1,371	480	2,840
Supplies	173	74	18	265
Premiums and claims expenses	936,038	98,642	49,819	1,084,499
Claims administration	—	13,000	694	13,694
Other contracted services	1,014	312	11	1,337
Total Operating Expenses	<u>939,933</u>	<u>115,869</u>	<u>51,995</u>	<u>1,107,797</u>
Operating Loss	<u>(9,961)</u>	<u>(2,044)</u>	<u>(1,168)</u>	<u>(13,173)</u>
Nonoperating Revenues (Expenses):				
Investment income	2,504	3,015	781	6,300
Miscellaneous expense	—	(27)	—	(27)
Total Nonoperating Revenues	<u>2,504</u>	<u>2,988</u>	<u>781</u>	<u>6,273</u>
Income (Loss) before Transfers	<u>(7,457)</u>	<u>944</u>	<u>(387)</u>	<u>(6,900)</u>
Transfers in	<u>10,786</u>	<u>—</u>	<u>—</u>	<u>10,786</u>
Changes in Net Position	<u>3,329</u>	<u>944</u>	<u>(387)</u>	<u>3,886</u>
Total Net Position, July 1, 2013	<u>328,123</u>	<u>2,428</u>	<u>2,825</u>	<u>333,376</u>
Total Net Position, June 30, 2014	<u>\$ 331,452</u>	<u>\$ 3,372</u>	<u>\$ 2,438</u>	<u>\$ 337,262</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Internal Service Funds  
Combining Statement of Cash Flows  
Year Ended June 30, 2014  
(in thousands)

	<u>Health and Welfare Benefits</u>	<u>Workers' Compensation</u>	<u>Liability</u>	<u>Total</u>
Cash Flows from Operating Activities:				
Cash payments to employees for services	\$ (17,416)	\$ (3,275)	\$ (1,372)	\$ (22,063)
Cash payments for goods and services	(915,389)	(110,845)	(53,820)	(1,080,054)
Receipts from assessment to other funds	925,781	113,851	50,828	1,090,460
Other operating revenue	4,191	—	—	4,191
Net Cash Provided (Used) by Operating Activities	<u>(2,833)</u>	<u>(269)</u>	<u>(4,364)</u>	<u>(7,466)</u>
Cash Flows from Non-Capital Financing Activities:				
Transfer from other funds	10,786	—	—	10,786
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>10,786</u>	<u>—</u>	<u>—</u>	<u>10,786</u>
Cash Flows from Investing Activities:				
Earnings on investments	1,802	2,160	343	4,305
Net Cash Provided by Investing Activities	<u>1,802</u>	<u>2,160</u>	<u>343</u>	<u>4,305</u>
Net Increase (Decrease) in Cash and Cash Equivalents	9,755	1,891	(4,021)	7,625
Cash and Cash Equivalents, July 1	<u>319,509</u>	<u>424,091</u>	<u>202,546</u>	<u>946,146</u>
Cash and Cash Equivalents, June 30	<u>\$ 329,264</u>	<u>\$ 425,982</u>	<u>\$ 198,525</u>	<u>\$ 953,771</u>
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities:				
Operating loss	<u>\$ (9,961)</u>	<u>\$ (2,044)</u>	<u>\$ (1,168)</u>	<u>\$ (13,173)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	(698)	26	—	(672)
(Increase) decrease in prepaids	(3,926)	—	387	(3,539)
Increase in other assets	(5,453)	—	—	(5,453)
Increase in vouchers and accounts payable	2,270	1,081	187	3,538
Increase in accrued payroll	186	566	82	834
Increase (decrease) in other payables	16,478	(612)	(98)	15,768
Increase (decrease) in estimated liability for self-insurance claims – current	(1,729)	1,099	22,617	21,987
Decrease in estimated liability for self-insurance claims – noncurrent	—	(385)	(26,371)	(26,756)
Total Adjustments	<u>7,128</u>	<u>1,775</u>	<u>(3,196)</u>	<u>5,707</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (2,833)</u>	<u>\$ (269)</u>	<u>\$ (4,364)</u>	<u>\$ (7,466)</u>

See accompanying independent auditor's report.



## **LOS ANGELES UNIFIED SCHOOL DISTRICT**

### **Fiduciary Funds**

#### **Agency Funds**

The Attendance Incentive Reserve Fund was established on November 21, 1994 to account for 50% of the salary savings from substitute teachers' accounts 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. The accumulated savings in the account plus interest earnings is disbursed in a lump-sum distribution as participants retire or terminate employment with the District.

The Student Body Fund was established to account for cash held by the District on behalf of the student bodies at various school sites.

The Payroll Agency Fund was established to account for cash held by the District consisting of state and federal income taxes, social security taxes, retirement deductions and other amounts withheld from the payroll checks of employees, from which a legal or contractual obligation exists to remit monies to a third party.



LOS ANGELES UNIFIED SCHOOL DISTRICT  
Fiduciary Funds – Agency Funds  
Combining Statement of Changes in Assets and Liabilities  
June 30, 2014  
(in thousands)

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
<b><u>Payroll Agency Fund</u></b>				
Assets				
Cash in county treasury, in banks, and on hand	\$ —	\$ 78,979	\$ —	\$ 78,979
Total Assets	<u>\$ —</u>	<u>\$ 78,979</u>	<u>\$ —</u>	<u>\$ 78,979</u>
Liabilities				
Other payables	\$ —	\$ 78,979	\$ —	\$ 78,979
Total Liabilities	<u>\$ —</u>	<u>\$ 78,979</u>	<u>\$ —</u>	<u>\$ 78,979</u>
<b><u>Attendance Incentive Reserve Fund</u></b>				
Assets				
Cash in county treasury, in banks, and on hand	\$ 18,519	\$ —	\$ 1,347	\$ 17,172
Accrued interest receivable	—	64	—	64
Total Assets	<u>\$ 18,519</u>	<u>\$ 64</u>	<u>\$ 1,347</u>	<u>\$ 17,236</u>
Liabilities				
Other payables	\$ 18,519	\$ —	\$ 1,283	\$ 17,236
Total Liabilities	<u>\$ 18,519</u>	<u>\$ —</u>	<u>\$ 1,283</u>	<u>\$ 17,236</u>
<b><u>Student Body Fund</u></b>				
Assets				
Cash in county treasury, in banks, and on hand	\$ 20,816	\$ 60,321	\$ 60,085	\$ 21,052
Total Assets	<u>\$ 20,816</u>	<u>\$ 60,321</u>	<u>\$ 60,085</u>	<u>\$ 21,052</u>
Liabilities				
Other payables	\$ 20,816	\$ 60,321	\$ 60,085	\$ 21,052
Total Liabilities	<u>\$ 20,816</u>	<u>\$ 60,321</u>	<u>\$ 60,085</u>	<u>\$ 21,052</u>
<b><u>Total Agency Funds</u></b>				
Assets				
Cash in county treasury, in banks, and on hand	\$ 39,335	\$ 139,300	\$ 61,432	\$ 117,203
Accrued interest receivable	—	64	—	64
Total Assets	<u>\$ 39,335</u>	<u>\$ 139,364</u>	<u>\$ 61,432</u>	<u>\$ 117,267</u>
Liabilities				
Other payables	\$ 39,335	\$ 139,300	\$ 61,368	\$ 117,267
Total Liabilities	<u>\$ 39,335</u>	<u>\$ 139,364</u>	<u>\$ 61,432</u>	<u>\$ 117,267</u>

See accompanying independent auditor's report.



**CAPITAL ASSETS USED IN THE OPERATION  
OF GOVERNMENTAL FUNDS**



LOS ANGELES UNIFIED SCHOOL DISTRICT  
Capital Assets Used in the Operation of Governmental Funds  
Comparative Schedule by Source  
June 30, 2014 and 2013  
(in thousands)

	<u>2013-2014</u>	<u>2012-2013</u>
Governmental Funds Capital Assets:		
Sites	\$ 3,084,939	\$ 3,180,152
Improvement of sites	563,691	559,575
Building and improvements	14,530,648	14,091,455
Equipment	1,723,511	1,622,452
Construction in progress	689,587	575,310
Total Governmental Funds Capital Assets	<u>\$ 20,592,376</u>	<u>\$ 20,028,944</u>
Investments in Governmental Funds Capital Assets by Source:		
From revenues of:		
General Fund	\$ 1,555,250	\$ 1,533,967
Special Revenue Funds:		
Adult Education Fund	52,564	52,485
Cafeteria Fund	43,746	42,198
Child Development Fund	17,704	17,704
Deferred Maintenance Fund	18,507	18,510
Capital Projects Funds:		
Building Fund	36,457	36,412
Building Fund – Bond Proceeds	1,730,881	1,737,969
Building Fund – Measure K	3,019,260	3,011,692
Building Fund – Measure R	3,143,805	2,903,611
Building Fund – Measure Y	2,263,849	2,016,949
State School Building Lease – Purchase Fund	1,026,620	1,026,612
Special Reserve Fund	1,422,848	1,412,990
Special Reserve Fund – FEMA – Earthquake	12,670	12,670
Special Reserve Fund – FEMA – Hazard Mitigation	3,517	3,517
Special Reserve Fund – CRA	9,601	9,785
Capital Facilities Fund	497,507	495,559
County School Facilities Fund	831,449	831,473
County School Facilities Fund – Prop 47	879,129	840,890
County School Facilities Fund – Prop 55	1,952,118	1,950,293
County School Facilities Fund – Prop 1D	334,520	333,284
Contributions from outside source – MTA	6,018	6,018
Investment in general capital assets prior to July 1, 1983*	1,734,356	1,734,356
Total Governmental Funds Capital Assets	<u>\$ 20,592,376</u>	<u>\$ 20,028,944</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, 2014  
 (in thousands)

	<b>Sites</b>	<b>Improvement of Sites</b>
Balances, July 1, 2013	\$ 3,180,152	\$ 559,575
Additions:		
Capital outlay from:		
General Fund	—	—
Adult Education Fund	—	—
Cafeteria Fund	—	—
Child Development Fund	—	—
Deferred Maintenance Fund	—	—
Building Fund	—	—
Building Fund – Bond Proceeds	—	—
Building Fund – Measure K	—	—
Building Fund – Measure R	—	—
Building Fund – Measure Y	—	—
State School Building Lease – Purchase Fund	—	—
Special Reserve Fund	—	—
Special Reserve Fund-FEMA-Earthquake	—	—
Special Reserve Fund-FEMA-Hazard Mitigation	—	—
Special Reserve Fund – CRA	—	—
Capital Facilities Fund	—	—
County School Facilities Fund	—	—
County School Facilities Fund – Prop 47	—	—
County School Facilities Fund – Prop 55	—	—
County School Facilities Fund – Prop 1D	—	—
Completed Projects	571	4,116
Sub-totals	571	4,116
Deductions:		
Vehicle disposal	—	—
Return to salvage	—	—
Total Deductions	—	—
Reclassifications	(95,784)	—
Net Increase	(95,213)	4,116
Balances, June 30, 2014	\$ 3,084,939	\$ 563,691

See accompanying independent auditor's report.

<b>Building and Improvements</b>	<b>Equipment</b>	<b>Construction in Progress</b>	<b>Total</b>
\$ 14,091,455	\$ 1,622,452	\$ 575,310	\$ 20,028,944
308	4,063	27,511	31,882
—	91	(12)	79
—	1,548	—	1,548
—	—	—	—
—	—	(3)	(3)
—	—	45	45
—	—	(7,088)	(7,088)
—	—	7,568	7,568
—	—	240,194	240,194
—	—	246,900	246,900
—	—	8	8
—	—	9,858	9,858
—	—	—	—
—	—	—	—
—	—	(184)	(184)
—	—	1,948	1,948
—	—	(24)	(24)
—	—	38,239	38,239
—	—	1,825	1,825
—	—	1,236	1,236
343,101	105,956	(453,744)	—
343,409	111,658	114,277	574,031
—	846	—	846
—	9,753	—	9,753
—	10,599	—	10,599
95,784	—	—	—
439,193	101,059	114,277	563,432
\$ 14,530,648	\$ 1,723,511	\$ 689,587	\$ 20,592,376

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Long-Term Obligations  
 Schedule of Changes in Long-Term Obligations  
 Year Ended June 30, 2014  
 (in thousands)

	<b>General Obligation Bonds*</b>	<b>Certificates of Participation</b>	<b>Capital Leases</b>	<b>Children Centers Facilities Revolving Loan</b>	<b>Liability for Compensated Absences</b>
Balances, July 1, 2013	\$ 11,258,179	\$ 416,597	\$ 1,308	\$ 634	\$ 61,595
Additions:					
Debt issuance	1,622,200	—	1,741	—	—
Premium on debt issue	267,876	—	—	—	—
Discount amortization	56	19	—	—	—
Vacation earned	—	—	—	—	62,425
Self-insurance claims	—	—	—	—	—
Annual required contribution	—	—	—	—	—
Total Additions	<u>1,890,132</u>	<u>19</u>	<u>1,741</u>	<u>—</u>	<u>62,425</u>
Deductions:					
Principal repayments	2,033,620	30,508	887	79	—
Premium amortization	102,851	2,871	—	—	—
Vacation used	—	—	—	—	62,360
Retirement bonus paid	—	—	—	—	—
Early retirement incentive paid	—	—	—	—	—
Self-insurance claims paid	—	—	—	—	—
OPEB contributions	—	—	—	—	—
Total Deductions	<u>2,136,471</u>	<u>33,379</u>	<u>887</u>	<u>79</u>	<u>62,360</u>
Balances, June 30, 2014	<u>\$ 11,011,840</u>	<u>\$ 383,237</u>	<u>\$ 2,162</u>	<u>\$ 555</u>	<u>\$ 61,660</u>

\* On July 1, 2013, the District adopted GASB Statement No. 65 and reported deferred refunding charges under deferred outflows of resources. The GO Bonds balance at July 1, 2013 was adjusted to exclude the deferred refunding charges of \$106.97 million.

See accompanying independent auditor's report.

<b>Liability for Other Employee Benefits</b>	<b>Self-Insurance Claims</b>	<b>Other Postemployment Benefits (OPEB)</b>	<b>Total</b>
\$ 87,870	\$ 644,947	\$ 4,787,843	\$ 17,258,973
—	—	—	1,623,941
—	—	—	267,876
—	—	—	75
—	—	—	62,425
—	383,281	—	383,281
—	—	890,880	890,880
—	383,281	890,880	3,228,478
—	—	—	2,065,094
—	—	—	105,722
—	—	—	62,360
7,046	—	—	7,046
12,816	—	—	12,816
—	388,050	—	388,050
—	—	326,888	326,888
19,862	388,050	326,888	2,967,976
\$ 68,008	\$ 640,178	\$ 5,351,835	\$ 17,519,475

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Long-Term Obligations  
 Schedule of Certificates of Participation  
 Year Ended June 30, 2014  
 (in thousands)

Date of Issue	Interest Rate	Maturity Date	Balance Original Issue	Outstanding* July 1, 2013	Issued* This Year	Redeemed** Current Year	Outstanding* June 30, 2014
2004A Certificates of Participation (Refinancing Project 1):							
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			\$ 4,590	\$ 4,590	\$ —	\$ 2,250	\$ 2,340
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	5.000%	10/01/13	\$ 9,995	\$ 7,180	\$ —	\$ 7,180	\$ —
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			\$ 55,220	\$ 53,392	\$ —	\$ 7,180	\$ 46,212
2009A Certificates of Participation (Food Services Project):							
09/29/09	3.920%	10/01/13	\$ 1,928	\$ 305	\$ —	\$ 305	\$ —
09/29/09	3.920	04/01/14	1,966	312	—	312	—
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			\$ 28,238	\$ 24,961	\$ —	\$ 617	\$ 24,344
2010A Refunding Certificates of Participation (Multiple Properties Project):							
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			\$ 48,480	\$ 50,519	\$ —	\$ 8,083	\$ 42,436

\* Includes Premium and Discount

\*\* Principal Payment and Premium/Discount Amortization

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Long-Term Obligations  
Schedule of Certificates of Participation (Continued)  
Year Ended June 30, 2014  
(in thousands)

<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Original Issue</u>	<u>Outstanding* July 1, 2013</u>	<u>Issued* This Year</u>	<u>Redeemed** Current Year</u>	<u>Outstanding* June 30, 2014</u>
2010B-1 Certificates of Participation (Capital Projects I):							
12/21/10	7.663%	12/01/21	\$ 965	\$ 741	\$ —	\$ (19)	\$ 760
12/21/10	7.663	12/01/22	1,030	1,004	—	—	1,004
12/21/10	8.163	12/01/23	1,080	1,057	—	—	1,057
12/21/10	8.163	12/01/24	1,140	1,117	—	—	1,117
12/21/10	8.163	12/01/25	1,200	1,178	—	—	1,178
12/21/10	8.000	12/01/26	540	519	—	—	519
12/21/10	8.250	12/01/26	610	610	—	—	610
12/21/10	8.525	12/01/26	115	115	—	—	115
12/21/10	8.000	12/01/27	570	550	—	—	550
12/21/10	8.250	12/01/27	640	640	—	—	640
12/21/10	8.525	12/01/27	125	125	—	—	125
12/21/10	8.000	12/01/28	605	586	—	—	586
12/21/10	8.250	12/01/28	670	670	—	—	670
12/21/10	8.525	12/01/28	130	130	—	—	130
12/21/10	8.000	12/01/29	640	622	—	—	622
12/21/10	8.250	12/01/29	705	705	—	—	705
12/21/10	8.525	12/01/29	135	135	—	—	135
12/21/10	8.000	12/01/30	675	659	—	—	659
12/21/10	8.250	12/01/30	740	740	—	—	740
12/21/10	8.525	12/01/30	145	145	—	—	145
12/21/10	8.000	12/01/31	710	696	—	—	696
12/21/10	8.250	12/01/31	785	785	—	—	785
12/21/10	8.525	12/01/31	150	150	—	—	150
12/21/10	8.000	12/01/32	750	738	—	—	738
12/21/10	8.250	12/01/32	825	825	—	—	825
12/21/10	8.525	12/01/32	160	160	—	—	160
12/21/10	8.000	12/01/33	790	781	—	—	781
12/21/10	8.250	12/01/33	865	865	—	—	865
12/21/10	8.525	12/01/33	170	170	—	—	170
12/21/10	8.000	12/01/34	835	830	—	—	830
12/21/10	8.250	12/01/34	910	910	—	—	910
12/21/10	8.525	12/01/34	180	180	—	—	180
12/21/10	8.000	12/01/35	885	883	—	—	883
12/21/10	8.250	12/01/35	950	950	—	—	950
12/21/10	8.525	12/01/35	190	190	—	—	190
2010B-1 Certificates of Participation			<u>\$ 21,615</u>	<u>\$ 21,161</u>	<u>\$ —</u>	<u>\$ (19)</u>	<u>\$ 21,180</u>
2010B-2 Certificates of Participation (Capital Projects I):							
12/21/10	5.000%	12/01/13	\$ 5,695	\$ 6,098	\$ —	\$ 6,098	\$ —
12/21/10	4.000	12/01/14	150	519	—	—	519
12/21/10	5.000	12/01/14	5,835	5,835	—	—	5,835
12/21/10	5.000	12/01/15	6,280	6,612	—	—	6,612
12/21/10	5.000	12/01/16	6,075	6,367	—	—	6,367
12/21/10	4.000	12/01/17	2,585	2,851	—	—	2,851
12/21/10	5.000	12/01/17	3,800	3,800	—	—	3,800
12/21/10	5.500	12/01/18	6,675	6,886	—	—	6,886
12/21/10	5.500	12/01/19	7,040	7,166	—	—	7,166
12/21/10	5.000	12/01/20	3,830	3,867	—	—	3,867
12/21/10	5.750	12/01/20	3,600	3,600	—	—	3,600
2010B-2 Certificates of Participation			<u>\$ 51,565</u>	<u>\$ 53,601</u>	<u>\$ —</u>	<u>\$ 6,098</u>	<u>\$ 47,503</u>

\* Includes Premium and Discount

\*\* Principal Payment and Premium/Discount Amortization

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Long-Term Obligations  
 Schedule of Certificates of Participation (Continued)  
 Year Ended June 30, 2014  
 (in thousands)

<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Original Issue</u>	<u>Outstanding* July 1, 2013</u>	<u>Issued* This Year</u>	<u>Redeemed** Current Year</u>	<u>Outstanding* June 30, 2014</u>
2012A Refunding Certificates of Participation (Headquarters Building Projects):							
06/12/12	2.000%	10/01/13	\$ 6,040	\$ 7,227	\$ —	\$ 7,227	\$ —
06/12/12	4.000	10/01/14	6,095	7,282	—	—	7,282
06/12/12	4.000	10/01/15	6,270	7,425	—	—	7,425
06/12/12	5.000	10/01/16	6,460	7,532	—	—	7,532
06/12/12	5.000	10/01/17	6,705	7,670	—	—	7,670
06/12/12	5.000	10/01/18	6,965	7,815	—	—	7,815
06/12/12	5.000	10/01/19	7,240	7,966	—	—	7,966
06/12/12	5.000	10/01/20	7,525	8,117	—	—	8,117
06/12/12	5.000	10/01/21	7,820	8,268	—	—	8,268
06/12/12	5.000	10/01/22	8,130	8,423	—	—	8,423
06/12/12	5.000	10/01/23	7,795	7,933	—	—	7,933
06/12/12	4.250	10/01/24	1,255	1,344	—	—	1,344
06/12/12	4.250	10/01/25	1,095	1,171	—	—	1,171
06/12/12	3.750	10/01/26	1,125	1,193	—	—	1,193
06/12/12	4.000	10/01/27	1,160	1,218	—	—	1,218
06/12/12	4.000	10/01/28	1,190	1,237	—	—	1,237
06/12/12	4.125	10/01/29	1,230	1,265	—	—	1,265
06/12/12	4.125	10/01/30	1,270	1,290	—	—	1,290
06/12/12	4.250	10/01/31	1,305	1,309	—	—	1,309
2012A Refunding Certificates of Participation			<u>\$ 86,675</u>	<u>\$ 95,685</u>	<u>\$ —</u>	<u>\$ 7,227</u>	<u>\$ 88,458</u>
2012B Refunding Certificates of Participation (Headquarters Building Projects):							
06/12/12	2.000%	10/01/13	\$ 170	\$ 454	\$ —	\$ 454	\$ —
06/12/12	3.000	10/01/14	305	604	—	—	604
06/12/12	3.000	10/01/15	315	630	—	—	630
06/12/12	3.000	10/01/16	325	657	—	—	657
06/12/12	4.000	10/01/17	335	682	—	—	682
06/12/12	2.125	10/01/18	345	712	—	—	712
06/12/12	2.375	10/01/19	355	744	—	—	744
06/12/12	2.625	10/01/20	360	771	—	—	771
06/12/12	3.000	10/01/21	375	808	—	—	808
06/12/12	3.125	10/01/22	385	841	—	—	841
06/12/12	3.250	10/01/23	400	878	—	—	878
06/12/12	5.000	10/01/24	6,750	7,206	—	—	7,206
06/12/12	5.000	10/01/25	7,525	7,937	—	—	7,937
06/12/12	5.000	10/01/26	7,905	8,267	—	—	8,267
06/12/12	5.000	10/01/27	8,300	8,606	—	—	8,606
06/12/12	5.000	10/01/28	8,715	8,960	—	—	8,960
06/12/12	5.000	10/01/29	9,155	9,332	—	—	9,332
06/12/12	5.000	10/01/30	9,605	9,708	—	—	9,708
06/12/12	5.000	10/01/31	10,090	10,111	—	—	10,111
2012B Refunding Certificates of Participation			<u>\$ 71,715</u>	<u>\$ 77,908</u>	<u>\$ —</u>	<u>\$ 454</u>	<u>\$ 77,454</u>

\* Includes Premium and Discount

\*\* Principal Payment and Premium/Discount Amortization

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Long-Term Obligations  
Schedule of Certificates of Participation (Continued)  
Year Ended June 30, 2014  
(in thousands)

<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Original Issue</u>	<u>Outstanding* July 1, 2013</u>	<u>Issued* This Year</u>	<u>Redeemed** Current Year</u>	<u>Outstanding* June 30, 2014</u>
2013A Refunding Certificates of Participation (Refunding Lease):							
06/24/13	2.290%	08/01/13	\$ 1,470	\$ 1,470	\$ —	\$ 1,470	\$ —
06/24/13	2.290	08/01/14	1,320	1,320	—	—	1,320
06/24/13	2.290	08/01/15	1,350	1,350	—	—	1,350
06/24/13	2.290	08/01/16	1,380	1,380	—	—	1,380
06/24/13	2.290	08/01/17	1,415	1,415	—	—	1,415
06/24/13	2.290	08/01/18	1,445	1,445	—	—	1,445
06/24/13	2.290	08/01/19	1,480	1,480	—	—	1,480
06/24/13	2.290	08/01/20	1,515	1,515	—	—	1,515
06/24/13	2.290	08/01/21	1,545	1,545	—	—	1,545
06/24/13	2.290	08/01/22	1,580	1,580	—	—	1,580
06/24/13	2.290	08/01/23	1,620	1,620	—	—	1,620
06/24/13	2.290	08/01/24	1,655	1,655	—	—	1,655
06/24/13	2.290	08/01/25	1,690	1,690	—	—	1,690
06/24/13	2.290	08/01/26	1,730	1,730	—	—	1,730
06/24/13	2.290	08/01/27	1,775	1,775	—	—	1,775
06/24/13	2.290	08/01/28	1,810	1,810	—	—	1,810
2013A Refunding Certificates of Participation			<u>\$ 24,780</u>	<u>\$ 24,780</u>	<u>\$ —</u>	<u>\$ 1,470</u>	<u>\$ 23,310</u>
Grand Total			<u>\$ 402,878</u>	<u>\$ 416,597</u>	<u>\$ —</u>	<u>\$ 33,360</u>	<u>\$ 383,237</u>

\* Includes Premium and Discount

\*\* Principal Payment and Premium/Discount Amortization

See accompanying independent auditors' report.



**STATISTICAL  
SECTION**



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  
Statement of Net Position  
Last Ten Fiscal Years  
(in thousands)  
(Unaudited)

	<u>2004-2005</u>	<u>2005-2006</u>	<u>2006-2007</u>
Assets:			
Cash and cash equivalents	\$ 3,180,396	\$ 3,151,386	\$ 3,487,080
Investments	826,235	819,660	923,425
Property taxes receivable	156,065	41,360	46,689
Accounts receivable, net	685,059	817,504	786,845
Accrued interest receivable	24,799	47,476	70,901
Prepays	20,718	21,257	15,597
Due from other funds	-	-	-
Unamortized issuance costs	4,858	17,398	32,730
Inventories	31,007	15,268	15,823
Accounts receivable, non current	-	-	-
Other assets	-	-	-
Capital assets:			
Sites	1,805,711	2,105,429	2,373,208
Improvement of sites	345,725	386,968	430,979
Buildings and improvements	3,104,384	4,298,752	5,803,185
Equipment	1,094,832	1,124,779	1,145,089
Construction in progress	2,600,475	2,545,892	2,180,218
Less accumulated depreciation	<u>(2,491,969)</u>	<u>(2,664,067)</u>	<u>(2,847,681)</u>
Total Capital Assets, Net of Depreciation	<u>6,459,158</u>	<u>7,797,753</u>	<u>9,084,998</u>
Total Assets	<u>11,388,295</u>	<u>12,729,062</u>	<u>14,464,088</u>
Deferred Outflows of Resources:			
Refunding Charges	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities:			
Vouchers and accounts payable	387,872	395,174	374,553
Contracts payable	162,187	125,522	155,901
Accrued payroll	264,240	246,401	586,384
Accrued interest	-	-	-
Other payables	171,813	163,066	6,099
Unearned revenue	229,702	138,135	60,986
Tax and revenue anticipation notes and related interest payable	520,789	429,382	360,998
Long-term liabilities:			
Portion due within one year	338,635	329,152	373,698
Portion due after one year	<u>5,596,973</u>	<u>6,724,029</u>	<u>7,341,060</u>
Total Liabilities	<u>7,672,211</u>	<u>8,550,861</u>	<u>9,259,679</u>
Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Net Position:			
Net investment in capital assets	2,704,302	2,866,293	3,267,458
Restricted	701,779	1,089,165	1,540,422
Unrestricted	<u>310,003</u>	<u>222,743</u>	<u>396,529</u>
Total Governmental Activities	<u>3,716,084</u>	<u>4,178,201</u>	<u>5,204,409</u>
Total Net Position	<u>\$ 3,716,084</u>	<u>\$ 4,178,201</u>	<u>\$ 5,204,409</u>

See accompanying independent auditor's report.

	<b>2007-2008</b>	<b>2008-2009</b>	<b>2009-2010</b>	<b>2010-2011</b>	<b>2011-2012</b>	<b>2012-2013 (As Restated)</b>	<b>2013-2014</b>
\$	4,112,750	\$ 3,559,297	\$ 6,231,489	\$ 5,905,632	\$ 4,453,774	\$ 4,565,223	\$ 4,130,489
	825,398	592,741	785,256	22,835	561,917	659,445	-
	67,899	80,453	86,802	92,125	106,219	60,052	66,912
	854,789	1,097,781	928,327	1,212,902	1,584,436	908,380	914,608
	44,461	21,031	24,247	20,300	8,236	6,290	13,904
	16,101	13,354	12,866	12,478	12,091	42,668	46,188
	-	-	-	-	-	-	-
	37,349	40,479	66,845	12,459	61,306	-	-
	18,920	14,861	13,163	63,653	21,583	25,958	23,635
	-	-	-	-	-	32,046	28,487
	-	-	-	-	-	-	5,453
	2,700,727	2,969,404	3,069,920	3,136,630	3,144,097	3,180,152	3,084,939
	468,039	507,963	523,083	528,607	550,288	559,575	563,691
	6,722,084	8,243,000	8,992,789	10,069,170	12,635,362	14,091,455	14,530,648
	1,143,953	1,156,042	1,169,506	1,228,062	1,583,212	1,622,452	1,723,511
	2,547,219	2,815,518	3,579,899	3,571,703	1,567,489	575,310	689,587
	(3,064,058)	(3,361,521)	(3,599,858)	(3,906,924)	(4,882,822)	(5,360,254)	(5,913,434)
	<u>10,517,964</u>	<u>12,330,406</u>	<u>13,735,339</u>	<u>14,627,248</u>	<u>14,597,626</u>	<u>14,668,690</u>	<u>14,678,942</u>
	<u>16,495,631</u>	<u>17,750,403</u>	<u>21,884,334</u>	<u>21,969,632</u>	<u>21,407,188</u>	<u>20,968,752</u>	<u>19,908,618</u>
	-	-	-	-	-	106,970	174,224
	534,898	489,547	439,134	488,599	393,208	124,980	240,251
	129,704	121,150	92,473	30,249	64,787	42,320	42,160
	397,407	243,458	207,437	205,323	191,418	199,014	272,221
		171,868	254,828	297,901	289,821	282,375	232,921
	126,880	117,802	74,677	155,502	99,991	177,644	104,668
	103,611	212,159	65,418	123,393	15,717	12,796	8,505
	615,599	514,343	764,355	-	561,782	793,694	-
	529,970	478,203	485,669	526,853	509,065	644,448	689,909
	<u>9,075,723</u>	<u>10,670,116</u>	<u>15,266,398</u>	<u>15,668,785</u>	<u>16,121,160</u>	<u>16,507,556</u>	<u>16,829,566</u>
	<u>11,513,792</u>	<u>13,018,646</u>	<u>17,650,389</u>	<u>17,496,605</u>	<u>18,246,949</u>	<u>18,784,827</u>	<u>18,420,201</u>
	-	-	-	-	-	-	-
	3,694,054	4,584,300	4,910,954	5,450,860	5,059,121	4,863,878	4,600,870
	1,893,302	1,639,962	1,282,553	1,495,022	1,312,920	1,355,252	1,538,688
	(605,517)	(1,492,505)	(1,959,562)	(2,472,855)	(3,211,802)	(4,035,205)	(4,476,917)
\$	<u>4,981,839</u>	<u>\$ 4,731,757</u>	<u>\$ 4,233,945</u>	<u>\$ 4,473,027</u>	<u>\$ 3,160,239</u>	<u>\$ 2,183,925</u>	<u>\$ 1,662,641</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Changes in Net Position  
Last Ten Fiscal Years  
(in thousands)  
(Unaudited)

	<u>2004-2005</u>	<u>2005-2006</u>	<u>2006-2007</u>
Expenses:			
Governmental activities:			
Instruction	\$ 3,996,454	\$ 4,032,673	\$ 4,142,927
Support services - students	311,449	298,911	310,786
Support services - instructional staff	647,207	650,551	589,566
Support services - general administration	46,195	46,913	56,323
Support services - school administration	444,656	466,862	477,168
Support services - business	138,800	106,523	123,791
Operation and maintenance of plant services	588,588	599,899	638,201
Student transportation services	161,845	161,395	168,121
Data processing services	230,434	115,311	114,630
Operation of noninstructional services	273,236	282,992	288,736
Facilities acquisition and construction services	160,224	135,827	92,799
Other uses	778	799	418
Interest expense	256,372	285,051	278,053
Interagency disbursements	28,927	33,678	39,371
Depreciation - unallocated	105,026	130,561	180,328
Unfunded OPEB expense - unallocated	-	-	-
Total Governmental Activities	<u>7,390,191</u>	<u>7,347,946</u>	<u>7,501,218</u>
Program Revenues:			
Charges for services			
Instruction	2,611	2,968	3,357
Support services - instructional staff	449	290	184
Support services - business	2,754	5,769	10,592
Operation and maintenance of plant services	4,336	4,154	4,496
Operation of noninstructional services	21,251	21,024	18,886
Facilities acquisition and construction services	77,480	85,122	95,222
Total Charges for Services	<u>108,881</u>	<u>119,327</u>	<u>132,737</u>
Operating grants and contributions:			
Instruction	1,393,191	1,473,164	1,707,841
Support services - students	160,625	178,438	205,621
Support services - instructional staff	507,369	526,379	472,633
Support services - general administration	32	23	1
Support services - school administration	102,449	143,761	145,581
Support services - business	115,938	99,041	85,947
Operation and maintenance of plant services	117,736	131,411	150,877
Student transportation services	158,174	170,604	163,325
Data processing services	5,973	7,404	10,135
Operation of noninstructional services	227,186	236,391	236,113
Facilities acquisition and construction services	6,619	5,220	893
Other uses	273	-	-
Interest expense	-	-	-
Total Operating Grants and Contributions	<u>2,795,565</u>	<u>2,971,836</u>	<u>3,178,967</u>
Capital grants and contributions:			
Operation and maintenance of plant services	5,454	7,719	137,763
Facilities acquisition and construction services	88,246	366,473	298,645
Total Capital Grants and Contributions	<u>93,700</u>	<u>374,192</u>	<u>436,408</u>
Total Program Revenues	<u>2,998,146</u>	<u>3,465,355</u>	<u>3,748,112</u>
Net Expenses	<u>(4,392,045)</u>	<u>(3,882,591)</u>	<u>(3,753,106)</u>
General Revenues:			
Taxes:			
Property taxes, levied for general purposes	850,516	644,637	811,282
Property taxes, levied for debt service	308,537	331,097	444,951
Property taxes, levied for community redevelopment	3,394	1,713	4,479
State aid - formula grants	2,582,322	2,781,133	2,901,720
Grants, entitlements and contributions not restricted to specific programs	489,060	441,396	531,067
Unrestricted investment earnings	70,589	138,346	149,311
Miscellaneous	13,001	6,386	12,456
Total General Revenues	<u>4,317,419</u>	<u>4,344,708</u>	<u>4,855,266</u>
Change in Net Position	<u>\$ (74,626)</u>	<u>\$ 462,117</u>	<u>\$ 1,102,160</u>

See accompanying independent auditor's report.

					2012-2013	
2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	(As Restated)	2013-2014
\$ 4,416,790	\$ 4,291,864	\$ 3,900,813	\$ 3,986,263	\$ 3,773,915	\$ 3,604,189	\$ 3,626,268
366,514	359,087	317,859	320,787	316,132	306,293	290,689
731,016	623,621	428,734	432,202	403,779	363,839	401,027
51,873	60,395	43,561	43,448	43,047	80,969	40,666
502,506	518,838	466,481	426,288	395,728	382,251	365,401
136,540	134,008	204,002	145,401	173,489	298,548	180,041
727,090	758,813	660,647	581,731	568,113	535,754	567,386
173,167	168,837	155,813	151,286	158,177	152,485	166,377
108,451	98,013	68,949	54,205	83,517	66,306	84,404
324,348	370,016	403,956	404,211	430,061	451,192	485,670
89,029	119,137	115,474	175,584	111,858	214,972	158,102
882	240	615	181	1,203	1,240	6,327
350,420	551,163	495,266	623,044	578,279	571,076	536,864
	--	--				
217,052	302,298	245,712	315,745	406,910	442,802	494,457
832,665	821,261	739,885	781,931	819,296	792,805	563,992
<u>9,028,343</u>	<u>9,177,591</u>	<u>8,247,767</u>	<u>8,442,307</u>	<u>8,263,504</u>	<u>8,264,721</u>	<u>7,967,671</u>
5,482	6,497	6,440	20,741	19,819	17,063	24,933
251	183	211	156	117	91	96
8,337	8,694	18,002	7,814	9,198	10,110	7,602
5,206	6,999	13,496	16,378	21,657	23,036	22,617
16,979	15,777	12,229	9,727	7,511	6,730	6,067
65,426	24,259	18,747	33,810	41,206	47,233	59,057
<u>101,681</u>	<u>62,409</u>	<u>69,125</u>	<u>88,626</u>	<u>99,508</u>	<u>104,263</u>	<u>120,372</u>
1,662,599	1,538,356	1,705,758	1,815,305	1,339,908	1,148,684	813,619
223,250	243,391	240,346	234,844	264,016	261,735	116,343
532,258	641,554	348,196	353,459	344,793	324,794	263,904
87	133	852	9,141	3,893	1,888	309
139,550	131,204	143,125	132,805	120,610	62,682	31,688
72,513	121,542	70,894	46,629	94,492	49,105	47,016
151,932	162,386	168,318	135,826	113,407	35,484	20,395
170,100	156,509	154,069	157,528	264,619	265,013	1,250
7,326	10,986	3,369	8,753	4,886		--
249,817	269,543	342,381	369,578	337,493	382,678	406,871
14,609	1,287	375	5,692	127,188	36,166	59,275
559	1,591			895	800	786
<u>3,224,600</u>	<u>3,278,482</u>	<u>3,177,683</u>	<u>3,269,560</u>	<u>3,016,200</u>	<u>2,569,029</u>	<u>1,761,456</u>
11,216	48,382	4,293	2,354	187	42	6
653,191	876,570	295,879	777,990	94,996	166,155	129,700
664,407	924,952	300,172	780,344	95,183	166,197	129,706
3,990,688	4,265,843	3,546,980	4,138,530	3,210,891	2,839,489	2,011,534
<u>(5,037,655)</u>	<u>(4,911,748)</u>	<u>(4,700,787)</u>	<u>(4,303,777)</u>	<u>(5,052,613)</u>	<u>(5,425,232)</u>	<u>(5,956,137)</u>
806,413	927,441	938,189	909,484	901,213	1,139,313	1,017,071
539,735	598,980	740,719	935,428	850,359	965,955	839,521
5,775	1,295	6,054	5,320	9,789	13,841	19,306
2,817,720	2,517,499	2,039,028	2,146,870	2,066,980	1,774,431	3,391,144
505,638	453,643	393,192	402,110	434,512	553,115	131,827
156,817	74,859	58,323	66,795	21,175	20,727	16,605
85,547	87,949	27,470	76,852	41,342	(18,464)	19,379
4,917,645	4,661,666	4,202,975	4,542,859	4,325,370	4,448,918	5,434,853
<u>\$ (120,010)</u>	<u>\$ (250,082)</u>	<u>\$ (497,812)</u>	<u>\$ 239,082</u>	<u>\$ (727,243)</u>	<u>\$ (976,314)</u>	<u>\$ (521,284)</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Governmental Activities Tax Revenues by Source  
 Last Ten Fiscal Years  
 (in thousands)  
 (Unaudited)

	<u>2004-2005</u>	<u>2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>
Property Taxes, Levied for:					
General purposes	\$ 850,516	\$ 644,637	\$ 811,282	\$ 806,413	\$ 927,441
Debt service	308,537	331,097	444,951	539,735	598,980
Community redevelopment	3,394	1,713	4,479	5,775	1,295
Total	<u>\$ 1,162,447</u>	<u>\$ 977,447</u>	<u>\$ 1,260,712</u>	<u>\$ 1,351,923</u>	<u>\$ 1,527,716</u>

See accompanying independent auditor's report.

<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>
\$ 938,189	\$ 909,484	\$ 901,213	\$ 1,139,313	\$ 1,017,071
740,719	935,428	850,359	965,955	839,521
6,054	5,320	9,789	13,841	19,306
<u>\$ 1,684,962</u>	<u>\$ 1,850,232</u>	<u>\$ 1,761,361</u>	<u>\$ 2,119,109</u>	<u>\$ 1,875,898</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(in thousands)  
(Unaudited)

	<u>2004-2005</u>	<u>2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</u>
General Fund:				
Nonspendable	\$ —	\$ —	\$ —	\$ —
Restricted	—	—	—	—
Assigned	—	—	—	—
Unassigned	—	—	—	—
Reserved	96,540	144,673	333,103	403,518
Unreserved	<u>253,029</u>	<u>289,839</u>	<u>362,132</u>	<u>253,718</u>
Total General Fund	<u>\$ 349,569</u>	<u>\$ 434,512</u>	<u>\$ 695,235</u>	<u>\$ 657,236</u>
District Bonds:				
Nonspendable	\$ —	\$ —	\$ —	\$ —
Restricted	—	—	—	—
Reserved	7,328	3,300	3,300	3,800
Unreserved	<u>1,123,595</u>	<u>1,096,859</u>	<u>949,738</u>	<u>957,677</u>
Total District Bonds	<u>\$ 1,130,923</u>	<u>\$ 1,100,159</u>	<u>\$ 953,038</u>	<u>\$ 961,477</u>
County School Facilities Bonds:				
Nonspendable	\$ —	\$ —	\$ —	\$ —
Restricted	—	—	—	—
Unreserved	<u>246,432</u>	<u>344,922</u>	<u>435,541</u>	<u>532,895</u>
Total County School Facilities Bonds	<u>\$ 246,432</u>	<u>\$ 344,922</u>	<u>\$ 435,541</u>	<u>\$ 532,895</u>
Bond Interest and Redemption Fund				
Restricted	\$ —	\$ —	\$ —	\$ —
Reserved	211,449	282,984	360,140	—
Unreserved	<u>—</u>	<u>—</u>	<u>—</u>	<u>447,880</u>
Total Debt Service	<u>\$ 211,449</u>	<u>\$ 282,984</u>	<u>\$ 360,140</u>	<u>\$ 447,880</u>
All Other Governmental Funds:				
Nonspendable	\$ —	\$ —	\$ —	\$ —
Restricted, reported in:				
Special revenue funds	—	—	—	—
Debt service funds	—	—	—	—
Capital projects funds	—	—	—	—
Committed in:				
Special revenue funds	—	—	—	—
Assigned, reported in:				
Special revenue funds	—	—	—	—
Capital projects funds	—	—	—	—
Reserved	7,871	7,867	7,871	7,391
Unreserved, reported in:				
Special revenue funds	101,059	187,178	245,129	236,369
Debt service funds	12,949	19,498	23,135	49,213
Capital projects funds	<u>489,976</u>	<u>428,119</u>	<u>369,299</u>	<u>382,514</u>
Total All Other Governmental Funds	<u>\$ 611,855</u>	<u>\$ 642,662</u>	<u>\$ 645,434</u>	<u>\$ 675,487</u>

\*Effective 2010-11, fund balances are presented to conform with GASB statement 54

See accompanying independent auditor's report.

<b>2008-2009</b>	<b>2009-2010</b>	<b>2010-2011*</b>	<b>2011-2012</b>	<b>2012-2013</b>	<b>2013-2014</b>
\$ ---	\$ ---	\$ 10,417	\$ 11,231	\$ 18,513	\$ 19,631
---	---	266,418	186,563	138,469	192,932
---	---	147,035	465,272	370,359	336,430
---	---	479,661	161,744	65,376	151,257
565,333	304,762	---	---	---	---
184,629	358,145	---	---	---	---
<u>\$ 749,962</u>	<u>\$ 662,907</u>	<u>\$ 903,531</u>	<u>\$ 824,810</u>	<u>\$ 592,717</u>	<u>\$ 700,250</u>
\$ ---	\$ ---	\$ 3,800	\$ 3,800	3,800	5,602
---	---	2,816,528	2,102,830	1,725,266	1,121,750
3,800	3,800	---	---	---	---
729,284	3,488,803	---	---	---	---
<u>\$ 733,084</u>	<u>\$ 3,492,603</u>	<u>\$ 2,820,328</u>	<u>\$ 2,106,630</u>	<u>\$ 1,729,066</u>	<u>\$ 1,127,352</u>
\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 33
---	---	712,540	504,993	454,334	544,965
534,745	501,615	---	---	---	---
<u>\$ 534,745</u>	<u>\$ 501,615</u>	<u>\$ 712,540</u>	<u>\$ 504,993</u>	<u>\$ 454,334</u>	<u>\$ 544,998</u>
\$ ---	\$ ---	\$ 724,608	\$ 681,562	\$ 750,540	\$ 712,646
---	---	---	---	---	---
489,381	630,810	---	---	---	---
<u>\$ 489,381</u>	<u>\$ 630,810</u>	<u>\$ 724,608</u>	<u>\$ 681,562</u>	<u>\$ 750,540</u>	<u>\$ 712,646</u>
\$ ---	\$ ---	\$ 5,050	\$ 13,123	\$ 10,203	\$ 6,718
---	---	3,843	5,802	14,711	19,373
---	---	82,138	59,708	54,698	55,441
---	---	132,449	161,564	119,241	123,772
---	---	11,391	9,972	8,789	8,949
---	---	51	60	702	626
---	---	29,731	55,660	101,556	149,150
6,280	5,309	---	---	---	---
159,720	122,508	---	---	---	---
65,372	72,643	---	---	---	---
268,577	166,949	---	---	---	---
<u>\$ 499,949</u>	<u>\$ 367,409</u>	<u>\$ 264,653</u>	<u>\$ 305,889</u>	<u>\$ 309,900</u>	<u>\$ 364,029</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Changes in Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(in thousands)  
(Unaudited)

	<u>2004-2005</u>	<u>2005-2006</u>	<u>2006-2007</u>
Revenues:			
Local control funding formula sources	\$ 3,575,257	\$ 3,724,599	\$ 3,892,689
Federal revenues	1,071,628	1,150,060	1,023,992
Other state revenues	2,109,674	2,419,412	2,853,979
Other local revenues	549,264	637,941	835,529
Total Revenues	<u>7,305,823</u>	<u>7,932,012</u>	<u>8,606,189</u>
Expenditures:			
Current:			
Certificated salaries	3,110,756	3,187,441	3,362,475
Classified salaries	1,069,595	1,098,558	1,180,482
Employee benefits	1,349,301	1,418,575	1,440,468
Books and supplies	499,411	567,167	507,486
Services and other operating expenditures	647,151	691,388	785,742
Capital outlay	1,398,243	1,532,862	1,494,934
Debt service - principal	110,501	94,843	153,258
Debt service - bond, COPs, and capital leases interest	232,333	241,131	285,315
Debt service - refunding bond issuance cost	1,337	2,732	9,665
Other outgo	33,748	41,695	46,865
Total Expenditures	<u>8,452,376</u>	<u>8,876,392</u>	<u>9,266,690</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,146,553)</u>	<u>(944,380)</u>	<u>(660,501)</u>
Other Financing Sources (Uses):			
Transfers in	598,061	381,658	362,932
Transfers out	(598,061)	(381,658)	(366,926)
Issuance of bonds	200,000	1,115,712	900,000
Premium on bonds issued	4,124	64,283	33,649
Issuance of refunding bonds	219,125	778,673	1,889,000
Premium on refunding bonds issued	16,338	64,058	49,073
Issuance of COPs	219,790	10,000	--
Premium on COPs issued	--	--	--
Discount on issuance of COPs	--	--	--
Discount on issuance of refunding bonds	--	--	(1,324)
Payment to refunded bonds escrow agent	(234,126)	(656,098)	(1,927,084)
Issuance of refunding COPs	--	--	--
Payment to refunded COPs escrow agent	(333,958)	(178,618)	--
CA Energy Commission loan	1,318	63	--
Insurance proceeds - fire damage	--	--	2,935
Capital leases	1,999	1,318	2,394
Land and building sale/lease	--	--	--
Children center facilities revolving fund	--	--	--
Total Other Financing Sources	<u>94,610</u>	<u>1,199,391</u>	<u>944,649</u>
Net Change in Fund Balances	<u>\$ (1,051,943)</u>	<u>\$ 255,011</u>	<u>\$ 284,148</u>
Debt Service as a Percentage of Noncapital Expenditures	4.9%	4.6%	5.8%

See accompanying independent auditor's report.

<b>2007-2008</b>	<b>2008-2009</b>	<b>2009-2010</b>	<b>2010-2011</b>	<b>2011-2012</b>	<b>2012-2013</b>	<b>2013-2014</b>
\$ 3,624,134	\$ 3,444,940	\$ 2,977,215	\$ 3,056,350	\$ 2,968,193	\$ 2,913,744	\$ 4,408,214
1,016,465	1,357,169	1,289,543	1,463,899	1,179,268	1,017,226	965,830
3,307,609	3,223,201	2,566,534	2,966,361	2,222,007	2,265,455	1,028,925
925,869	904,663	918,438	1,198,389	1,084,248	1,140,218	1,049,367
<u>8,874,077</u>	<u>8,929,973</u>	<u>7,751,730</u>	<u>8,684,999</u>	<u>7,453,716</u>	<u>7,336,643</u>	<u>7,452,336</u>
3,469,214	3,384,912	2,929,870	2,948,806	2,799,485	2,661,784	2,657,348
1,269,680	1,236,448	1,126,477	1,058,084	1,025,679	967,573	1,003,137
1,464,061	1,440,404	1,581,239	1,508,612	1,546,789	1,509,401	1,558,637
574,902	441,855	395,886	495,998	392,154	354,514	384,374
880,455	872,470	867,482	826,514	729,903	918,747	705,874
1,644,450	2,113,952	1,677,858	1,241,249	1,021,845	571,357	589,514
200,514	302,688	289,680	303,329	339,789	359,659	358,744
334,525	363,050	410,978	582,330	592,942	584,596	567,462
6,020	-	26,604	-	1,608	-	2,087
882	240	615	181	1,203	1,240	6,326
<u>9,844,703</u>	<u>10,156,019</u>	<u>9,306,689</u>	<u>8,965,103</u>	<u>8,451,397</u>	<u>7,928,871</u>	<u>7,833,503</u>
<u>(970,626)</u>	<u>(1,226,046)</u>	<u>(1,554,959)</u>	<u>(280,104)</u>	<u>(997,681)</u>	<u>(592,228)</u>	<u>(381,167)</u>
499,947	575,839	539,641	604,246	874,499	581,194	155,989
(512,061)	(588,821)	(552,270)	(615,202)	(885,625)	(591,590)	(166,777)
1,000,000	945,774	4,082,645	-	-	-	-
42,258	-	92,908	-	-	-	-
-	-	149,760	-	563,805	-	1,622,200
-	-	-	-	77,207	-	267,876
105,374	120,950	40,728	83,345	-	-	-
-	-	3,771	3,034	16,648	-	-
-	-	-	(596)	-	-	-
-	-	-	-	-	-	-
-	-	(163,199)	-	(639,404)	-	(1,887,989)
-	-	69,685	-	160,190	24,780	-
-	(107,795)	(65,328)	(32,548)	(175,887)	(24,641)	-
-	-	-	-	-	-	-
5,332	1,439	2,057	1,987	3,221	15,154	845
1,253	1,196	931	1,043	930	4	1,741
14,110	9,610	2,371	52	321	-	-
-	-	(518)	-	-	-	-
<u>1,156,213</u>	<u>958,192</u>	<u>4,203,182</u>	<u>45,361</u>	<u>(4,095)</u>	<u>4,901</u>	<u>(6,115)</u>
<u>\$ 185,587</u>	<u>\$ (267,854)</u>	<u>\$ 2,648,223</u>	<u>\$ (234,743)</u>	<u>\$ (1,001,776)</u>	<u>\$ (587,327)</u>	<u>\$ (387,282)</u>
6.6%	8.3%	9.5%	11.5%	12.6%	12.8%	12.8%

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Governmental Fund Types  
Expenditures and Other Uses by State-Defined Object  
Last Ten Fiscal Years  
(in thousands)  
(Unaudited)

<u>Fiscal year</u>	<u>Certificated Salaries</u>	<u>Classified Salaries</u>	<u>Employee Benefits</u>	<u>Books and Supplies</u>	<u>Services and Other Oper. Exp.</u>
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
2010-2011	2,948,806	1,058,084	1,508,612	495,998	826,514
2011-2012	2,799,485	1,025,679	1,546,789	392,154	729,903
2012-2013	2,661,784	967,573	1,509,401	354,514	918,747
2013-2014	2,657,348	1,003,137	1,558,637	384,374	705,874

Notes:

<sup>(1)</sup> "Other Outgo" includes Tuition for Handicapped Pupils, discount on debt issuance, and payments to refunded debt escrow agent. 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.

See accompanying independent auditor's report.

	<b>Capital Outlay</b>	<b>Debt Service</b>	<b>Other Outgo <sup>(1)</sup></b>	<b>Operating Transfers Out</b>	<b>Total Expenditures and Other Uses</b>
\$	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
	1,241,249	885,659	33,325	615,202	9,613,449
	1,021,845	934,339	816,494	885,625	10,152,313
	571,357	944,255	25,881	591,590	8,545,102
	589,514	928,293	1,894,315	166,777	9,888,269

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Governmental Fund Types  
Expenditures and Other Uses by Goal and Function  
Last Ten Fiscal Years  
(in thousands)  
(Unaudited)

	<u>2004-2005</u>	<u>2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>
Instructional Goals:					
General education	\$ 3,935,655	\$ 4,145,863	\$ 4,270,273	\$ 4,462,660	\$ 4,124,621
Special education	1,195,855	1,252,592	1,333,134	1,395,418	1,376,082
Others	94,496	93,176	94,206	100,135	101,223
	<u>5,226,006</u>	<u>5,491,631</u>	<u>5,697,613</u>	<u>5,958,213</u>	<u>5,601,926</u>
Noninstructional Goals:					
Community services	26,423	27,165	30,269	24,762	28,094
Child care services	7,887	3,656	4,408	4,663	4,847
	<u>34,310</u>	<u>30,821</u>	<u>34,677</u>	<u>29,425</u>	<u>32,941</u>
Support Services	<u>1,058,764</u>	<u>1,083,003</u>	<u>1,182,086</u>	<u>1,273,056</u>	<u>1,270,702</u>
Facilities Acquisition	<u>1,522,494</u>	<u>1,635,060</u>	<u>1,581,955</u>	<u>1,734,161</u>	<u>2,234,066</u>
Food Services	<u>222,640</u>	<u>241,888</u>	<u>253,798</u>	<u>286,769</u>	<u>323,009</u>
Other Outgo:					
Debt service	344,171	517,324	2,386,554	541,059	773,533
All other outgo	1,210,136	1,093,039	425,341	534,081	616,458
	<u>1,554,307</u>	<u>1,610,363</u>	<u>2,811,895</u>	<u>1,075,140</u>	<u>1,389,991</u>
Total Expenditures and Other Uses	<u>\$ 9,618,521</u>	<u>\$ 10,092,766</u>	<u>\$ 11,562,024</u>	<u>\$ 10,356,764</u>	<u>\$ 10,852,635</u>

See accompanying independent auditor's report.

<b>2009-2010</b>	<b>2010-2011</b>	<b>2011-2012</b>	<b>2012-2013</b>	<b>2013-2014</b>
\$ 3,820,056	\$ 3,928,156	\$ 3,642,622	\$ 3,347,583	\$ 3,201,696
1,428,258	1,387,197	1,362,253	1,293,613	1,318,026
85,456	87,876	61,046	44,730	47,558
<u>5,333,770</u>	<u>5,403,229</u>	<u>5,065,921</u>	<u>4,685,926</u>	<u>4,567,280</u>
17,094	12,310	13,055	13,664	12,748
3,109	2,987	2,418	3,932	4,049
<u>20,203</u>	<u>15,297</u>	<u>15,473</u>	<u>17,596</u>	<u>16,797</u>
<u>1,131,009</u>	<u>988,664</u>	<u>1,007,304</u>	<u>1,208,376</u>	<u>1,230,314</u>
<u>1,789,389</u>	<u>1,362,715</u>	<u>1,098,376</u>	<u>718,990</u>	<u>712,508</u>
<u>288,760</u>	<u>288,691</u>	<u>311,558</u>	<u>334,033</u>	<u>363,880</u>
792,590	885,659	934,339	944,256	928,293
731,765	669,194	1,719,342	635,925	2,069,197
<u>1,524,355</u>	<u>1,554,853</u>	<u>2,653,681</u>	<u>1,580,181</u>	<u>2,997,490</u>
<u>\$ 10,087,486</u>	<u>\$ 9,613,449</u>	<u>\$ 10,152,313</u>	<u>\$ 8,545,102</u>	<u>\$ 9,888,269</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Governmental Fund Types  
Revenues by Source (SACS Report Categories)  
Last Ten Fiscal Years  
(in thousands)  
(Unaudited)

<b>Fiscal Year</b>	<b>Local Control Funding Formula Sources *</b>	<b>Federal</b>	<b>Other State</b>	<b>Other Local</b>	<b>Other Financing Sources</b>	<b>Total</b>
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
2010-2011	3,056,350	1,463,899	2,966,361	1,198,389	693,707	9,378,706
2011-2012	2,968,193	1,179,268	2,222,007	1,084,248	1,696,821	9,150,537
2012-2013	2,913,744	1,017,226	2,265,455	1,140,218	621,132	7,957,775
2013-2014	4,408,214	965,830	1,028,925	1,049,367	2,048,651	9,500,987

\*Prior to 2013-14, this was referred to as Revenue Limit Sources.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Assessed Value of Taxable Property  
 Last Ten Fiscal Years  
 (in thousands)  
 (Unaudited)

<b>Fiscal Year</b>	<b>Secured*</b>	<b>Unsecured*</b>	<b>Total Assessed Value</b>	<b>Total District Tax Rates</b>	<b>Increase (Decrease) Over Preceding Year</b>		<b>Total A.D.A.**</b>	<b>Assessed Value per Unit of A.D.A.</b>
					<b>Amount</b>	<b>Rate</b>		
2004-2005	\$ 311,419,822	\$ 20,505,315	\$ 331,925,137	1.088839	\$ 23,396,357	7.58 %	746,605	\$ 445
2005-2006	343,302,944	20,566,535	363,869,479	1.084346	31,944,342	9.62	722,564	504
2006-2007	382,212,502	20,396,335	402,608,837	1.106814	38,739,358	10.65	710,770	566
2007-2008	419,052,509	21,861,881	440,914,390	1.123342	38,305,553	9.51	700,073	630
2008-2009	451,191,875	23,597,923	474,789,798	1.124782	33,875,408	7.68	693,633	684
2009-2010	451,127,882	23,849,409	474,977,291	1.151809	187,493	0.04	576,963 <sup>a</sup>	823
2010-2011	442,092,473	21,753,078	463,845,551	1.186954	(11,131,740)	(2.34)	565,450 <sup>a</sup>	820
2011-2012	447,830,204	21,265,021	469,095,225	1.168187	5,249,674	1.13	547,592 <sup>a</sup>	857
2012-2013	458,767,053	21,308,439	480,075,492	1.175606	10,980,267	2.34	534,345 <sup>ab</sup>	898
2013-2014	482,043,584	21,634,336	503,677,920	1.146439	23,602,428	4.92	527,562 <sup>a</sup>	955

\* Source: Los Angeles County Auditor-Controller "Taxpayers' Guide." Taxes which constitute a lien on real property are referred to as "secured." Almost all real property taxes are secured. Most personal property taxes are "unsecured." Some taxes on personal property may also be secured to the real property of the assessee, upon request and subject to certain conditions.

\*\* Source: A.D.A. Average Daily Attendance, Annual Report

<sup>a</sup> Adult and Summer School programs were not collected due to changes made by Education Code Section 42605. For 2008-09 through 2014-15, 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.

<sup>b</sup> Updated to reflect revised annual report.

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)

<b>Fiscal Year</b>	<b>Unified General</b>	<b>Unified Bonds</b>	<b>Total Schools Tax</b>	<b>State-Wide for All Agencies</b>	<b>Total District Tax</b>
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
2010-2011	—	0.186954	0.186954	1.000000	1.186954
2011-2012	—	0.168187	0.168187	1.000000	1.168187
2012-2013	—	0.175606	0.175606	1.000000	1.175606
2013-2014	—	0.146439	0.146439	1.000000	1.146439

Source: 2013-14 Los Angeles County Auditor-Controller "Taxpayers' Guide."

See accompanying independent auditor's report.

<b>Metropolitan Water District</b>	<b>Los Angeles County General</b>	<b>City of Los Angeles District No.1</b>	<b>County Flood Control District</b>
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	—
0.003700	—	0.038895	—
0.003700	—	0.038666	—
0.003500	—	0.037694	—
0.003500	—	0.029754	—

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Largest Local Secured Taxpayers  
Current Year and Nine Years Ago  
(in thousands)  
(Unaudited)

2014				2005			
Rank	Property Owner	Assessed Valuation	% of Total <sup>(1)</sup>	Property Owner	Assessed Valuation	% of Total <sup>(2)</sup>	
1	Douglas Emmett LLC	\$ 2,393,458	0.50%	Douglas Emmett Realty Funds	\$ 1,345,293	0.43%	
2	Universal Studios LLC	1,404,214	0.29	Universal Studios LLC	1,286,003	0.41	
3	Anheuser Busch Inc.	836,513	0.17	Arden Realty Finance Partnership	895,746	0.29	
4	Donald T. Sterling	677,457	0.14	Anheuser Busch, Inc.	764,527	0.25	
5	BRE Properties Inc.	647,722	0.13	One Hundred Towers LLC	521,447	0.17	
6	One Hundred Towers LLC	605,747	0.13	Maguire Partners, 355 S. Grand LLC	460,856	0.15	
7	Olympic and Georgia Partners LLC	574,138	0.12	Duesenberg Investment Company	375,442	0.12	
8	Tishman Speyer Archstone Smith	544,789	0.11	Paramount Pictures Corp.	359,197	0.12	
9	Paramount Pictures Corp.	539,277	0.11	Century City Mall LLC	336,759	0.11	
10	Duesenberg Investment Company	506,553	0.11	Trizecahn Hollywood LLC	326,624	0.10	
11	LA Live Properties LLC	488,095	0.10	1999 Stars LLC	315,671	0.10	
12	Century City Mall LLC	478,153	0.10	AP Properties Ltd.	310,577	0.10	
13	Taubman Beverly Center	477,297	0.10	Casden Properties	289,765	0.09	
14	Casden Park La Brea LLC	467,448	0.10	Twentieth Century Fox Film Corp.	287,958	0.09	
15	Trizec 333 LA LLC	466,751	0.10	Maguire Partners 555 W. Fifth LLC	283,000	0.09	
16	Westfield Topanga Owner LP	461,203	0.10	Prime Park La Brea Holdings	275,724	0.09	
17	Wilshire Courtyard LP	420,500	0.09	South Hope Street LLC	275,041	0.09	
18	Twentieth Century Fox Film Corp.	394,172	0.08	TPG Plaza Investments LLC	275,041	0.09	
19	2121 Ave. of the Stars LLC	376,000	0.08	2121 Avenue of the Stars LLC	260,000	0.08	
20	1999 Stars LLC	364,458	0.08	Donald T. Sterling	257,073	0.08	
		<u>\$ 13,123,945</u>	<u>2.74%</u>		<u>\$ 9,501,744</u>	<u>3.05%</u>	

<sup>(1)</sup> 2013-14 Local Secured Assessed Valuation: \$481,911,336.

<sup>(2)</sup> 2004-05 Local Secured Assessed Valuation: \$311,419,822.

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)

<b>Fiscal Year</b>	<b>Total Tax Levy</b>	<b>ERAF Funds <sup>(1)</sup></b>	<b>Current Tax Collections</b>	<b>Percent of Current Taxes Collected</b>	<b>Delinquent Tax Collections <sup>(2)</sup></b>	<b>Total Tax Collections</b>	<b>Ratio of Total Tax Collections to Total Tax Levy</b>
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
2010-2011	1,711,575	29,419	1,602,345	92.04	102,970	1,705,315	97.95
2011-2012	1,663,061	(3,533)	1,520,001	91.59	97,842	1,617,843	97.49
2012-2013	1,731,129	114,465	1,798,032	97.42	132,847	1,930,879	104.62
2013-2014	1,652,164	26,846	1,684,486	100.33	29,409	1,713,895	102.08

<sup>(1)</sup> Educational Revenue Augmentation Funds (ERAF) are added to tax levies received by the District.

<sup>(2)</sup> Includes prior years' delinquencies. The Auditor-Controller has determined that they cannot provide delinquent tax information by levy year.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Revenue Limit/LCFF Per Unit of Average Daily Attendance  
Last Ten Fiscal Years  
(Unaudited)

Fiscal Year	K-12 Base		LCFF Adjusted Base Grant per ADA <sup>e</sup>			
	Revenue Limit (Deficited)	Adult Base Revenue Limit	Grades K - 3	Grades 4 - 6	Grades 7 - 8	Grades 9 - 12
2004-2005	\$ 4,862.18	\$ 2,292.26				
2005-2006	5,133.46	2,389.22				
2006-2007	5,544.56	2,530.66				
2007-2008	5,796.56	2,645.30 <sup>a</sup>				
2008-2009	5,645.07	N/A <sup>b</sup>				
2009-2010	4,962.13 <sup>c</sup>	N/A <sup>b</sup>				
2010-2011	5,264.22 <sup>d</sup>	N/A <sup>b</sup>				
2011-2012	5,209.39 <sup>d</sup>	N/A <sup>b</sup>				
2012-2013	5,266.00 <sup>d</sup>	N/A <sup>b</sup>				
2013-2014			\$ 7,676.00	\$ 7,056.00	\$ 7,266.00	\$ 8,638.00

<sup>a</sup> 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.

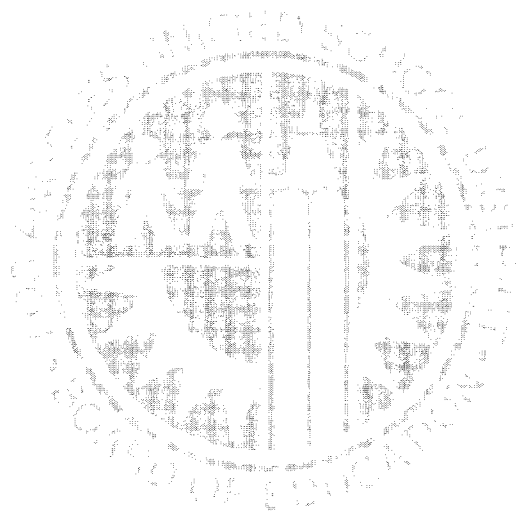
<sup>b</sup> Per SBX3 4 (Chapter 12, Statutes of 2009), funding for fiscal years 2008-09 through 2012-13 is based on the District's 2007-08 proportionate share of funding to the State's total available funding for the program.

<sup>c</sup> This rate is net of the additional revenue limit reduction of \$252.99 per 2008-09 funded revenue limit ADA.

<sup>d</sup> Per Assembly Bill 851, beginning 2010-11, the base revenue limit rate per ADA includes the Beginning Teachers Salary and Meals for Needy.

<sup>e</sup> Adjusted Base Grant per ADA (EC Section 42238.02(d)). The Local Control Funding Formula (LCFF) replaced the previous K-12 finance system with a new funding formula which is composed of uniform base grants by grade span (K-3, 4-6, 7-8, 9-12).

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  
Last Ten Fiscal Years  
(in thousands)  
(Unaudited)

	<u>2004-2005</u>		<u>2005-2006</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Revenues and other sources				
Local control funding formula sources	\$ 3,575,257	41.73%	\$ 3,724,599	35.99%
Federal revenues	1,071,628	12.51	1,150,060	11.11
Other state revenues	2,109,674	24.63	2,419,412	23.38
Other local revenues	549,264	6.41	637,941	6.17
Operating transfers in	598,061	6.98	381,658	3.69
Proceeds from issuance of bonds	200,000	2.33	1,115,712	10.78
Premium on bonds issued	4,124	0.05	64,283	0.62
Proceeds from refunding bonds issued	219,125	2.56	778,673	7.53
Premium on refunding bonds issued	16,338	0.19	64,058	0.62
Proceeds from Certif. of Participation/Long-term Capital Lease <sup>(1)</sup>	221,789	2.59	11,318	0.11
Issuance of refunding COPs	—	—	—	—
Premium on COPs issued	—	—	—	—
Proceeds from CA Energy Commission loan	1,318	0.02	63	—
Proceeds from Sullivan Canyon sale	—	—	—	—
Proceeds from Ramona HS/Palisade Charter (2012)	—	—	—	—
Proceeds from sale of surplus property	—	—	—	—
Insurance proceeds – fire damage	—	—	—	—
Children Center facilities fund	—	—	—	—
Total Revenues and Other Sources	<u>\$ 8,566,578</u>	<u>100.00%</u>	<u>\$ 10,347,777</u>	<u>100.00%</u>
Expenditures and other uses				
Current:				
Certificated salaries	\$ 3,110,756	32.34%	\$ 3,187,441	31.58%
Classified salaries	1,069,595	11.12	1,098,558	10.88
Employee benefits	1,349,301	14.03	1,418,575	14.06
Books and supplies	499,411	5.19	567,167	5.62
Services and other operating expenditures	646,373	6.72	691,388	6.85
Capital outlay	1,398,243	14.54	1,532,862	15.19
Debt service	344,171	3.58	338,706	3.36
Other outgo <sup>(2)</sup>	34,526	0.36	41,695	0.41
Operating transfers out <sup>(3)</sup>	598,061	6.22	381,658	3.78
Discount on issuance of refunding bonds	—	—	—	—
Discount on issuance of COPs	—	—	—	—
Payment to refunded bonds escrow agent	234,126	2.43	656,098	6.50
Payment to refunded COPs escrow agent	333,958	3.47	178,618	1.77
Total Expenditures and Other Uses	<u>\$ 9,618,521</u>	<u>100.00%</u>	<u>\$ 10,092,766</u>	<u>100.00%</u>

<sup>(1)</sup> 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.

2006-2007		2007-2008		2008-2009	
Amount	Percent	Amount	Percent	Amount	Percent
\$ 3,892,689	32.86%	\$ 3,624,134	34.38%	\$ 3,444,940	32.55%
1,023,992	8.65	1,016,465	9.64	1,357,169	12.82
2,853,979	24.10	3,307,609	31.38	3,223,201	30.45
835,529	7.05	925,869	8.78	904,663	8.55
362,932	3.06	499,947	4.74	575,839	5.44
900,000	7.60	1,000,000	9.49	945,774	8.94
33,649	0.28	42,258	0.40	—	—
1,889,000	15.95	—	—	—	—
49,073	0.41	—	—	—	—
2,394	0.02	106,627	1.01	122,146	1.15
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	14,110	0.13	9,610	0.09
—	—	—	—	—	—
2,935	0.02	5,332	0.05	1,439	0.01
—	—	—	—	—	—
<u>\$ 11,846,172</u>	<u>100.00%</u>	<u>\$ 10,542,351</u>	<u>100.00%</u>	<u>\$ 10,584,781</u>	<u>100.00%</u>
\$ 3,362,475	29.07%	\$ 3,469,214	33.50%	\$ 3,384,912	31.19%
1,180,482	10.21	1,269,680	12.26	1,236,448	11.39
1,440,468	12.46	1,464,061	14.14	1,440,404	13.27
507,486	4.39	574,902	5.55	441,855	4.07
785,742	6.80	880,455	8.50	872,470	8.04
1,494,934	12.93	1,644,450	15.88	2,113,952	19.48
448,238	3.88	541,059	5.22	665,738	6.14
46,865	0.41	882	0.01	240	—
366,926	3.17	512,061	4.94	588,821	5.43
1,324	0.01	—	—	—	—
—	—	—	—	—	—
1,927,084	16.67	—	—	—	—
—	—	—	—	107,795	0.99
<u>\$ 11,562,024</u>	<u>100.00%</u>	<u>\$ 10,356,764</u>	<u>100.00%</u>	<u>\$ 10,852,635</u>	<u>100.00%</u>

<sup>(2)</sup> "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.

(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)

	<b>2009-2010</b>		<b>2010-2011</b>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Revenues and other sources				
Local control funding formula sources	\$ 2,977,215	32.55%	\$ 3,056,350	23.37%
Federal revenues	1,289,543	12.82	1,463,899	10.12
Other state revenues	2,566,534	30.45	2,966,361	20.15
Other local revenues	918,438	8.55	1,198,389	7.21
Operating transfers in	539,641	5.44	604,246	4.24
Proceeds from issuance of bonds	4,082,645	8.94	—	32.06
Premium on bonds issued	92,908	—	—	0.73
Proceeds from refunding bonds issued	149,760	—	—	1.18
Premium on refunding bonds issued	—	—	—	—
Proceeds from Certif. of Participation/Long-term Capital Lease <sup>(1)</sup>	41,659	1.15	84,388	0.33
Issuance of refunding COPs	69,685	—	—	0.55
Premium on COPs issued	3,771	—	3,034	0.03
Proceeds from CA Energy Commission loan	—	—	—	—
Proceeds from Sullivan Canyon sale	—	—	—	—
Proceeds from Ramona HS	2,371	0.09	—	0.02
Proceeds from sale of surplus property	—	—	52	—
Insurance proceeds – fire damage	2,057	0.01	1,987	0.01
Children Center facilities fund	(518)	—	—	—
Total Revenues and Other Sources	<u>\$ 12,735,709</u>	<u>100.00%</u>	<u>\$ 9,378,706</u>	<u>100.00%</u>
Expenditures and other uses				
Current:				
Certificated salaries	\$ 2,929,870	31.19%	\$ 2,948,806	29.04%
Classified salaries	1,126,477	11.39	1,058,084	11.17
Employee benefits	1,581,239	13.27	1,508,612	15.68
Books and supplies	395,886	4.07	495,998	3.92
Services and other operating expenditures	867,482	8.04	826,514	8.60
Capital outlay	1,677,858	19.48	1,241,249	16.63
Debt service	727,262	6.14	885,659	7.21
Other outgo <sup>(2)</sup>	615	—	181	0.01
Operating transfers out <sup>(3)</sup>	552,270	5.43	615,202	5.47
Discount on issuance of refunding bonds	—	—	—	—
Discount on issuance of COPs	—	—	596	0.01
Payment to refunded bonds escrow agent	163,199	—	—	1.62
Payment to refunded COPs escrow agent	65,328	0.99	32,548	0.65
Total Expenditures and Other Uses	<u>\$ 10,087,486</u>	<u>100.00%</u>	<u>\$ 9,613,449</u>	<u>100.00%</u>

<sup>(1)</sup> 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.

2011-2012			2012-2013			2013-2014		
Amount	Percent		Amount	Percent		Amount	Percent	
\$ 2,968,193	32.44%		\$ 2,913,744	32.44%		\$ 4,408,214	46.40%	
1,179,268	12.89		1,017,226	12.89		965,830	10.17	
2,222,007	24.28		2,265,455	24.28		1,028,925	10.83	
1,084,248	11.85		1,140,218	11.85		1,049,367	11.04	
874,499	9.56		581,194	9.56		155,989	1.64	
—	—		—	—		—	—	
—	—		—	—		—	—	
563,805	6.16		—	6.16		1,622,200	17.07	
77,207	0.84		—	0.84		267,876	2.82	
—	—		—	—		1,741	0.02	
160,190	1.75		24,780	1.75		—	—	
16,648	0.18		—	0.18		—	—	
—	—		—	—		—	—	
—	—		—	—		—	—	
—	—		—	—		—	—	
930	0.01		4	0.01		—	—	
3,221	0.04		15,154	0.04		845	0.01	
321	—		—	—		—	—	
<u>\$ 9,150,537</u>	<u>100.00%</u>		<u>\$ 7,957,775</u>	<u>100.00%</u>		<u>\$ 9,500,987</u>	<u>100.00%</u>	
\$ 2,799,485	27.58%		\$ 2,661,784	27.58%		\$ 2,657,348	26.87%	
1,025,679	10.10		967,573	10.10		1,003,137	10.15	
1,546,789	15.24		1,509,401	15.24		1,558,637	15.76	
392,154	3.86		354,514	3.86		384,374	3.89	
729,903	7.19		918,747	7.19		705,874	7.14	
1,021,845	10.07		571,357	10.07		589,514	5.96	
934,339	9.20		944,255	9.20		928,293	9.39	
1,203	0.01		1,240	0.01		6,326	0.06	
885,625	8.72		591,590	8.72		166,777	1.69	
—	—		—	—		—	—	
—	—		—	—		—	—	
639,404	6.30		—	6.30		1,887,989	19.09	
175,887	1.73		24,641	1.73		—	—	
<u>\$ 10,152,313</u>	<u>100.00%</u>		<u>\$ 8,545,102</u>	<u>100.00%</u>		<u>\$ 9,888,269</u>	<u>100.00%</u>	

<sup>(2)</sup> "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.

(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)

(3) Table below shows Detail of Operating transfers out (in thousands):

From	To	2004-2005	2005-2006
General	Adult Education	\$ --	\$ --
General	Cafeteria	--	11,140
General	Child Development	8,065	8,764
General	Deferred Maintenance	23,300	30,000
General	Charter	--	--
General	Capital Services	198,026	4,169
General	Special Reserve	110,540	27,403
General	Special Reserve - FEMA Earthquake	--	2,225
General	Special Reserve - FEMA Hazard Mitigation	2,225	--
General	Special Reserve - Community Redevelopment Agency	-	-
General	Capital Facilities	--	--
General	Building - Measure R	59	--
General	Building - Measure Y	-	-
General	Health & Welfare	-	-
Adult Education	General	-	-
Adult Education	Special Reserve	--	-
Adult Education	Building - Measure R	-	-
Cafeteria	General	1,251	-
Cafeteria	Capital Services	-	-
Child Development	General	2,100	2,000
Deferred Maintenance	General	-	-
Capital Services	General	7,370	-
Capital Services	State School Building Lease - Purchase	-	-
Capital Services	Special Reserve	17,155	-
Capital Services	Building - Measure Y	-	1
Capital Services	County School Facilities	-	-
Building	Special Reserve - FEMA	-	-
State School Building Lease - Purchase	Capital Services	-	2,629
State School Building Lease - Purchase	State School Building Lease - Purchase	-	-
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	Building - Measure R	-	-
State School Building Lease - Purchase	Building	-	-
State School Building Lease - Purchase	County School Facilities	-	-
State School Building Lease - Purchase	County School Facilities - Prop 55	-	-
Special Reserve	General	17,155	57,312
Special Reserve	Adult Education	-	-
Special Reserve	Cafeteria	-	-
Special Reserve	Capital Services	28,800	-
Special Reserve	State School Building Lease - Purchase	-	-
Special Reserve	Capital Facilities	-	-
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 - FEMA Earthquake	General	213	520

<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>
\$ 4,199	\$ -	\$ -	\$ 168,282	\$ -	\$ -	\$ 60,481	\$ -
288	8,214	16,587	12,210	32,061	88,588	53,583	51,000
7,133	-	-	165	7,996	19,437	15,322	30,198
30,188	31,048	30,000	-	-	-	-	-
-	-	-	-	-	-	-	-
9,758	12,514	26,356	30,993	23,849	33,670	30,263	36,116
109	-	3	-	903	-	-	11
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	260	83	-	-	-	-
-	-	-	-	-	-	8	-
-	-	-	-	-	-	976	-
3,994	12,114	12,982	12,629	10,956	11,126	10,396	10,787
-	10,600	10,600	10,600	-	-	10,431	35
-	-	-	-	-	-	971	-
-	-	3,197	-	-	-	-	-
-	-	-	2,482	786	787	787	787
2,000	-	-	853	-	-	-	-
-	-	-	-	18,501	-	-	-
-	-	231	904	-	737	99	-
-	-	-	2,975	-	-	-	-
-	-	-	1,424	-	-	5,744	-
-	-	-	-	-	-	-	-
-	-	-	3,593	-	-	-	-
-	-	229	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	(29)	-	-	-	-
-	259	1	-	-	-	-	-
-	90	-	-	-	-	-	-
-	11,944	60	118	62	-	-	-
-	8,651	221	-	-	-	-	-
-	-	-	-	-	2	-	-
-	-	-	-	-	-	-	148
-	-	8	104	-	-	-	-
-	-	-	7	-	-	-	-
28,900	88,200	34,117	62,437	52,161	2,436	140	16,901
-	-	-	-	-	-	27	-
-	-	-	11,803	-	-	-	-
1,265	23,484	123,595	73,100	8,578	-	-	-
-	260	100	-	-	-	1	-
-	-	11	-	-	-	11	-
-	-	1,034	1,557	-	-	773	-
61,228	47,288	6,269	629	364	3	4,583	-
2	-	1,383	14,298	3	12	4,614	-
-	-	1	-	11	102	7,118	-
-	-	-	100	-	-	1	-
-	-	355	-	-	-	343	-
-	169	3,657	2,232	5,428	-	1,233	-
-	-	-	-	-	-	-	-

(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	2004-2005	2005-2006
Special Reserve - FEMA - Earthquake	County School Facilities - Prop 55	\$ -	\$ -
Special Reserve - FEMA - Hazard Mitigation	General	149	2,225
Special Reserve - CRA	General	-	-
Special Reserve - CRA	Capital Services	-	-
Special Reserve - CRA	Building - Measure K	-	-
Special Reserve - CRA	Building - Measure R	-	-
Special Reserve - CRA	County School Facilities - Prop 47	-	-
Capital Facilities	Capital Services	24,045	21,606
Capital Facilities	State School Building Lease - Purchase	7,613	-
Capital Facilities	Special Reserve	-	-
Capital Facilities	Building - Bond Proceeds	-	-
Capital Facilities	Building - Measure K	-	-
Capital Facilities	Building - Measure R	-	-
Capital Facilities	Building - Measure Y	-	-
Capital Facilities	County School Facilities - Prop 55	-	-
Building - Bond Proceeds	General	-	-
Building - Bond Proceeds	Deferred Maintenance	-	-
Building - Bond Proceeds	State School Building Lease - Purchase	-	-
Building - Bond Proceeds	Special Reserve	-	-
Building - Bond Proceeds	Capital Facilities	-	-
Building - Bond Proceeds	Building - Measure K	-	-
Building - Bond Proceeds	Building - Measure R	-	-
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 - Measure K	General	-	-
Building - Measure K	Adult Education	-	-
Building - Measure K	State School Building Lease - Purchase	-	-
Building - Measure K	Special Reserve	-	-
Building - Measure K	Capital Facilities	-	-
Building - Measure K	Building - Bond Proceeds	-	-
Building - Measure K	Building - Measure R	-	-
Building - Measure K	Building - Measure Y	-	-
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	County School Facilities - Prop 1D	-	-
Building - Measure R	General	-	-
Building - Measure R	State School Building Lease - Purchase	-	-
Building - Measure R	Special Reserve	-	-
Building - Measure R	Capital Facilities	-	-
Building - Measure R	Building - Bond Proceeds	149,995	-
Building - Measure R	Building - Measure K	-	-
Building - Measure R	Building - Measure Y	-	-
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	-	-
Building - Measure Y	General	-	30,000
Building - Measure Y	Adult Education	-	-

<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>
\$ 120	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	4,293	4,069	4,003	4,002	-	-	-
-	-	-	325	-	-	-	-
-	-	3,571	-	-	-	-	-
-	-	1,129	-	-	-	-	-
-	-	1,300	-	-	-	-	-
22,215	20,537	56,461	12,158	10,695	9,574	9,574	9,576
2,601	90	-	-	-	-	-	-
-	219	12	-	-	1	22	-
-	-	2	-	-	-	-	-
-	11,409	151	4	-	338	499	-
-	3	24	-	-	-	259	-
-	-	-	-	109	19	-	-
-	-	-	-	-	-	1	-
-	-	-	76	-	-	-	-
-	-	-	84	-	-	-	-
-	3,307	84	82	881	-	13	-
-	-	139	68	-	1	-	-
-	-	3	195	-	-	-	-
-	943	31,010	5,484	4,488	4,500	1,423	-
9	3,795	23,563	36,480	12,330	8,327	11,222	-
-	-	114	15	4	420	8,236	-
-	13	2,742	7,689	124	688	1,005	-
-	1,252	183	814	3,036	1,346	2,087	-
-	3,287	21,142	2,432	4,174	10,445	3,284	-
-	-	617	417	-	181	414	-
-	-	-	-	-	-	567	-
-	-	4	-	-	-	-	-
-	1	-	-	-	43	-	-
27,907	7,819	15,123	94	-	-	200	-
-	71	-	-	-	-	-	-
146	839	124	751	-	-	1	-
173	9,956	5,433	175	1,349	616	288	-
-	8	236	415	375	11,946	10,583	-
6,105	658	-	50	-	-	-	-
-	-	116	-	-	-	-	-
-	1,562	419	-	3,405	366	716	-
-	-	-	-	-	756	984	-
-	-	-	-	-	144	510	-
-	2,970	-	33	177	-	76	-
-	1,151	161	1,587	116	7,881	-	4,612
-	33	-	-	-	-	-	-
1	15,368	40	4,714	119	462	1,283	-
1,563	22,560	3,528	158	1,591	2,344	9,876	-
-	8,901	50	787	1,862	7,458	7,395	-
1,475	666	160	7,229	417	615	529	-
-	94	-	-	533	2,536	309	-
-	1,767	957	520	4,840	4,342	7,765	-
-	-	-	2,480	44	1,297	6,116	-
30,000	30,000	30,000	-	13,474	2,177	11,830	5,745
-	-	3	2	-	-	44	-

(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	2004-2005	2005-2006
Building - Measure Y	Cafeteria	\$ --	\$ --
Building - Measure Y	Capital Services	--	178,618
Building - Measure Y	Special Reserve	-	--
Building - Measure Y	Building - Bond Proceeds	--	--
Building - Measure Y	Building - Measure K	--	--
Building - Measure Y	Building - Measure R	--	--
Building - Measure Y	County School Facilities	--	--
Building - Measure Y	County School Facilities - Prop 47	-	--
Building - Measure Y	County School Facilities - Prop 55	--	--
Building - Measure Y	County School Facilities - Prop 1D	-	--
County School Facilities	Deferred Maintenance	-	-
County School Facilities	Capital Services	--	3,046
County School Facilities	State School Building Lease - Purchase	-	--
County School Facilities	Special Reserve	-	--
County School Facilities	Capital Facilities	--	-
County School Facilities	Building - Bond Proceeds	-	-
County School Facilities	Building - Measure K	-	-
County School Facilities	Building - Measure R	-	-
County School Facilities	Building - Measure Y	--	-
County School Facilities	County School Facilities - Prop 47	-	-
County School Facilities	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 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	County School Facilities - Prop 1D	-	-
County School Facilities - Prop 55	State School Building Lease - Purchase	-	--
County School Facilities - Prop 55	Special Reserve	-	-
County School Facilities - Prop 55	Special Reserve - FEMA	--	--
County School Facilities - Prop 55	Capital Facilities	-	--
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	County School Facilities - Prop 1D	--	--
County School Facilities - Prop 1D	Special Reserve	-	-
County School Facilities - Prop 1D	Capital Facilities	--	--
County School Facilities - Prop 1D	State School Building Lease - Purchase	--	--
County School Facilities - Prop 1D	Building - Bond Proceeds	--	-
County School Facilities - Prop 1D	Building - Measure K	--	--
County School Facilities - Prop 1D	Building - Measure R	--	--
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	--	--
Annuity	General	-	--
Attendance Incentive	General	-	--
		<u>\$ 598,061</u>	<u>\$ 381,658</u>

See accompanying independent auditor's report.

<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>
\$ --	\$ --	\$ --	\$ --	\$ 867	\$ 856	\$ 1,082	\$ 861
1,904	1,904	1,904	4,073	2,447	2,347	542	--
--	61	651	--	--	--	994	--
--	--	4	1,452	114	1	1,551	--
8,864	364	550	3,798	22	2,517	11,747	--
--	--	4,446	1,675	18,729	442,604	3,932	--
--	--	--	512	669	256	355	--
--	--	--	--	73	8	18	--
--	--	--	--	--	5,315	7,795	--
--	--	--	807	857	135	3,743	--
--	--	--	857	349	--	--	--
--	--	--	--	--	--	--	--
--	--	2	45	--	--	--	--
3	--	--	129	--	--	--	--
--	--	--	53	--	--	--	--
--	--	9,480	4,998	5,972	1,831	473	--
1	106	1,364	1,691	--	28	883	--
--	24	1,265	3,086	2,919	1,089	--	--
--	--	2	--	52	--	--	--
--	--	360	734	--	755	11	--
--	--	30	419	--	--	--	--
--	--	40	--	--	--	24	--
--	47	--	--	--	--	--	--
--	1,801	--	--	--	--	384	--
1,006	7,375	5,924	261	2,873	91	2,963	--
15	2,471	1,429	1,126	1	28	8,086	--
--	4,089	62	--	77	958	39	--
--	--	5	--	403	27	5	--
--	734	59	--	--	101	--	--
--	1,170	2	--	87	802	62,000	--
--	--	--	--	--	3,907	--	--
--	15,084	--	--	135	--	--	--
42,457	13,610	44	--	--	--	193	--
--	618	241	--	--	--	--	--
--	90	--	--	--	--	--	--
--	21,358	19,251	1,753	5,844	11,664	11,133	--
68,910	8,055	4,169	4,637	27,986	54,435	40,256	--
2,387	17,077	33,151	4,753	54,810	9,890	21,175	--
--	--	26	--	234,223	18,561	19,823	--
--	1,987	259	293	--	2,230	2	--
--	--	219	--	45	3	--	--
--	--	--	--	--	47	422	--
--	--	--	--	--	--	571	--
--	--	--	--	220	--	9,152	--
--	--	--	--	--	149	35	--
--	1,721	9,291	6,277	1,638	10,320	10,916	--
--	1,045	642	--	1,800	14,379	6,931	--
--	1,791	19,543	4,524	15,963	50,718	19,078	--
--	--	--	551	3,001	12,502	29,240	--
--	--	65	526	1,943	865	838	--
--	--	398	--	--	--	--	--
--	1,072	16	370	1,279	483	10,182	--
--	--	--	--	--	--	--	--
<u>\$ 366,926</u>	<u>\$ 512,061</u>	<u>\$ 588,821</u>	<u>\$ 552,270</u>	<u>\$ 615,202</u>	<u>\$ 885,625</u>	<u>\$ 591,590</u>	<u>\$ 166,777</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)

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service <sup>(1)</sup></b>	<b>Total General Governmental Expenditures</b>	<b>Ratio of Debt service to Total General Governmental Expenditures</b>
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	10,088,004	7.72
2010-2011	326,263	625,219	951,482	9,613,449	9.90
2011-2012	338,462	580,930	919,392	10,152,313	9.06
2012-2013	358,619	580,893	939,512	8,545,102	10.99
2013-2014	357,778	521,766	879,544	9,888,269	8.89

Notes:

<sup>(1)</sup> 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 Debt 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 <sup>(1)</sup>	Total Assessed Value	General Obligation Bonds	Certificates of Participation	Capital Leases	Gross
						State School Building Aid Fund Payable
2004-2005	4,775,778	\$ 331,925,137	\$ 4,479,633	\$ 615,396	\$ 9,951	\$ 1,219
2005-2006	4,784,682	363,869,479	5,803,689	429,974	6,619	880
2006-2007	4,825,016	402,608,837	6,645,329	413,425	5,261	591
2007-2008	4,839,918	440,914,390	7,500,552	501,875	3,768	286
2008-2009	4,853,617	474,789,798	8,223,575	442,655	3,008	-
2009-2010	4,875,984	474,977,291	12,114,504	459,019	2,628	-
2010-2011	4,564,712	463,845,551	11,810,881	494,840	2,359	-
2011-2012	4,576,585	469,095,225	11,507,002	442,884	2,185	-
2012-2013	4,610,596	480,075,491	11,151,210	416,597	1,308	-
2013-2014	4,649,352	503,677,919	11,011,840	383,237	2,162	-

<sup>(1)</sup> Estimate.

<sup>(2)</sup> This is the amount restricted for debt service principal payments.

Sources: Los Angeles County Auditor-Controller "Taxpayers' Guide"  
Los Angeles County Department of Regional Research Section

See accompanying independent auditor's report.

**Debt**

<b>Children Center Facilities Revolving Loan</b>	<b>CA Energy Commission Loan</b>	<b>Total Gross Debt</b>	<b>Debt Service Monies Available <sup>(2)</sup></b>	<b>Net Debt</b>	<b>Ratio of Net Debt to Assessed Value</b>	<b>Net Debt per Capita</b>
\$ 792	\$ 1,379	\$ 5,108,370	\$ 217,807	\$ 4,890,563	1.4734%	\$ 1,024
792	1,243	6,243,197	309,525	5,933,672	1.6307	1,240
792	1,058	7,066,456	268,111	6,798,345	1.6886	1,409
792	865	8,008,138	417,991	7,590,147	1.7215	1,568
792	663	8,670,693	490,953	8,179,740	1.7228	1,685
792	439	12,577,382	354,884	12,222,498	2.5733	2,507
792	217	12,309,089	442,118	11,866,971	2.5584	2,600
792	-	11,952,863	416,294	11,536,569	2.4593	2,521
634	-	11,569,749	459,309	11,110,440	2.3143	2,410
555	-	11,397,794	326,582	11,071,212	2.1981	2,381

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Direct and Overlapping Bonded Debt  
Year Ended June 30, 2014  
(in thousands)  
(Unaudited)

<b>Government</b>	<b>Percentage Applicable</b>	<b>Amount Applicable</b>
Direct:		
Los Angeles Unified School District		
General Obligation Bonds	100.000%	\$ 11,011,840
Certificates of Participation	100.000	383,237
Capital Leases	100.000	2,162
Children Centers Facilities Revolving Loan	100.000	555
		<u>11,397,794</u>
Overlapping:		
Los Angeles County General Fund Obligations	44.216	811,549
Los Angeles County Superintendent of Schools Certificates of Participation	44.216	4,214
Los Angeles County Flood Control District	45.330	7,924
Metropolitan Water District	22.972	30,386
Los Angeles Community College District	80.558	2,934,373
Pasadena Area Community College District	0.001	1
City of Los Angeles	99.930	991,246
City of Los Angeles General Fund and Judgment Obligations	99.930	1,754,954
Other City General Fund and Pension Obligation Bonds	Various	182,476
Los Angeles County Sanitation District		
Nos. 1, 2, 4, 5, 8, 9, 16 and 23 Authorities	Various	30,215
Los Angeles County Regional Park & Open Space Assessment District	44.216	50,236
City Community Facilities Districts	100.000	108,190
City of Los Angeles Landscaping and Special Tax Assessment District	99.930	18,167
Other City and Special District 1915 Act Bonds	99.899-100.000	22,514
Other Cities	Various	38,164
Palos Verdes Library District	4.746	168
City of Los Angeles Redevelopment Agency	100.000	587,005
Other Redevelopment Agencies	Various	400,541
Total Overlapping		<u>7,972,323</u>
Total Gross Direct and Overlapping Debt		19,370,117 <sup>(1)</sup>
Less:		
Los Angeles County General Fund Obligations supported by landfill revenues		2,226
Los Angeles Unified School District (amount accumulated in Sinking Fund for repayment of 2005 Qualified Zone Academic Bonds)		5,052
City supported obligations		9,061
Total Net Direct and Overlapping Debt		<u>\$ 19,353,778</u>

<sup>(1)</sup> 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
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
2010-2011	11,596,139	11,086,273	509,866	95.60
2011-2012	11,727,381	10,825,440	901,941	92.31
2012-2013	12,001,887	10,400,670	1,601,217	86.66
2013-2014	12,591,948	10,299,194	2,292,754	81.79

Computation of Legal Debt Margin for Fiscal Year Ended June 30, 2014

Assessed valuation (net taxable)	\$ 500,641,821
Plus exempt property	<u>3,036,098</u>
Total Assessed Valuation	\$ 503,677,919
Debt limit – 2.5% of Assessed Valuation per Education Code Section 15106 <sup>(1)</sup>	\$ 12,591,948
Bonded Debt:	
General Obligation Bonds	11,011,840
Assets available for payment of principal:	
Bond Interest & Redemption Fund	<u>(712,646)</u>
Total Amount of Debt Applicable to Debt Limit	<u>10,299,194</u>
Legal Debt Margin (bonded debt) <sup>(1)</sup>	<u><u>\$ 2,292,754</u></u>

<sup>(1)</sup> 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)

<b>Fiscal Year</b>	<b>Population City of Los Angeles</b>	<b>Population Los Angeles Unified*</b>	<b>Population County of Los Angeles</b>	<b>School Enrollment County of Los Angeles</b>	<b>School Enrollment Los Angeles Unified</b>	<b>Unemployment Rate County of Los Angeles</b>
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
2010-2011	3,810	4,565	9,859	1,589	750	12.3
2011-2012	3,825	4,577	9,885	1,575	715	12.0
2012-2013	3,864	4,611	9,958	1,564	638	10.9
2013-2014	3,905	4,649	10,042	1,553	631	9.0

\* 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)

2014				2005		
Rank	Employer	Employees	Percentage of Total County Employment <sup>(1)</sup>	Employer	Employees	Percentage of Total County Employment <sup>(2)</sup>
1	Kaiser Permanente	35,991	0.78%	Kaiser Permanente	30,511	0.67%
2	Northrop Grumman Corp.	17,000	0.37	Northrop Grumman Corp.	21,000	0.46
3	Target Corp.	15,000	0.33	Boeing Co.	16,636	0.37
4	Providence Health & Services Southern California	15,000	0.33	Ralphs Grocery Co.	13,862	0.31
5	University of Southern California	14,722	0.32	University of Southern California	12,238	0.27
6	Bank of America Corp.	13,500 *	0.29	Vons	12,224	0.27
7	Ralphs/Food 4 Less (Kroger Co. division)	13,500 *	0.29	Target Corp.	11,526	0.25
8	Home Depot	10,600 *	0.23	Bank of America Corp.	10,801	0.24
9	Boeing Co.	10,500 *	0.23	ABM Industries Inc.	10,100	0.22
10	Cedars-Sinai Medical Center	10,243	0.22	SBC Communications Inc.	9,500	0.21
	Total	<u>156,056</u>	<u>3.39%</u>	Total	<u>148,398</u>	<u>3.27%</u>

\* Business Journal estimate

<sup>(1)</sup> Based on Los Angeles County Employment of 4,593,800

<sup>(2)</sup> Based on Los Angeles County Employment of 4,527,500

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)

	<u>2004-2005</u>	<u>2005-2006</u>	<u>2006-2007</u>
Elementary:			
Kindergarten	48,806	47,876	46,131
Grades 1-3	160,224	151,592	145,181
Grades 4-6	159,615	152,341	143,384
Grades 7-8	94,396	91,576	92,832
Special Education	22,107	20,435	19,740
County Special Education	—	—	—
Opportunity Schools	14	10	12
Home or Hospital	158	159	159
Community Day Schools	190	172	148
County Community Schools	19	16	19
Total Elementary	<u>485,529</u>	<u>464,177</u>	<u>447,606</u>
Secondary:			
Regular Classes	152,901	152,848	151,323
Special Education	11,274	11,350	11,253
County Special Education	1	—	—
Compulsory Continuation Education	3,171	3,198	2,972
Opportunity Schools	400	407	399
Home or Hospital	121	120	125
Community Day Schools	736	757	716
County Community Schools	175	156	93
Total Secondary	<u>168,779</u>	<u>168,836</u>	<u>166,881</u>
Block grant funded fiscally affiliated charters	<u>5,990</u>	<u>5,958</u>	<u>5,936</u>
Total Block Grant Funded Fiscally Affiliated Charters	<u>5,990</u>	<u>5,958</u>	<u>5,936</u>
Adult program:			
ROC/P Mandated	19,110	14,395	18,857
Classes for Adults – Mandated	61,748	63,305	64,867
Concurrently Enrolled Adults	5,446	5,886	6,594
Full-time Independent Study*	3	7	29
Total Adult Program	<u>86,307</u>	<u>83,593</u>	<u>90,347</u>
Total Average Daily Attendance	<u>746,605</u>	<u>722,564</u>	<u>710,770</u>
Summer School Hours of Attendance			
Elementary	12,526,699	12,061,970	9,974,314
Secondary	6,350,873	8,929,199	8,357,150
Dependent Charter	***	***	***
Total Hours	<u>18,877,572</u>	<u>20,991,169</u>	<u>18,331,464</u>

\* 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 were not required to operate the program or follow program requirements. Revenue for these years were based on the same relative proportion that the District received for these programs in fiscal year 2007-08.

\*\*\* Included with Elementary and Secondary hours.

<sup>a</sup> Updated to reflect revised audited annual report.

See accompanying independent auditor's report.

<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>
44,705	44,393	43,906	43,364	43,737	42,093
141,266	138,384	134,001	130,846	127,081	120,880
136,245	131,692	127,455	124,800	119,257	111,082
90,769	86,871	82,465	78,704	73,733	68,461
19,427	19,897	19,204	19,250	18,522	17,966
—	—	1	1	1	1
11	10	7	7	8	8
170	123	118	127	107	118
122	122	126	85	94	103
26	22	21	11	15	8
<u>432,741</u>	<u>421,514</u>	<u>407,304</u>	<u>397,195</u>	<u>382,555</u>	<u>360,720</u>
151,852	151,451	146,707	143,979	135,549	129,037
11,030	10,905	10,960	11,252	10,709	10,513
—	—	1	—	1	—
2,837	3,085	3,339	3,507	3,602	3,623
433	455	492	494	506	492
130	109	99	98	101	101
692	772	915	911	933	852
84	81	240	148	137	175
<u>167,058</u>	<u>166,858</u>	<u>162,753</u>	<u>160,389</u>	<u>151,538</u>	<u>144,793</u>
<u>6,482</u>	<u>6,655</u>	<u>6,906</u>	<u>7,866</u>	<u>13,499</u>	<u>28,832</u> a
<u>6,482</u>	<u>6,655</u>	<u>6,906</u>	<u>7,866</u>	<u>13,499</u>	<u>28,832</u> a
20,309	23,379	**	**	**	**
65,684	66,905	**	**	**	**
7,756	8,297	**	**	**	**
43	25	**	**	**	**
<u>93,792</u>	<u>98,606</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>700,073</u>	<u>693,633</u>	<u>576,963</u>	<u>565,450</u>	<u>547,592</u>	<u>534,345</u> a
10,195,908	8,567,366	**	**	**	**
8,336,362	7,203,657	**	**	**	**
***	***	**	**	**	**
<u>18,532,270</u>	<u>15,771,023</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Average Daily Attendance/Hours of Attendance  
Annual Report  
Last Ten Fiscal Years (Continued)  
(Unaudited)

	<u><b>2013-2014</b></u>
District:	
Kindergarten-Grade 3	168,219
Grades 4-6	114,458
Grades 7-8	71,339
Grades 9-12	<u>133,234</u>
Total District	<u>487,250</u>
County:	
Kindergarten-Grade 3	—
Grades 4-6	1
Grades 7-8	8
Grades 9-12	<u>670</u>
Total County	<u>679</u>
Affiliated Charter Schools:	
Kindergarten-Grade 3	16,013
Grades 4-6	10,394
Grades 7-8	5,758
Grades 9-12	<u>7,468</u>
Total Affiliated Charter Schools	<u>39,633</u>
Total Average Daily Attendance	<u><u>527,562</u></u>

Note: Starting 2013-14, Local Control Funding Formula (LCFF) replaced the previous K-12 finance system with a new funding formula which is composed of uniform base grants by grade span (K-3, 4-6, 7-8, 9-12).

See accompanying independent auditor's report.



LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Full-Time Equivalent District Employees by Function  
 Last Ten Fiscal Years  
 (Unaudited)

	<u>2004-2005</u>	<u>2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</u>
Governmental Activities:				
Instruction	53,601	52,608	52,769	51,839
Support services – students	3,074	3,091	3,060	3,459
Support services – instructional staff	5,327	5,560	5,280	5,883
Support services – general administration	193	209	222	220
Support services – school administration	5,780	5,870	6,045	6,097
Support services – business	1,441	1,119	1,154	1,217
Operation and maintenance of plant services	7,398	7,537	7,835	7,830
Student transportation services	1,229	1,174	1,236	1,346
Data processing services	519	557	722	680
Operation of noninstructional services	3,389	3,232	3,394	3,685
Facilities acquisition and construction services	884	937	994	1,093
Total Governmental Activities	<u>82,835</u>	<u>81,894</u>	<u>82,711</u>	<u>83,349</u>

See accompanying independent auditor's report.

<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>
52,317	46,896	45,115	44,907	41,817	41,944
3,455	3,226	3,057	2,810	2,700	2,785
5,332	4,105	3,970	3,137	2,652	3,008
219	193	187	195	180	184
6,047	5,470	4,741	4,218	3,894	3,865
1,121	1,134	880	909	1,052	1,089
8,016	6,842	6,137	6,241	5,814	6,243
1,354	1,290	1,178	1,041	1,034	1,039
571	384	357	414	442	390
3,976	4,604	4,702	3,186	3,046	3,033
1,090	1,077	700	844	981	1,213
<u>83,498</u>	<u>75,221</u>	<u>71,024</u>	<u>67,902</u>	<u>63,612</u>	<u>64,793</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Capital Assets by Function  
 Last Ten Fiscal Years  
 (in thousands)  
 (Unaudited)

	<u>2004-2005</u>	<u>2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</u>
Governmental Activities:				
Instruction	\$ 513,717	\$ 497,404	\$ 478,190	\$ 462,230
Support services – students	2,795	2,823	2,850	2,902
Support services – instructional staff	55,793	109,660	64,517	63,334
Support services – general administration	4,077	4,076	4,125	4,124
Support services – school administration	60,447	60,447	71,013	71,875
Support services – business	31,397	30,818	32,499	39,700
Operation and maintenance of plant services	165,668	177,094	139,831	198,985
Student transportation services	49,235	49,357	49,153	46,317
Data processing services	401,997	388,367	438,732	445,150
Operation of noninstructional services	9,750	9,977	11,806	15,574
Facilities acquisition and construction services	7,656,251	9,131,797	10,651,910	12,231,831
Total Governmental Activities	<u>\$ 8,951,127</u>	<u>\$ 10,461,820</u>	<u>\$ 11,944,626</u>	<u>\$ 13,582,022</u>

See accompanying independent auditor's report.

<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>
\$ 445,482	\$ 441,818	\$ 430,887	\$ 418,744	\$ 390,030	\$ 380,912
2,902	2,902	3,820	5,167	5,507	4,514
111,596	111,842	112,492	112,530	67,995	68,068
4,125	4,125	4,126	4,136	4,124	4,124
72,027	73,901	73,973	74,117	72,116	72,116
46,924	46,924	53,672	57,483	55,837	55,842
201,531	201,826	213,453	223,913	147,987	150,265
45,033	54,060	87,166	83,925	95,854	95,630
398,032	402,311	406,813	614,302	690,137	704,216
22,463	23,777	25,381	26,346	28,114	30,182
14,341,812	15,971,711	17,122,389	17,859,785	18,471,243	19,026,507
<u>\$ 15,691,927</u>	<u>\$17,335,197</u>	<u>\$18,534,172</u>	<u>\$ 19,480,448</u>	<u>\$ 20,028,944</u>	<u>\$ 20,592,376</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Miscellaneous Statistical Data  
Last Eight Fiscal Years  
(Unaudited)

Fiscal Year:	July 1	June 30	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
<b>Enrollment by Level:</b> (As of September)	Elementary (grades K-5/6)		308,000	295,260	289,969	282,469	281,108	277,269
	Middle Junior High (grades 6-8)		141,745	136,315	128,528	119,534	106,097	99,726
	Senior High (grades 9-12)		167,113	165,459	161,689	155,740	154,001	142,669
	Magnet Schools Centers (grades K-12)		53,277	52,525	53,261	56,503	56,952	58,244
	Special Education Schools (grades K-12)		3,673	3,656	3,604	3,552	3,555	3,537
	<b>Total K-12 Enrollment</b>		<b>673,808</b>	<b>653,215</b>	<b>637,051</b>	<b>617,798</b>	<b>601,713</b>	<b>581,445</b>
	Community Adult Schools		108,096	105,668	103,440	80,407	80,618	66,937
	Occupational Centers and Skills Centers		37,672	42,955	43,966	50,068	55,782	52,826
	<b>Total Adult ROC Enrollment</b>		<b>145,768</b>	<b>148,623</b>	<b>147,406</b>	<b>130,475</b>	<b>136,400</b>	<b>119,763</b>
	<b>Total Enrollment</b>		<b>819,576</b>	<b>801,838</b>	<b>784,457</b>	<b>748,273</b>	<b>738,113</b>	<b>701,208</b>
	Early Education Centers		11,052	11,013	10,787	11,432	12,139	14,242
	Independent Charter Schools		34,961	41,073	51,087	60,643	69,935	82,788
<b>Student-Teacher Ratio</b> & Cost per Student:	Student Enrollment		830,320	812,851	795,244	759,705	750,252	715,450
	Teaching Staff		32,923	36,564	33,166	33,387	32,429	30,100
	Student-Teacher Ratio		25.22 : 1	22.23 : 1	23.98 : 1	22.75 : 1	23.14 : 1	23.77 : 1
	Total Primary Government Expense (in thousands)		\$ 7,577,170	\$ 9,028,343	\$ 9,005,723	\$ 8,247,767	\$ 8,442,307	\$ 8,209,562
	Cost Per Student		\$ 9,126	\$ 11,107	\$ 11,324	\$ 10,857	\$ 11,253	\$ 11,475
<b>Percent of Free &amp; Reduced</b> Students in Lunch Program:	Elementary		86.97 %	85.48 %	86.12 %	86.48 %	85.79 %	85.31 %
	Secondary		89.70	90.23	91.23	91.34	90.10	89.52
	Total		87.77	86.94	87.82	88.18	87.22	86.62
<b>Number of Teachers<sup>(1)</sup></b> by Education Level:	Bachelor's Degree (BD)		2,239	1,862	807	618	497	351
	BD - 14 semester units		1,173	894	533	489	379	300
	BD - 28 semester units		3,280	2,988	1,881	1,776	1,564	1,237
	BD - 42 semester units		3,901	3,657	2,732	2,555	2,384	1,999
	BD - 56 semester units		3,420	3,490	2,908	2,734	2,555	2,292
	BD - 70 semester units		3,124	3,327	2,986	2,861	2,736	2,458
	BD - 84 semester units		2,850	3,310	3,085	2,930	2,782	2,574
	BD - 98 semester units		7,147	10,108	10,426	11,839	11,496	10,125
	BD - 98 semester units - 15-19 years of service		2,398	3,079	4,384	3,496	3,989	4,723
	BD - 98 semester units - 20-24 years of service		1,351	1,548	1,554	2,225	2,224	2,301
	BD - 98 semester units - 25-29 years of service		1,215	1,307	1,081	1,040	999	946
	BD - 98 semester units + 30 or more years of service		825	994	789	824	824	794
	<b>Total</b>		<b>32,923</b>	<b>36,564</b>	<b>33,166</b>	<b>33,387</b>	<b>32,429</b>	<b>30,100</b>
	Master's Degree		9,816	12,869	12,845	13,558	13,362	12,658
	Doctorate Degree		505	599	581	601	591	580
<b>Average Teacher Pay</b> by Education Level:	Bachelor's Degree (BD)		\$ 43,352	\$ 43,757	\$ 45,474	\$ 46,186	\$ 46,699	\$ 47,561
	BD - 14 semester units		46,896	47,301	48,926	48,630	49,574	50,775
	BD - 28 semester units		50,047	50,035	52,293	51,801	52,228	53,390
	BD - 42 semester units		53,558	53,524	55,817	55,296	55,752	56,583
	BD - 56 semester units		56,982	57,067	59,095	58,574	59,036	59,884
	BD - 70 semester units		61,323	61,182	62,779	62,288	62,730	63,368
	BD - 84 semester units		64,959	64,605	66,136	65,558	66,225	67,037
	BD - 98 semester units		69,891	69,688	70,396	70,122	70,581	71,069
	BD - 98 semester units - 15-19 years of service		75,024	75,024	75,024	75,024	75,024	75,024
	BD - 98 semester units - 20-24 years of service		75,597	75,597	75,597	75,597	75,597	75,597
	BD - 98 semester units - 25-29 years of service		77,598	77,598	77,598	77,598	77,598	77,598
	BD - 98 semester units - 30 or more years of service		78,906	78,906	78,906	78,906	78,906	78,906
	Master's Degree <sup>(2)</sup>		-584	-584	-584	-584	-584	-584
	Doctorate Degree <sup>(2)</sup>		-1,168	-1,168	-1,168	-1,168	-1,168	-1,168

<sup>(1)</sup> Includes credentialed and non-credentialed employees.

<sup>(2)</sup> Amount in addition to Bachelor's Degree pay.

Source: District's Records

Note: Beginning with Fiscal Year 2006-2007, trend data is included per recommendation of Governmental Accounting, Auditing, and Financial Reporting.

See accompanying independent auditor's report.

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Miscellaneous Statistical Data  
Last Eight Fiscal Years (Continued)  
(Unaudited)

Fiscal Year:	July 1 - June 30	<u>2012-2013</u>	<u>2013-2014</u>
Enrollment by Level:	Elementary (grades K-5/6)	272,804	271,636
(As of September)	Middle/Junior High (grades 6-8)	98,437	95,444
	Senior High (grades 9-12)	133,601	126,823
	Magnet Schools/Centers (grades K-12)	58,471	59,319
	Special Education Schools (grades K-12)	<u>3,291</u>	<u>2,893</u>
	Total K-12 Enrollment	<u>566,604</u>	<u>556,115</u>
	Adult Schools (1040 enrollment)	25,764 *	32,267
	Career Technical (1402 enrollment)	5,652 *	6,509
	Regional Occupational Program	<u>34,113 *</u>	<u>23,270</u>
	Total Enrollment	<u>632,133</u>	<u>618,161</u>
	Early Education Centers	<u>11,899</u>	<u>12,829</u>
	Independent Charter Schools	<u>88,931</u>	<u>95,381</u>
Student-Teacher Ratio	Student Enrollment	732,963 **	726,371
& Cost per Student:	Teaching Staff	28,779	28,437
	Student-Teacher Ratio	25.47 : 1 **	25.54 : 1
	Total Primary Government Expense (in thousands)	\$ 8,207,110	\$ 7,967,671
	Cost Per Student	\$ 11,197 **	\$ 10,969
Percent of Free & Reduced	Students in Lunch Program:		
	Elementary	84.85 %	85.54 %
	Secondary	88.61	88.81
	Total	85.91	86.45
Number of Teachers <sup>(1)</sup>	Bachelor's Degree (BD)	303	322
by Education Level:	BD + 14 semester units	242	290
	BD + 28 semester units	1,110	1,150
	BD + 42 semester units	1,867	1,967
	BD + 56 semester units	2,172	2,172
	BD + 70 semester units	2,365	2,294
	BD + 84 semester units	2,415	2,378
	BD + 98 semester units	8,779	7,597
	BD + 98 semester units + 15-19 years of service	5,438	6,021
	BD + 98 semester units + 20-24 years of service	2,438	2,652
	BD + 98 semester units + 25-29 years of service	953	940
	BD + 98 semester units + 30 or more years of service	<u>697</u>	<u>654</u>
	Total	<u>28,779</u>	<u>28,437</u>
	Master's Degree	<u>12,723</u>	<u>12,339</u>
	Doctorate Degree	<u>343</u>	<u>542</u>
Average Teacher Pay	Bachelor's Degree (BD)	\$ 47,747	\$ 47,630
by Education Level:	BD + 14 semester units	51,425	50,506
	BD + 28 semester units	53,980	53,506
	BD + 42 semester units	56,869	56,234
	BD + 56 semester units	60,206	60,052
	BD + 70 semester units	63,865	63,764
	BD + 84 semester units	67,312	67,321
	BD + 98 semester units	71,444	71,628
	BD + 98 semester units + 15-19 years of service	75,024	75,024
	BD + 98 semester units + 20-24 years of service	75,597	75,597
	BD + 98 semester units + 25-29 years of service	77,598	77,598
	BD + 98 semester units + 30 or more years of service	78,906	78,906
	Master's Degree <sup>(2)</sup>	-584	-584
	Doctorate Degree <sup>(2)</sup>	+1,168	+1,168

\* Due to reorganization of the Division of Adult and Career Education (DACE) numbers have been revised to show type of student, as opposed to enrollment in type of school.

\*\* Student-Teacher Ratio and Cost per Student updated based on revised DACE numbers.

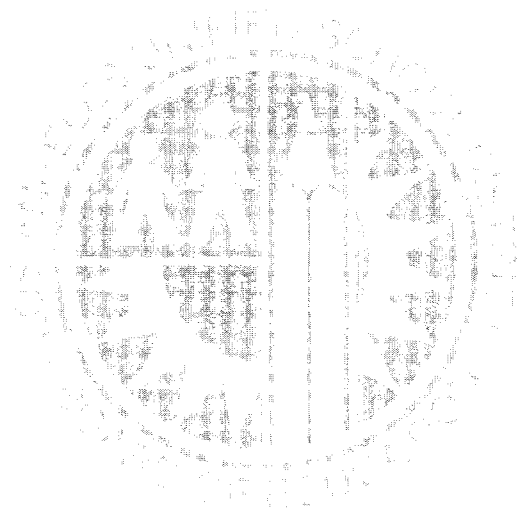
<sup>(1)</sup> Includes credentialed and non-credentialed employees.

<sup>(2)</sup> Amount in addition to Bachelor's Degree pay.

Source: District's Records

Note: Beginning with Fiscal Year 2006-2007, trend data is included per recommendation of Governmental Accounting, Auditing, and Financial Reporting.

See accompanying independent auditor's report.



**STATE AND FEDERAL  
COMPLIANCE  
INFORMATION  
SECTION**



LOS ANGELES UNIFIED SCHOOL DISTRICT  
 General Fund  
 Schedule of Principal Apportionment from the State School Fund  
 Year Ended June 30, 2014

	District	Affiliated Charters
Local Control Funding Formula (LCFF)		
LCFF Funded Average Daily Attendance (ADA)		
K-3 ADA	167,064.78	16,022.49
4-6 ADA	114,280.28	10,411.39
7-8 ADA	70,978.22	5,775.67
9-12 ADA	140,774.97	7,529.48
Total Funded ADA	<u>493,098.25</u>	<u>39,739.03</u>
Unduplicated Pupil Percentage	84.61%	varies by school
LCFF State Aid		
Base Grant Funding	\$ 3,820,492,845	\$ 303,457,067
Supplemental Grant Funding	646,503,798	24,926,275
Concentration Grant Funding	565,623,966	6,117,442
Add-On (Based on 2012-13 Targeted Instructional Improvement Block Grant)	460,431,314	—
Add-On (Based on 2012-13 Home-to-School Transportation)	77,587,829	—
Total LCFF Target Entitlement	<u>5,570,639,752</u>	<u>334,500,784</u>
Total LCFF Floor Entitlement	3,948,729,033	249,718,610
Current Year Gap Funding (12.00%)	194,656,790	10,175,298
Economic Recovery Target	—	123,789
Total Local Revenue or In-Lieu of Property Taxes	(809,400,872)	(60,892,517)
Education Protection Account Entitlement	(553,954,836)	(34,373,602)
Net State Aid-Current Year	<u>2,780,030,115</u>	<u>164,751,578</u>
State Aid – Prior Years	639,650	(233,383)
Principal apportionments – other state revenues		
Special education		
Current year	359,627,496	—
Prior years	(784,189)	—
Other State Apportionments		
Current year	5,244,321	—
Prior years	235,889	—
Total Principal Apportionment from State School Funds	<u>\$ 3,144,993,282</u>	<u>\$ 164,518,195</u>

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, 2014  
 (in thousands)

	<u>Appropriations</u>	<u>Expenditures and Other Uses</u>	<u>Unexpended Balances</u>
Regular program:			
General Program – Schools	\$ 3,191,200	\$ 3,033,556	\$ 157,644
General Program – Support Services	403,405	378,653	24,752
General Program – Hourly Intervention/ Remediation	6,392	2,405	3,987
General Program – Interfund Transfers	165,284	87,127	78,157
General Program – Options Programs	58,183	57,682	501
Special Education – Schools	1,268,530	1,242,474	26,056
Special Education – Support Services	70,047	64,988	5,059
Special Education – Extended Session	20,941	28,204	(7,263)
Student Integration – Schools	157,380	149,281	8,099
Student Integration – Support Services	11,327	10,015	1,312
ROC/Skill Centers – Schools	43,678	33,538	10,140
ROC/Skill Centers – Support Services	734	1,540	(806)
On-going & Major Maintenance – Schools	32,523	35,627	(3,104)
On-going & Major Maintenance – Support Services	74,643	74,414	229
Community Services	10,080	11,842	(1,762)
Reserves and Resources Allocations	9,300	6,665	2,635
Alternative Education and Work Centers	9,555	7,357	2,198
Total Regular Program	<u>5,533,202</u>	<u>5,225,368</u>	<u>307,834</u>
Specially Funded Programs	<u>689,686</u>	<u>546,014</u>	<u>143,672</u>
Total General Fund	<u>\$ 6,222,888</u>	<u>\$ 5,771,382</u>	<u>\$ 451,506</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, 2014  
 (in thousands)

Instruction	<u>\$ 4,372,281</u>
Support Services	
Supervision of instruction	43,399
Library, media, technology and other instructional resources	2,532
School administration	262,401
Pupil support services	104,199
Pupil transportation	15,632
Data processing services	56,134
Plant maintenance and operations	520,202
Facilities rents and leases	6,352
Central administration	199,865
Total Support Services	<u>1,210,716</u>
Other Goals	
Community services	12,749
Child care and development services	920
Food services	1,519
Total Other Goals	<u>15,188</u>
Facilities Acquisition and Construction	<u>29,739</u>
Other Outgo	
Debt service	914
All other outgo	142,544
Total Other Outgo	<u>143,458</u>
Total Expenditures and Other Uses	<u><u>\$ 5,771,382</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, 2014  
 (in thousands)

	<b>Total Expense for the Year</b>	<b>Excluded Amounts*</b>	<b>Current Expense of Education</b>	<b>Current Expense of Education per Unit of A.D.A.**</b>
Certificated salaries	\$ 2,585,367	\$ 5,483	\$ 2,579,884	\$ 4,896.50
Classified salaries	800,322	16,151	784,171	1,488.33
Employee benefits (excluding PERS reduction)	1,385,732	65,561	1,320,171	2,505.62
Books, supplies, and equipment replacement	182,228	5,077	177,151	336.22
Services & operating expense and direct support	650,079	9,838	640,241	1,215.15
Total	<u>\$ 5,603,728</u>	<u>\$ 102,110</u>	<u>\$ 5,501,618</u>	<u>\$ 10,441.82</u>
* Excluded amounts relate to:				
Community Services		\$ 12,797		
Facilities Acquisition & Construction		15,896		
Food Services		932		
Fringe Benefits to Retirees		59,984		
Nonagency		12,501		
Total		<u>\$ 102,110</u>		

\*\* Annual A.D.A. (Average Daily Attendance) used is 526,883.25. 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, 2014  
 (in thousands)

	<u>Balances</u> <u>July 1, 2013</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Contributions</u>	<u>Balances</u> <u>June 30, 2014</u>
Medi-Cal Billing Options	\$ 1,849	\$ 17,766	\$ 17,692	\$ —	\$ 1,923
FEMA Public Assistance Funds	82	80	7	—	155
Cops More Program	35	—	—	—	35
School Mental Health Medi-cal Rehabilitation	6,043	3,466	3,880	—	5,629
Medi-Cal Electronic Health Record Incentive	—	450	1	—	449
California Clean Energy Jobs Act	—	29,905	177	—	29,728
English Language Acquisition Program, Teacher Training & Student Assistance	3,764	—	—	—	3,764
Lottery: Instructional Materials	—	23,017	23,017	—	—
Pupils with Disabilities Attending Regional Occupational Centers and Programs	—	—	1,361	1,361	—
Special Education	3,467	358,964	1,105,208	746,701	3,924
Special Education: Early Education Individuals with Exceptional Needs (Infant Program)	139	3,033	2,685	—	487
Economic Impact Aid (EIA)	1,351	—	1,351	—	—
Economic Impact Aid: Limited English Proficiency (LEP)	60,046	—	50,541	—	9,505
Quality Education Investment Act	32,018	66,955	70,089	—	28,884
Common Core State Standards Implement	—	114,015	22,888	—	91,127
California Energy Commission Loan Expenditures	397	—	—	—	397
Employment Training Panel-Regional Occupational Centers and Programs	60	68	98	—	30
Ongoing and Major Maintenance Account	—	—	110,041	110,041	—
Certificates of Participation (Acquisition Accounts) Proceed	28,539	4,074	16,299	60	16,374
Clean Cities Grant	86	—	—	—	86
Cognitive Behavioral Intervention Therapy	490	—	110	—	380
B.E.S.T. Behavior Special Education	103	—	48	—	55
Totals	<u>\$ 138,469</u>	<u>\$ 621,793</u>	<u>\$ 1,425,493</u>	<u>\$ 858,163</u>	<u>\$ 192,932</u>

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, 2014  
 (in thousands)

Revenues and Other Sources:	
Local Control Funding Formula sources	\$ 57,111
Federal revenues	17,059
Other state revenues	1,725
Other local revenues	<u>2,242</u>
Total Revenues and Other Sources	<u>78,137</u>
Expenditures and Other Uses	
Instruction	39,123
Support Services	
Supervision of instruction	8,771
School administration	11,545
Guidance and counseling services	3,606
General administration cost transfers	1,971
Plant maintenance and operations	11,490
Facilities acquisition and construction	1,458
Interfund Transfers	<u>35</u>
Total Expenditures and Other Uses	<u>77,999</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	138
Fund Balance, July 1, 2013	<u>8,851</u>
Fund Balance, June 30, 2014	<u><u>\$ 8,989</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, 2014  
(in thousands)

Revenues and Other Sources:	
Federal revenues	\$ 20,270
Other state revenues	72,154
Other local revenues	5,709
Interfund transfers	<u>30,198</u>
Total Revenues and Other Sources	<u>128,331</u>
Expenditures and Other Uses	
Instruction	102,064
Support Services	
Supervision of instruction	2,003
School administration	12,441
Health services	185
Other general administration	4,120
Plant maintenance and operations	6,899
Facilities acquisition and construction	616
Debt Service	<u>79</u>
Total Expenditures and Other Uses	<u>128,407</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	(76)
Fund Balance, July 1, 2013	<u>703</u>
Fund Balance, June 30, 2014	<u>\$ 627</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
All Funds  
Schedule of Fund Equity  
Year Ended June 30, 2014  
(in thousands)

	<b>General Fund</b>	<b>Adult Education Fund</b>	<b>Cafeteria Fund</b>	<b>Child Development Fund</b>	<b>Bond Interest &amp; Redemption Fund</b>	<b>Tax Override Fund</b>
Nonspendable:						
Revolving and imprest funds	\$ 2,670	\$ 40	\$ —	\$ 1	\$ —	\$ —
Inventories	16,958	—	6,677	—	—	—
Prepays	3	—	—	—	—	—
Total Nonspendable	<u>19,631</u>	<u>40</u>	<u>6,677</u>	<u>1</u>	<u>—</u>	<u>—</u>
Restricted	<u>192,932</u>	<u>—</u>	<u>19,373</u>	<u>—</u>	<u>712,646</u>	<u>384</u>
Committed	<u>—</u>	<u>8,949</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Assigned	<u>336,430</u>	<u>—</u>	<u>—</u>	<u>626</u>	<u>—</u>	<u>—</u>
Unassigned						
Reserved for economic uncertainties	65,376	—	—	—	—	—
Unassigned	85,881	—	—	—	—	—
Total Unassigned	<u>151,257</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Restricted net position	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Unrestricted net position	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Fund Equity/Net Position	<u><u>\$ 700,250</u></u>	<u><u>\$ 8,989</u></u>	<u><u>\$ 26,050</u></u>	<u><u>\$ 627</u></u>	<u><u>\$ 712,646</u></u>	<u><u>\$ 384</u></u>

See accompanying independent auditor's report.

<b>Capital Services Fund</b>	<b>Building Account – Bond Proceeds</b>	<b>Building Account – Measure K</b>	<b>Building Account – Measure R</b>	<b>Building Account – Measure Y</b>	<b>Building Fund</b>	<b>State School Building Lease – Purchase Fund</b>	<b>Special Reserve Fund</b>
\$ —	\$ 2,131	\$ —	\$ 211	\$ 3,260	\$ —	\$ —	\$ —
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	2,131	—	211	3,260	—	—	—
55,057	16,036	252,678	457,141	395,895	—	4,360	77,215
—	—	—	—	—	—	—	—
—	—	—	—	—	4,311	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
<u>\$ 55,057</u>	<u>\$ 18,167</u>	<u>\$ 252,678</u>	<u>\$ 457,352</u>	<u>\$ 399,155</u>	<u>\$ 4,311</u>	<u>\$ 4,360</u>	<u>\$ 77,215</u>

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
All Funds  
Schedule of Fund Equity (Continued)  
Year Ended June 30, 2014  
(in thousands)

	<b>Special Reserve Fund – FEMA – Earthquake</b>	<b>Special Reserve Fund – FEMA – Hazard Mitigation</b>	<b>Special Reserve Fund – Community Redevelopment Agency</b>	<b>Capital Facilities Account Fund</b>	<b>County School Facilities Fund – Prop 47</b>
Nonspendable:					
Revolving and imprest funds	\$ —	\$ —	\$ —	\$ —	\$ 33
Inventories	—	—	—	—	—
Prepays	—	—	—	—	—
Total Nonspendable	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>33</u>
Restricted	<u>7,561</u>	<u>—</u>	<u>34,636</u>	<u>—</u>	<u>544,965</u>
Committed	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Assigned	<u>6</u>	<u>2,043</u>	<u>—</u>	<u>142,790</u>	<u>—</u>
Unassigned					
Reserved for economic uncertainties	—	—	—	—	—
Unassigned	—	—	—	—	—
Total Unassigned	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Restricted net position	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Unrestricted net position	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Fund Equity/Net Position	<u>\$ 7,567</u>	<u>\$ 2,043</u>	<u>\$ 34,636</u>	<u>\$ 142,790</u>	<u>\$ 544,998</u>

See accompanying independent auditor's report.

<b>Health and Welfare Benefits Fund</b>	<b>Workers' Compensation Self – Insurance Fund</b>	<b>Liability Self – Insurance Fund</b>	<b>Other Postemployment Benefit (OPEB) Trust Fund</b>
\$ —	\$ —	\$ —	\$ —
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	60,000
331,452	3,372	2,438	—
<u>\$ 331,452</u>	<u>\$ 3,372</u>	<u>\$ 2,438</u>	<u>\$ 60,000</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT  
All Funds  
Schedule of Revenues and Other Financing Sources  
Year Ended June 30, 2014  
(in thousands)

	SACS Object Code	General Fund	Special Revenue		
			Adult Education	Child Development	Cafeteria
Local Control Funding Formula (LCFF) Sources:					
Principal Apportionment:					
State Aid – Current Year	8011	\$ 2,944,782	\$ —	\$ —	\$ —
Education Protection Account Entitlement	8012	592,536	—	—	—
State Aid – Prior Years	8019	406	—	—	—
Tax Relief Subventions:					
Homeowners' Exemptions	8021	6,707	—	—	—
Other Subventions/In-lieu of Taxes	8029	5,401	—	—	—
County & District Taxes:					
Secured Roll Taxes	8041	869,718	—	—	—
Unsecured Roll Taxes	8042	33,892	—	—	—
Prior Years' Taxes	8043	6,095	—	—	—
Supplemental Taxes	8044	17,330	—	—	—
Education Revenue Augmentation Fund (ERAF)	8045	26,846	—	—	—
Community Redevelopment Funds	8047	54,279	—	—	—
Penalties/Int. – Delinquent LCFF Taxes	8048	(3,653)	—	—	—
LCFF Transfers:					
Unrestricted LCFF Transfers – Current Year	8091	(57,111)	57,111	—	—
Transfer to Charter In Lieu Property Taxes	8096	(146,125)	—	—	—
Total LCFF Sources		<u>4,351,103</u>	<u>57,111</u>	<u>—</u>	<u>—</u>
Federal Revenues:					
Special Education Entitlement	8181	118,763	—	—	—
Special Education Discretionary Grant	8182	24,591	—	—	—
Child Nutrition Programs	8220	—	—	—	296,973
Forest Reserve Funds	8260	52	—	—	—
FEMA	8281	80	—	—	—
Interagency Contracts Between LEAs	8285	2,676	—	—	—
NCLB Title I Part A, Basic Grants Low Income and Neglected	8290	231,189	—	—	—
NCLB Title I Part D, Local Delinquent Programs	8290	1,113	—	—	—
NCLB Title II Part A, Teacher Quality	8290	46,618	—	—	—
NCLB Title III, Limited English Proficient	8290	15,064	—	—	—
Other No Child Left Behind	8290	42,034	—	—	—
Vocational & Applied Technology Education	8290	5,569	1,609	—	—
Other Federal Revenue	8290	69,565	15,450	20,270	28
Total Federal Revenues		<u>557,314</u>	<u>17,059</u>	<u>20,270</u>	<u>297,001</u>



LOS ANGELES UNIFIED SCHOOL DISTRICT  
All Funds  
Schedule of Revenues and Other Financing Sources (Continued)  
Year Ended June 30, 2014  
(in thousands)

	SACS Object Code	Capital Projects			
		Capital Facilities Fund	State School Building Lease – Purchase	Special Reserve	Special Reserve CRA
Local Control Funding Formula (LCFF) Sources					
Principal Apportionment:					
State Aid – Current Year	8011	\$ —	\$ —	\$ —	\$ —
Education Protection Account Entitlement	8012	—	—	—	—
State Aid – Prior Years	8019	—	—	—	—
Tax Relief Subventions:					
Homeowners' Exemptions	8021	—	—	—	—
Other Subventions/In-lieu of Taxes	8029	—	—	—	—
County & District Taxes:					
Secured Roll Taxes	8041	—	—	—	—
Unsecured Roll Taxes	8042	—	—	—	—
Prior Years' Taxes	8043	—	—	—	—
Supplemental Taxes	8044	—	—	—	—
Education Revenue Augmentation Fund (ERAF)	8045	—	—	—	—
Community Redevelopment Funds	8047	—	—	—	—
Penalties/Int. – Delinquent LCFF Taxes	8048	—	—	—	—
LCFF Transfers:					
Unrestricted LCFF Transfers – Current Year	8091	—	—	—	—
Transfer to Charter In Lieu Property Taxes	8096	—	—	—	—
Total LCFF Sources		—	—	—	—
Federal Revenues:					
Special Education Entitlement	8181	—	—	—	—
Special Education Discretionary Grant	8182	—	—	—	—
Child Nutrition Programs	8220	—	—	—	—
Forest Reserve Funds	8260	—	—	—	—
FEMA	8281	—	—	—	—
Interagency Contracts Between LEAs	8285	—	—	—	—
NCLB Title I Part A, Basic Grants Low Income and Neglected	8290	—	—	—	—
NCLB Title I Part D, Local Delinquent Programs	8290	—	—	—	—
NCLB Title II Part A, Teacher Quality	8290	—	—	—	—
NCLB Title III, Limited English Proficient	8290	—	—	—	—
Other No Child Left Behind	8290	—	—	—	—
Vocational & Applied Technology Education	8290	—	—	—	—
Other Federal Revenue	8290	—	—	—	—
Total Federal Revenues		—	—	—	—



LOS ANGELES UNIFIED SCHOOL DISTRICT  
All Funds  
Schedule of Revenues and Other Financing Sources (Continued)  
Year Ended June 30, 2014  
(in thousands)

	SACS Object Code	<u>Internal Service Funds</u>			
		<u>Health and Welfare Benefits</u>	<u>Workers' Compensation</u>	<u>Liability</u>	
<b>Local Control Funding Formula (LCFF) Sources</b>					
Principal Apportionment:					
State Aid – Current Year	8011	\$ —	\$ —	\$ —	—
Education Protection Account Entitlement	8012	—	—	—	—
State Aid – Prior Years	8019	—	—	—	—
Tax Relief Subventions:					
Homeowners' Exemptions	8021	—	—	—	—
Other Subventions/In-lieu of Taxes	8029	—	—	—	—
County & District Taxes:					
Secured Roll Taxes	8041	—	—	—	—
Unsecured Roll Taxes	8042	—	—	—	—
Prior Years' Taxes	8043	—	—	—	—
Supplemental Taxes	8044	—	—	—	—
Education Revenue Augmentation Fund (ERAF)	8045	—	—	—	—
Community Redevelopment Funds	8047	—	—	—	—
Penalties/Int. – Delinquent LCFF Taxes	8048	—	—	—	—
LCFF Transfers:					
Unrestricted LCFF Transfers – Current Year	8091	—	—	—	—
Transfer to Charter In Lieu Property Taxes	8096	—	—	—	—
Total LCFF Sources		—	—	—	—
<b>Federal Revenues:</b>					
Special Education Entitlement	8181	—	—	—	—
Special Education Discretionary Grant	8182	—	—	—	—
Child Nutrition Programs	8220	—	—	—	—
Forest Reserve Funds	8260	—	—	—	—
FEMA	8281	—	—	—	—
Interagency Contracts Between LEAs	8285	—	—	—	—
NCLB Title I Part A, Basic Grants Low Income and Neglected	8290	—	—	—	—
NCLB Title I Part D, Local Delinquent Programs	8290	—	—	—	—
NCLB Title II Part A, Teacher Quality	8290	—	—	—	—
NCLB Title III, Limited English Proficient	8290	—	—	—	—
Other No Child Left Behind	8290	—	—	—	—
Vocational & Applied Technology Education	8290	—	—	—	—
Other Federal Revenue	8290	—	—	—	—
Total Federal Revenues		—	—	—	—

<u>Total</u>	<u>OPEB Trust Fund</u>	<u>Total</u>
\$ —	\$ —	\$ 2,944,782
—	—	592,536
—	—	406
—	—	6,707
—	—	5,401
—	—	869,718
—	—	33,892
—	—	6,095
—	—	17,330
—	—	26,846
—	—	54,279
—	—	(3,653)
—	—	—
—	—	(146,125)
—	—	4,408,214
—	—	118,763
—	—	24,591
—	—	296,973
—	—	52
—	—	5,807
—	—	2,676
—	—	231,189
—	—	1,113
—	—	46,618
—	—	15,064
—	—	42,034
—	—	7,178
—	—	173,772
—	—	965,830

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
All Funds  
Schedule of Revenues and Other Financing Sources (Continued)  
Year Ended June 30, 2014  
(in thousands)

	SACS Object Code	General Fund	Special Revenue		
			Adult Education	Child Development	Cafeteria
Other State Revenues:					
Other State Apportionments:					
Spec. Ed. Master Plan:					
Current Year	8311	359,627	—	—	—
Prior Years	8319	(784)	—	—	—
All Other State Apportionments – Current Year	8311	5,245	—	—	—
All Other State Apportionments – Prior Year	8319	236	—	—	—
Child Nutrition Programs	8520	—	—	—	20,537
School Facilities Apportionments	8545	—	—	—	—
Mandated Costs Reimbursements	8550	18,727	—	—	—
Lottery – Unrestricted and Instructional Materials	8560	106,965	—	—	—
Voted Indebtedness Levies Homeowners' Exemptions	8571	—	—	—	—
Other Subventions/In-Lieu Taxes	8572	—	—	—	—
After School Education and Safety (ASES)	8590	76,413	—	—	—
Drug/Alcohol/Tobacco Funds	8590	1,025	—	—	—
California Clean Energy Act	8590	29,905	—	—	—
Healthy Start	8590	181	—	—	—
Quality Education Investment Act	8590	66,955	—	—	—
Common Core State Standards Implementation	8590	114,015	—	—	—
State Preschool	8590	—	—	72,116	—
All Other State Revenue	8590	43,878	1,725	38	—
Total Other State Revenues		822,388	1,725	72,154	20,537
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 LCFF Deductions					
Penalties and Interest from Delinquent Non-LCFF Taxes	8625	—	—	—	—
Sales:	8629	—	—	—	—
Sale of Equipment/Supplies	8631	542	—	—	—
Food Service Sales	8634	1	—	—	6,026
Leases and Rentals	8650	16,703	—	—	—
Interest	8660	13,636	91	26	40
Fees and Contracts:					
Adult Education Fees	8671	—	591	—	—
Non-Resident Students	8672	430	—	—	—
Child Development Parent Fees	8673	—	—	3,073	—
In-District Premiums/Contributions	8674	—	—	—	—
Interagency Service Fees	8677	—	—	191	—

<u>Funds</u>	<u>District Bond</u>				<u>Funds</u>
<u>Total</u>	<u>Building Account – Bond Proceeds</u>	<u>Building Account – Measure Y</u>	<u>Building Account – Measure R</u>	<u>Building Account – Measure K</u>	<u>Total</u>
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
20,537	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
72,116	—	—	—	—	—
1,763	—	—	—	—	—
94,416	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
6,026	—	—	—	—	—
—	—	—	—	—	—
157	243	4,035	5,000	2,063	11,341
591	—	—	—	—	—
—	—	—	—	—	—
3,073	—	—	—	—	—
—	—	—	—	—	—
191	—	—	—	—	—

LOS ANGELES UNIFIED SCHOOL DISTRICT  
All Funds  
Schedule of Revenues and Other Financing Sources (Continued)  
Year Ended June 30, 2014  
(in thousands)

	<b>Capital Projects</b>				
	<b>SACS Object Code</b>	<b>Capital Facilities Fund</b>	<b>State School Building Lease – Purchase</b>	<b>Special Reserve</b>	<b>Special Reserve CRA</b>
Other State Revenues:					
Other State Apportionments:					
Spec. Ed. Master Plan:					
Current Year	8311	—	—	—	—
Prior Years	8319	—	—	—	—
All Other State Apportionments – Current Year	8311	—	—	—	—
All Other State Apportionments – Prior Year	8319	—	—	—	—
Child Nutrition Programs	8520	—	—	—	—
School Facilities Apportionments	8545	—	—	—	—
Mandated Costs Reimbursements	8550	—	—	—	—
Lottery – Unrestricted and Instructional Materials	8560	—	—	—	—
Voted Indebtedness Levies Homeowners' Exemptions	8571	—	—	—	—
Other Subventions/In-Lieu Taxes	8572	—	—	—	—
After School Education and Safety (ASES)	8590	—	—	—	—
Drug/Alcohol/Tobacco Funds	8590	—	—	—	—
California Clean Energy Act	8590	—	—	—	—
Healthy Start	8590	—	—	—	—
Quality Education Investment Act	8590	—	—	—	—
Common Core State Standards Implementation	8590	—	—	—	—
State Preschool	8590	—	—	—	—
All Other State Revenue	8590	—	—	—	—
Total Other State Revenues		—	—	—	—
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 LCFE Deductions	8625	—	—	—	19,306
Penalties and Interest from Delinquent Non-LCFE Taxes	8629	—	—	—	—
Sales:					
Sale of Equipment/Supplies	8631	—	—	—	—
Food Service Sales	8634	—	—	—	—
Leases and Rentals	8650	—	—	—	—
Interest	8660	847	107	612	134
Fees and Contracts:					
Adult Education Fees	8671	—	—	—	—
Non-Resident Students	8672	—	—	—	—
Child Development Parent Fees	8673	—	—	—	—
In-District Premiums/Contributions	8674	—	—	—	—
Interagency Service Fees	8677	—	—	—	—



LOS ANGELES UNIFIED SCHOOL DISTRICT  
All Funds  
Schedule of Revenues and Other Financing Sources (Continued)  
Year Ended June 30, 2014  
(in thousands)

	SACS Object Code	Internal Service Funds		
		Health and Welfare Benefits	Workers' Compensation	Liability
Other State Revenues:				
Other State Apportionments:				
Spec. Ed. Master Plan:				
Current Year	8311	—	—	—
Prior Years	8319	—	—	—
All Other State Apportionments – Current Year	8311	—	—	—
All Other State Apportionments – Prior Year	8319	—	—	—
Child Nutrition Programs	8520	—	—	—
School Facilities Apportionments	8545	—	—	—
Mandated Costs Reimbursements	8550	—	—	—
Lottery – Unrestricted and Instructional Materials	8560	—	—	—
Voted Indebtedness Levies Homeowners' Exemptions	8571	—	—	—
Other Subventions/In-Lieu Taxes	8572	—	—	—
After School Education and Safety (ASES)	8590	—	—	—
Drug/Alcohol/Tobacco Funds	8590	—	—	—
California Clean Energy Act	8590	—	—	—
Healthy Start	8590	—	—	—
Quality Education Investment Act	8590	—	—	—
Common Core State Standards Implementation	8590	—	—	—
State Preschool	8590	—	—	—
All Other State Revenue	8590	—	—	—
Total Other State Revenues		—	—	—
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 LCFE Deductions	8625	—	—	—
Penalties and Interest from Delinquent Non-LCFE Taxes	8629	—	—	—
Sales:				
Sale of Equipment/Supplies	8631	—	—	—
Food Service Sales	8634	—	—	—
Leases and Rentals	8650	—	—	—
Interest	8660	2,504	3,015	781
Fees and Contracts:				
Adult Education Fees	8671	—	—	—
Non-Resident Students	8672	—	—	—
Child Development Parent Fees	8673	—	—	—
In-District Premiums Contributions	8674	925,781	113,825	50,827
Interagency Service Fees	8677	—	—	—

<u>Total</u>	<u>OPEB Trust Fund</u>	<u>Total</u>
—	—	359,627
—	—	(784)
—	—	5,245
—	—	236
—	—	20,537
—	—	105,211
—	—	18,727
—	—	106,965
—	—	5,266
—	—	50
—	—	76,413
—	—	1,025
—	—	29,905
—	—	181
—	—	66,955
—	—	114,015
—	—	72,116
—	—	47,235
—	—	<u>1,028,925</u>

—	—	684,418
—	—	36,647
—	—	23,314
—	—	15,179
—	—	19,306
—	—	6,062
—	—	542
—	—	6,027
—	—	17,420
6,300	—	39,204
—	—	591
—	—	430
—	—	3,073
1,090,433	60,000	1,150,433
—	—	191

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
All Funds  
Schedule of Revenues and Other Financing Sources (Continued)  
Year Ended June 30, 2014  
(in thousands)

Special Revenue

	SACS Object Code	General Fund	Adult Education	Child Development	Cafeteria
Mitigation/Developer Fees	8681	\$ —	\$ —	\$ —	\$ —
All Other Fees and Contracts	8689	28,722	—	—	—
All Other Local Revenue	8699	62,571	1,560	2,419	492
Tuition	8710	22	—	—	—
All Other Transfers In	8781	216	—	—	—
Total Other Local Revenues		<u>122,843</u>	<u>2,242</u>	<u>5,709</u>	<u>6,558</u>
Subtotal – Revenues		<u>5,853,648</u>	<u>78,137</u>	<u>98,133</u>	<u>324,096</u>
Other Financing Sources:					
Interfund Transfers In:					
From General Fund to Child Development Fund	8911	—	—	30,198	—
From Special Reserve Fund	8912	16,901	—	—	—
From General Fund to Cafeteria Fund	8916	—	—	—	51,000
Other Authorized Interfund Transfer In	8919	5,780	—	—	861
Subtotal, Interfund Transfers In		<u>22,681</u>	<u>—</u>	<u>30,198</u>	<u>51,861</u>
Other Sources:					
Proceeds from Capital Leases	8972	1,741	—	—	—
All Other Financing Sources	8979	845	—	—	—
Subtotal, Other Sources		<u>2,586</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Other Financing Sources		<u>25,267</u>	<u>—</u>	<u>30,198</u>	<u>51,861</u>
Total Revenues and Other Financing Sources		<u>\$ 5,878,915</u>	<u>\$ 78,137</u>	<u>\$ 128,331</u>	<u>\$ 375,957</u>

<b>Funds</b>	<b>District Bond Funds</b>				
<b>Total</b>	<b>Building Account – Bond Proceeds</b>	<b>Building Account – Measure Y</b>	<b>Building Account – Measure R</b>	<b>Building Account – Measure K</b>	<b>Total</b>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
4,471	—	8,835	2,663	—	11,498
—	—	—	—	—	—
—	—	—	—	—	—
<u>14,509</u>	<u>243</u>	<u>12,870</u>	<u>7,663</u>	<u>2,063</u>	<u>22,839</u>
<u>500,366</u>	<u>243</u>	<u>12,870</u>	<u>7,663</u>	<u>2,063</u>	<u>22,839</u>
30,198	—	—	—	—	—
—	—	—	—	—	—
51,000	—	—	—	—	—
861	—	—	—	—	—
<u>82,059</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
<u>82,059</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>\$ 582,425</u>	<u>\$ 243</u>	<u>\$ 12,870</u>	<u>\$ 7,663</u>	<u>\$ 2,063</u>	<u>\$ 22,839</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT  
All Funds  
Schedule of Revenues and Other Financing Sources (Continued)  
Year Ended June 30, 2014  
(in thousands)

		<b>Capital Projects</b>			
	<b>SACS Object Code</b>	<b>Capital Facilities Fund</b>	<b>State School Building Lease – Purchase</b>	<b>Special Reserve</b>	<b>Special Reserve CRA</b>
Mitigation/Developer Fees	8681	\$ 59,057	\$ —	\$ —	\$ —
All Other Fees and Contracts	8689	—	—	—	—
All Other Local Revenue	8699	—	—	16,166	—
Tuition	8710	—	—	—	—
All Other Transfers In	8781	—	—	—	—
Total Other Local Revenues		<u>59,904</u>	<u>107</u>	<u>16,778</u>	<u>19,440</u>
Subtotal – Revenues		<u>59,904</u>	<u>107</u>	<u>16,778</u>	<u>19,440</u>
Other Financing Sources:					
Interfund Transfers In:					
From General Fund to Child Development Fund	8911	—	—	—	—
From Special Reserve Fund	8912	—	—	11	—
From General Fund to Cafeteria Fund	8916	—	—	—	—
Other Authorized Interfund Transfer In	8919	—	—	4,612	—
Subtotal, Interfund Transfers In		<u>—</u>	<u>—</u>	<u>4,623</u>	<u>—</u>
Other Sources:					
Proceeds from Capital Leases	8972	—	—	—	—
All Other Financing Sources	8979	—	—	—	—
Subtotal, Other Sources		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Other Financing Sources		<u>—</u>	<u>—</u>	<u>4,623</u>	<u>—</u>
Total Revenues and Other Financing Sources		<u>\$ 59,904</u>	<u>\$ 107</u>	<u>\$ 21,401</u>	<u>\$ 19,440</u>

Funds			Debt Service Funds				
Special Reserve FEMA	Building Fund	Total	County School Facilities	Bond Interest and Redemption	Tax Override	Capital Services	Total
\$ —	\$ —	\$ 59,057	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—	—	—
—	—	16,166	20,540	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
6	745	96,980	24,388	767,590	2	216	767,808
7,327	745	104,301	129,599	840,745	52	786	841,583
—	—	—	—	—	—	—	—
—	—	11	—	—	—	—	—
—	—	—	—	—	—	—	—
—	147	4,759	—	—	—	46,479	46,479
—	147	4,770	—	—	—	46,479	46,479
—	—	—	—	—	—	—	—
—	—	—	—	1,890,076	—	—	1,890,076
—	—	—	—	1,890,076	—	—	1,890,076
—	147	4,770	—	1,890,076	—	46,479	1,936,555
\$ 7,327	\$ 892	\$ 109,071	\$ 129,599	\$ 2,730,821	\$ 52	\$ 47,265	\$ 2,778,138

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
All Funds  
Schedule of Revenues and Other Financing Sources (Continued)  
Year Ended June 30, 2014  
(in thousands)

	SACS Object Code	Internal Service Funds		
		Health and Welfare Benefits	Workers' Compensation	Liability
Mitigation/Developer Fees	8681	\$ —	\$ —	\$ —
All Other Fees and Contracts	8689	—	—	—
All Other Local Revenue	8699	4,191	—	—
Tuition	8710	—	—	—
All Other Transfers In	8781	—	—	—
Total Other Local Revenues		<u>932,476</u>	<u>116,840</u>	<u>51,608</u>
Subtotal – Revenues		<u>932,476</u>	<u>116,840</u>	<u>51,608</u>
Other Financing Sources:				
Interfund Transfers In:				
From General Fund to Child Development Fund	8911	—	—	—
From Special Reserve Fund	8912	—	—	—
From General Fund to Cafeteria Fund	8916	—	—	—
Other Authorized Interfund Transfer In	8919	10,786	—	—
Subtotal, Interfund Transfers In		<u>10,786</u>	<u>—</u>	<u>—</u>
Other Sources:				
Proceeds from Capital Leases	8972	—	—	—
All Other Financing Sources	8979	—	—	—
Subtotal, Other Sources		<u>—</u>	<u>—</u>	<u>—</u>
Total Other Financing Sources		<u>10,786</u>	<u>—</u>	<u>—</u>
Total Revenues and Other Financing Sources		<u>\$ 943,262</u>	<u>\$ 116,840</u>	<u>\$ 51,608</u>

<u>Total</u>	<u>OPEB Trust Fund</u>	<u>Total</u>
\$ —	\$ —	\$ 59,057
—	—	28,722
4,191	—	119,437
—	—	22
—	—	216
<u>1,100,924</u>	<u>60,000</u>	<u>2,210,291</u>
<u>1,100,924</u>	<u>60,000</u>	<u>8,613,260</u>
—	—	30,198
—	—	16,912
—	—	51,000
10,786	—	68,665
<u>10,786</u>	<u>—</u>	<u>166,775</u>
—	—	1,741
—	—	1,890,921
—	—	1,892,662
10,786	—	2,059,437
<u>\$ 1,111,710</u>	<u>\$ 60,000</u>	<u>\$ 10,672,697</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Organization Structure

Year Ended June 30, 2014

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
Richard Vladovic, President	June 30, 2015
Marguerite Poindexter LaMotte (In Memoriam 2003 – 2013)	June 30, 2015
George McKenna	June 30, 2015
Mónica García	June 30, 2017
Tamar Galatzan	June 30, 2015
Steve Zimmer	June 30, 2017
Bennett Kayser	June 30, 2015
Mónica Ratliff	June 30, 2017

Principal School District Officials:	Name	Title
	Ramon C. Cortines	Superintendent of Schools (effective October 20, 2014)
	John Deasy	Superintendent of Schools (April 18, 2011 – October 15, 2014)
	Michelle King	Chief Deputy Superintendent of Schools
	Ruth Perez	Deputy Superintendent of Instruction (effective September 15, 2014)
	Jaime Aquino	Deputy Superintendent of Instruction (resigned effective January 4, 2014)
	Matt Hill	Chief Strategy Officer
	Mark Hovatter	Chief Facilities Executive
	Justo Avila	Chief Human Resources Officer (effective February 19, 2014)
	Vivian Ekchian	Chief Human Resources Officer (July 29, 2008 – February 18, 2014)
	Megan Reilly	Chief Financial Officer
	Thelma Melendez	Chief Executive Officer (effective December 1, 2014)
	Enrique Boull't	Chief Operating Officer (retired effective December 1, 2014)
	Earl Perkins	Assistant Superintendent of School Operations
	George Silva	Chief Procurement Officer
	Kenneth Bramlett	Inspector General (Effective August 5, 2013)
	Alfred Rodas	Inspector General (Interim July 2, 2012 – August 4, 2013)
	David Holmquist	General Counsel
	Steven Zipperman	Chief of School Police
	Janalyn Glymph	Personnel Director

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)	2010-2011	2011-2012	2012-2013	2013-2014
Elementary Schools		448	446	456	457
Middle/Junior High Schools		83	84	86	83
Senior High Schools		81	94	106	100
Options Schools		56	56	56	55
Special Education Schools		16	16	16	15
Magnet Schools		26	28	28	34
Magnet Centers		145	146	145	148
Community Adult Schools		24	24	6	6
Regional Occupational Centers		5	5	3	3
Skills Centers		5	5	1	1
Regional Occupational Program		1	1	1	1
Early Education Centers		102	107	82	86
Infant Centers		4	4	4	4
Primary School Centers		20	20	18	18
Newcomer Schools		—	—	—	—
Multi-level Schools		15	18	21	22
Total Schools and Centers		<u>1,031</u>	<u>1,054</u>	<u>1,029</u>	<u>1,033</u>
Independent Charter Schools		<u>171</u>	<u>179</u>	<u>185</u>	<u>196</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance/Hours of Attendance  
Year Ended June 30, 2014

	<b>Second Period Report</b>	<b>Annual Report</b>
District		
K-3	168,990	168,219
Grades 4-6	113,817	114,458
Grades 7-8	71,396	71,339
Grades 9-12	133,982	133,234
Total District	488,185	487,250
County		
K-3	—	—
Grades 4-6	1	1
Grades 7-8	8	8
Grades 9-12	665	670
Total County	674	679
Affiliated Charter Schools		
K-3	16,023	16,013
Grades 4-6	10,411	10,394
Grades 7-8	5,776	5,758
Grades 9-12	7,529	7,468
Total Affiliated Charter Schools	39,739	39,633
Total Average Daily Attendance	528,598	527,562

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Schedule of Average Daily Attendance  
 Year Ended June 30, 2014

Alexander (Dr. Theodore, Jr.) Science Center – 0102491

	<u>Second Period Report</u>	<u>Annual Report</u>
TK/K to Grade 3 ADA – Total	440.77	439.02
TK/K to Grade 3 ADA – Classroom-based	440.77	439.02
Grades 4-6 ADA – Total	176.31	175.66
Grades 4-6 ADA – Classroom-based	176.31	175.66
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>617.08</u>	<u>614.68</u>
Classroom-based ADA	<u>617.08</u>	<u>614.68</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2014

Beckford Charter for Enriched Studies – 6015986

	<b>Second Period Report</b>	<b>Annual Report</b>
TK/K to Grade 3 ADA – Total	391.86	391.74
TK/K to Grade 3 ADA – Classroom-based	391.86	391.74
Grades 4-6 ADA – Total	194.09	193.73
Grades 4-6 ADA – Classroom-based	194.09	193.73
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	585.95	585.47
Classroom-based ADA	585.95	585.47

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Schedule of Average Daily Attendance  
 Year Ended June 30, 2014

Calabash Charter Academy – 6016240

	<b>Second Period Report</b>	<b>Annual Report</b>
TK/K to Grade 3 ADA – Total	291.40	291.72
TK/K to Grade 3 ADA – Classroom-based	291.40	291.72
Grades 4-6 ADA – Total	121.75	121.49
Grades 4-6 ADA – Classroom-based	121.75	121.49
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	413.15	413.21
Classroom-based ADA	413.15	413.21

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2014

Calahan Community Charter – 6016257

	<u>Second Period Report</u>	<u>Annual Report</u>
TK/K to Grade 3 ADA – Total	402.04	400.65
TK/K to Grade 3 ADA – Classroom-based	402.04	400.65
Grades 4-6 ADA – Total	170.57	169.36
Grades 4-6 ADA – Classroom-based	170.57	169.36
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>572.61</u>	<u>570.01</u>
Classroom-based ADA	<u>572.61</u>	<u>570.01</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Schedule of Average Daily Attendance  
 Year Ended June 30, 2014

Calvert Charter for Enriched Studies – 6016265

	<b>Second Period Report</b>	<b>Annual Report</b>
TK/K to Grade 3 ADA – Total	240.86	239.58
TK/K to Grade 3 ADA – Classroom-based	240.86	239.58
Grades 4-6 ADA – Total	108.44	108.28
Grades 4-6 ADA – Classroom-based	108.44	108.28
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	349.30	347.86
Classroom-based ADA	349.30	347.86

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2014

Canyon Charter School – 6016323

	<b>Second Period Report</b>	<b>Annual Report</b>
TK/K to Grade 3 ADA – Total	256.50	257.06
TK/K to Grade 3 ADA – Classroom-based	256.50	257.06
Grades 4-6 ADA – Total	123.78	123.37
Grades 4-6 ADA – Classroom-based	123.78	123.37
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	380.28	380.43
Classroom-based ADA	380.28	380.43

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2014

Carpenter Community Charter School – 6016356

	<b>Second Period Report</b>	<b>Annual Report</b>
TK/K to Grade 3 ADA – Total	642.69	641.22
TK/K to Grade 3 ADA – Classroom-based	642.69	641.22
Grades 4-6 ADA – Total	278.78	278.32
Grades 4-6 ADA – Classroom-based	278.78	278.32
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	921.47	919.54
Classroom-based ADA	921.47	919.54

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2014

Castlebay Lane Elementary School - 6071435

	<b>Second Period Report</b>	<b>Annual Report</b>
TK/K to Grade 3 ADA – Total	526.38	526.51
TK/K to Grade 3 ADA – Classroom-based	526.38	526.51
Grades 4-6 ADA – Total	226.22	226.35
Grades 4-6 ADA – Classroom-based	226.22	226.35
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	752.60	752.86
Classroom-based ADA	752.60	752.86

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2014

Chandler Learning Academy – 6016422

	<b>Second Period Report</b>	<b>Annual Report</b>
TK/K to Grade 3 ADA – Total	365.98	364.22
TK/K to Grade 3 ADA – Classroom-based	365.98	364.22
Grades 4-6 ADA – Total	170.96	170.57
Grades 4-6 ADA – Classroom-based	170.96	170.57
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	536.94	534.79
Classroom-based ADA	536.94	534.79

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2014

Chatsworth Charter High School – 1931708

	<b>Second Period Report</b>	<b>Annual Report</b>
TK/K to Grade 3 ADA – Total	0.00	0.00
TK/K to Grade 3 ADA – Classroom-based	0.00	0.00
Grades 4-6 ADA – Total	0.00	0.00
Grades 4-6 ADA – Classroom-based	0.00	0.00
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	2,182.41	2,165.79
Grades 9-12 ADA – Classroom-based	2,182.41	2,165.79
Total ADA	2,182.41	2,165.79
Classroom-based ADA	2,182.41	2,165.79

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2014

Cleveland (Grover) Charter High School – 1931864

	<b>Second Period Report</b>	<b>Annual Report</b>
TK/K to Grade 3 ADA – Total	0.00	0.00
TK/K to Grade 3 ADA – Classroom-based	0.00	0.00
Grades 4-6 ADA – Total	0.00	0.00
Grades 4-6 ADA – Classroom-based	0.00	0.00
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	3,099.05	3,075.01
Grades 9-12 ADA – Classroom-based	3,099.05	3,075.01
Total ADA	3,099.05	3,075.01
Classroom-based ADA	3,099.05	3,075.01

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Schedule of Average Daily Attendance  
 Year Ended June 30, 2014

Colfax Charter Elementary School – 6016562

	<b>Second Period Report</b>	<b>Annual Report</b>
TK/K to Grade 3 ADA – Total	434.52	434.00
TK/K to Grade 3 ADA – Classroom-based	434.52	434.00
Grades 4-6 ADA – Total	196.81	196.54
Grades 4-6 ADA – Classroom-based	196.81	196.54
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	631.33	630.54
Classroom-based ADA	631.33	630.54

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2014

Community Magnet Charter Elementary School – 6094726

	<b>Second Period Report</b>	<b>Annual Report</b>
TK/K to Grade 3 ADA – Total	278.68	278.09
TK/K to Grade 3 ADA – Classroom-based	278.68	278.09
Grades 4-6 ADA – Total	181.97	181.78
Grades 4-6 ADA – Classroom-based	181.97	181.78
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	460.65	459.87
Classroom-based ADA	460.65	459.87

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2014

Darby Avenue Charter – 6016703

	<b>Second Period Report</b>	<b>Annual Report</b>
TK/K to Grade 3 ADA – Total	341.48	342.41
TK/K to Grade 3 ADA – Classroom-based	341.48	342.41
Grades 4-6 ADA – Total	162.27	161.87
Grades 4-6 ADA – Classroom-based	162.27	161.87
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	503.75	504.28
Classroom-based ADA	503.75	504.28

See accompanying independent auditor’s report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2014

Dearborn Elementary Charter Academy – 6016729

	<b>Second Period Report</b>	<b>Annual Report</b>
TK/K to Grade 3 ADA – Total	342.57	341.17
TK/K to Grade 3 ADA – Classroom-based	342.57	341.17
Grades 4-6 ADA – Total	171.56	171.32
Grades 4-6 ADA – Classroom-based	171.56	171.32
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	514.13	512.49
Classroom-based ADA	514.13	512.49

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2014

Dixie Canyon Community Charter School – 6016778

	<b>Second Period Report</b>	<b>Annual Report</b>
TK/K to Grade 3 ADA – Total	467.07	465.49
TK/K to Grade 3 ADA – Classroom-based	467.07	465.49
Grades 4-6 ADA – Total	209.59	208.94
Grades 4-6 ADA – Classroom-based	209.59	208.94
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	676.66	674.43
Classroom-based ADA	676.66	674.43

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Schedule of Average Daily Attendance  
 Year Ended June 30, 2014

El Oro Way for Enriched Studies – 6016869

	<u>Second Period Report</u>	<u>Annual Report</u>
TK/K to Grade 3 ADA – Total	306.55	306.25
TK/K to Grade 3 ADA – Classroom-based	306.55	306.25
Grades 4-6 ADA – Total	156.91	156.92
Grades 4-6 ADA – Classroom-based	156.91	156.92
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>463.46</u>	<u>463.17</u>
Classroom-based ADA	<u>463.46</u>	<u>463.17</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2014

Emclita Academy Charter -- 6016901

	<b>Second Period Report</b>	<b>Annual Report</b>
TK/K to Grade 3 ADA – Total	300.84	301.05
TK/K to Grade 3 ADA – Classroom-based	300.84	301.05
Grades 4-6 ADA – Total	131.13	131.44
Grades 4-6 ADA – Classroom-based	131.13	131.44
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	431.97	432.49
Classroom-based ADA	431.97	432.49

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2014

Enadia Technology Enriched Charter – 0117036

	<b>Second Period Report</b>	<b>Annual Report</b>
TK/K to Grade 3 ADA – Total	176.64	175.90
TK/K to Grade 3 ADA – Classroom-based	176.64	175.90
Grades 4-6 ADA – Total	55.27	55.13
Grades 4-6 ADA – Classroom-based	55.27	55.13
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	231.91	231.03
Classroom-based ADA	231.91	231.03

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2014

Encino Charter Elementary School – 6016935

	<b>Second Period Report</b>	<b>Annual Report</b>
TK/K to Grade 3 ADA – Total	399.79	399.09
TK/K to Grade 3 ADA – Classroom-based	399.79	399.09
Grades 4-6 ADA – Total	159.57	160.11
Grades 4-6 ADA – Classroom-based	159.57	160.11
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	559.36	559.20
Classroom-based ADA	559.36	559.20

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2014

Germain Academy for Academic Achievement – 6017263

	<b>Second Period Report</b>	<b>Annual Report</b>
TK/K to Grade 3 ADA – Total	331.29	330.91
TK/K to Grade 3 ADA – Classroom-based	331.29	330.91
Grades 4-6 ADA – Total	178.31	178.32
Grades 4-6 ADA – Classroom-based	178.31	178.32
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	509.60	509.23
Classroom-based ADA	509.60	509.23

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2014

Granada Community Charter – 6017339

	<b>Second Period Report</b>	<b>Annual Report</b>
TK/K to Grade 3 ADA – Total	258.22	257.72
TK/K to Grade 3 ADA – Classroom-based	258.22	257.72
Grades 4-6 ADA – Total	137.28	137.01
Grades 4-6 ADA – Classroom-based	137.28	137.01
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	395.50	394.73
Classroom-based ADA	395.50	394.73

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2013

Hale (George Ellery) Charter Academy – 6061477

	<b>Second Period Report</b>	<b>Annual Report</b>
TK/K to Grade 3 ADA – Total	0.00	0.00
TK/K to Grade 3 ADA – Classroom-based	0.00	0.00
Grades 4-6 ADA – Total	609.00	606.36
Grades 4-6 ADA – Classroom-based	609.00	606.36
Grades 7-8 ADA – Total	1,241.77	1,235.41
Grades 7-8 ADA – Classroom-based	1,241.77	1,235.41
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	1,850.77	1,841.77
Classroom-based ADA	1,850.77	1,841.77

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2014

Hamlin Charter Academy – 6017438

	<b>Second Period Report</b>	<b>Annual Report</b>
TK/K to Grade 3 ADA – Total	318.15	318.71
TK/K to Grade 3 ADA – Classroom-based	318.15	318.71
Grades 4-6 ADA – Total	129.19	129.03
Grades 4-6 ADA – Classroom-based	129.19	129.03
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	447.34	447.74
Classroom-based ADA	447.34	447.74

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2014

Haynes Charter for Enriched Studies – 6017529

	<b>Second Period Report</b>	<b>Annual Report</b>
TK/K to Grade 3 ADA – Total	271.61	271.80
TK/K to Grade 3 ADA – Classroom-based	271.61	271.80
Grades 4-6 ADA – Total	127.50	127.28
Grades 4-6 ADA – Classroom-based	127.50	127.28
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	399.11	399.08
Classroom-based ADA	399.11	399.08

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2014

Hesby Oaks Leadership Charter – 0112060

	<b>Second Period Report</b>	<b>Annual Report</b>
TK/K to Grade 3 ADA – Total	195.95	195.20
TK/K to Grade 3 ADA – Classroom-based	195.95	195.20
Grades 4-6 ADA – Total	198.70	198.29
Grades 4-6 ADA – Classroom-based	198.70	198.29
Grades 7-8 ADA – Total	150.79	151.10
Grades 7-8 ADA – Classroom-based	150.79	151.10
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	545.44	544.59
Classroom-based ADA	545.44	544.59

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2014

Justice Street Academy Charter – 6017693

	<b>Second Period Report</b>	<b>Annual Report</b>
TK/K to Grade 3 ADA – Total	246.71	247.62
TK/K to Grade 3 ADA – Classroom-based	246.71	247.62
Grades 4-6 ADA – Total	126.71	126.59
Grades 4-6 ADA – Classroom-based	126.71	126.59
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>373.42</u>	<u>374.21</u>
Classroom-based ADA	<u>373.42</u>	<u>374.21</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2014

Kenter Canyon Charter School – 6017701

	<b>Second Period Report</b>	<b>Annual Report</b>
TK/K to Grade 3 ADA – Total	347.66	348.27
TK/K to Grade 3 ADA – Classroom-based	347.66	348.27
Grades 4-6 ADA – Total	175.78	175.96
Grades 4-6 ADA – Classroom-based	175.78	175.96
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	523.44	524.23
Classroom-based ADA	523.44	524.23

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Schedule of Average Daily Attendance  
 Year Ended June 30, 2014

Knollwood Preparatory Academy – 6017743

	<u>Second Period Report</u>	<u>Annual Report</u>
TK/K to Grade 3 ADA – Total	312.57	311.29
TK/K to Grade 3 ADA – Classroom-based	312.57	311.29
Grades 4-6 ADA – Total	116.80	116.66
Grades 4-6 ADA – Classroom-based	116.80	116.66
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>429.37</u>	<u>427.95</u>
Classroom-based ADA	<u>429.37</u>	<u>427.95</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Schedule of Average Daily Attendance  
 Year Ended June 30, 2014

Lockhurst Drive Charter Elementary - 6017891

	<b>Second Period Report</b>	<b>Annual Report</b>
TK/K to Grade 3 ADA – Total	203.27	203.75
TK/K to Grade 3 ADA – Classroom-based	203.27	203.75
Grades 4-6 ADA – Total	111.83	111.76
Grades 4-6 ADA – Classroom-based	111.83	111.76
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	315.10	315.51
Classroom-based ADA	315.10	315.51

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Schedule of Average Daily Attendance  
 Year Ended June 30, 2014

Marquez Charter School – 6018063

	<b>Second Period Report</b>	<b>Annual Report</b>
TK/K to Grade 3 ADA – Total	367.23	374.90
TK/K to Grade 3 ADA – Classroom-based	367.23	374.90
Grades 4-6 ADA – Total	194.93	193.53
Grades 4-6 ADA – Classroom-based	194.93	193.53
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	562.16	568.43
Classroom-based ADA	562.16	568.43

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2014

Millikan (Robert A.) Middle School – 6058150

	<b>Second Period Report</b>	<b>Annual Report</b>
TK/K to Grade 3 ADA – Total	0.00	0.00
TK/K to Grade 3 ADA – Classroom-based	0.00	0.00
Grades 4-6 ADA – Total	701.85	698.80
Grades 4-6 ADA – Classroom-based	701.85	698.80
Grades 7-8 ADA – Total	1,388.38	1,383.93
Grades 7-8 ADA – Classroom-based	1,388.38	1,383.93
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	2,090.23	2,082.73
Classroom-based ADA	2,090.23	2,082.73

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Schedule of Average Daily Attendance  
 Year Ended June 30, 2014

Nestle Avenue Charter School – 6018287

	<b>Second Period Report</b>	<b>Annual Report</b>
TK/K to Grade 3 ADA – Total	407.47	406.81
TK/K to Grade 3 ADA – Classroom-based	407.47	406.81
Grades 4-6 ADA – Total	146.71	146.32
Grades 4-6 ADA – Classroom-based	146.71	146.32
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	554.18	553.13
Classroom-based ADA	554.18	553.13

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2014

Nobel (Alfred B.) Middle School – 6061543

	<b>Second Period Report</b>	<b>Annual Report</b>
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	826.61	825.34
Grades 4-6 ADA – Classroom-based	826.61	825.34
Grades 7-8 ADA – Total	1,656.45	1,652.56
Grades 7-8 ADA – Classroom-based	1,656.45	1,652.56
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	2,483.06	2,477.90
Classroom-based ADA	2,483.06	2,477.90

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2014

Open Magnet Charter School – 6097927

	<b>Second Period Report</b>	<b>Annual Report</b>
TK/K to Grade 3 ADA – Total	252.62	252.63
TK/K to Grade 3 ADA – Classroom-based	252.62	252.63
Grades 4-6 ADA – Total	140.33	140.56
Grades 4-6 ADA – Classroom-based	140.33	140.56
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	392.95	393.19
Classroom-based ADA	392.95	393.19

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2014

Palisades Charter Elementary – 6018634

	<b>Second Period Report</b>	<b>Annual Report</b>
TK/K to Grade 3 ADA – Total	342.56	342.79
TK/K to Grade 3 ADA – Classroom-based	342.56	342.79
Grades 4-6 ADA – Total	159.61	159.72
Grades 4-6 ADA – Classroom-based	159.61	159.72
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	502.17	502.51
Classroom-based ADA	502.17	502.51

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Schedule of Average Daily Attendance  
 Year Ended June 30, 2014

Plainview Academic Charter Academy – 6018725

	<b>Second Period Report</b>	<b>Annual Report</b>
TK/K to Grade 3 ADA – Total	205.40	206.45
TK/K to Grade 3 ADA – Classroom-based	205.40	206.45
Grades 4-6 ADA – Total	117.53	117.44
Grades 4-6 ADA – Classroom-based	117.53	117.44
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	322.93	323.89
Classroom-based ADA	322.93	323.89

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2014

Pomelo Community Charter School – 6018774

	<b>Second Period Report</b>	<b>Annual Report</b>
TK/K to Grade 3 ADA – Total	412.88	411.94
TK/K to Grade 3 ADA – Classroom-based	412.88	411.94
Grades 4-6 ADA – Total	211.63	210.89
Grades 4-6 ADA – Classroom-based	211.63	210.89
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	624.51	622.83
Classroom-based ADA	624.51	622.83

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2014

Revere (Paul) Charter Middle School – 6058267

	<b>Second Period Report</b>	<b>Annual Report</b>
TK/K to Grade 3 ADA – Total	0.00	0.00
TK/K to Grade 3 ADA – Classroom-based	0.00	0.00
Grades 4-6 ADA – Total	648.80	646.13
Grades 4-6 ADA – Classroom-based	648.80	646.13
Grades 7-8 ADA – Total	1,338.28	1,335.33
Grades 7-8 ADA – Classroom-based	1,338.28	1,335.33
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	1,987.08	1,981.46
Classroom-based ADA	1,987.08	1,981.46

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2014

Riverside Drive Charter School – 6018923

	<b>Second Period Report</b>	<b>Annual Report</b>
TK/K to Grade 3 ADA – Total	408.14	407.97
TK/K to Grade 3 ADA – Classroom-based	408.14	407.97
Grades 4-6 ADA – Total	181.49	181.49
Grades 4-6 ADA – Classroom-based	181.49	181.49
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	589.63	589.46
Classroom-based ADA	589.63	589.46

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Schedule of Average Daily Attendance  
 Year Ended June 30, 2014

Serrania Avenue Charter School for Enriched Studies – 6019111

	<u>Second Period Report</u>	<u>Annual Report</u>
TK/K to Grade 3 ADA – Total	416.83	415.30
TK/K to Grade 3 ADA – Classroom-based	416.83	415.30
Grades 4-6 ADA – Total	199.19	199.83
Grades 4-6 ADA – Classroom-based	199.19	199.83
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>616.02</u>	<u>615.13</u>
Classroom-based ADA	<u>616.02</u>	<u>615.13</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2014

Sherman Oaks Elementary Charter School – 6019186

	<b>Second Period Report</b>	<b>Annual Report</b>
TK/K to Grade 3 ADA – Total	590.16	587.19
TK/K to Grade 3 ADA – Classroom-based	590.16	587.19
Grades 4-6 ADA – Total	228.74	228.38
Grades 4-6 ADA – Classroom-based	228.74	228.38
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	818.90	815.57
Classroom-based ADA	818.90	815.57

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2014

Superior Street Elementary – 6019392

	<b>Second Period Report</b>	<b>Annual Report</b>
TK/K to Grade 3 ADA – Total	404.75	404.92
TK/K to Grade 3 ADA – Classroom-based	404.75	404.92
Grades 4-6 ADA – Total	182.06	181.99
Grades 4-6 ADA – Classroom-based	182.06	181.99
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	586.81	586.91
Classroom-based ADA	586.81	586.91

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2014

Taft Charter High School – 1938612

	<b>Second Period Report</b>	<b>Annual Report</b>
TK/K to Grade 3 ADA – Total	0.00	0.00
TK/K to Grade 3 ADA – Classroom-based	0.00	0.00
Grades 4-6 ADA – Total	0.00	0.00
Grades 4-6 ADA – Classroom-based	0.00	0.00
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	2,248.02	2,227.67
Grades 9-12 ADA – Classroom-based	2,248.02	2,227.67
Total ADA	2,248.02	2,227.67
Classroom-based ADA	2,248.02	2,227.67

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2014

Topanga Learn-Charter Elementary – 6019525

	<b>Second Period Report</b>	<b>Annual Report</b>
TK/K to Grade 3 ADA – Total	188.10	188.14
TK/K to Grade 3 ADA – Classroom-based	188.10	188.14
Grades 4-6 ADA – Total	106.30	106.46
Grades 4-6 ADA – Classroom-based	106.30	106.46
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	294.40	294.60
Classroom-based ADA	294.40	294.60

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2014

Topeka Charter School for Advanced Studies – 6019533

	<b>Second Period Report</b>	<b>Annual Report</b>
TK/K to Grade 3 ADA – Total	342.43	342.72
TK/K to Grade 3 ADA – Classroom-based	342.43	342.72
Grades 4-6 ADA – Total	152.31	152.56
Grades 4-6 ADA – Classroom-based	152.31	152.56
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	494.74	495.28
Classroom-based ADA	494.74	495.28

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2014

Van Gogh Charter School – 6019673

	<b>Second Period Report</b>	<b>Annual Report</b>
TK/K to Grade 3 ADA – Total	320.38	320.16
TK/K to Grade 3 ADA – Classroom-based	320.38	320.16
Grades 4-6 ADA – Total	162.23	161.68
Grades 4-6 ADA – Classroom-based	162.23	161.68
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	482.61	481.84
Classroom-based ADA	482.61	481.84

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Schedule of Average Daily Attendance  
 Year Ended June 30, 2014

Welby Way Charter Elementary & Gifted High Ability Magnet Center – 6019855

	<u>Second Period Report</u>	<u>Annual Report</u>
TK/K to Grade 3 ADA – Total	484.63	484.48
TK/K to Grade 3 ADA – Classroom-based	484.63	484.48
Grades 4-6 ADA – Total	314.52	313.90
Grades 4-6 ADA – Classroom-based	314.52	313.90
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>799.15</u>	<u>798.38</u>
Classroom-based ADA	<u>799.15</u>	<u>798.38</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Schedule of Average Daily Attendance  
 Year Ended June 30, 2014

Westwood Charter Elementary School – 6019939

	<b>Second Period Report</b>	<b>Annual Report</b>
TK/K to Grade 3 ADA – Total	582.87	583.37
TK/K to Grade 3 ADA – Classroom-based	582.87	583.37
Grades 4-6 ADA – Total	265.62	265.58
Grades 4-6 ADA – Classroom-based	265.62	265.58
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	848.49	848.95
Classroom-based ADA	848.49	848.95

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2014

Wilbur Charter for Enriched Academics – 6019954

	<b>Second Period Report</b>	<b>Annual Report</b>
TK/K to Grade 3 ADA – Total	417.41	417.17
TK/K to Grade 3 ADA – Classroom-based	417.41	417.17
Grades 4-6 ADA – Total	202.51	202.48
Grades 4-6 ADA – Classroom-based	202.51	202.48
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	619.92	619.65
Classroom-based ADA	619.92	619.65

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Schedule of Average Daily Attendance  
 Year Ended June 30, 2014

Woodlake Elementary Community Charter – 6020036

	<b>Second Period Report</b>	<b>Annual Report</b>
TK/K to Grade 3 ADA – Total	340.52	340.61
TK/K to Grade 3 ADA – Classroom-based	340.52	340.61
Grades 4-6 ADA – Total	149.28	150.04
Grades 4-6 ADA – Classroom-based	149.28	150.04
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	489.80	490.65
Classroom-based ADA	489.80	490.65

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2014

Woodland Hills Elementary Charter for Enriched Studies – 6020044

	<b>Second Period Report</b>	<b>Annual Report</b>
TK/K to Grade 3 ADA – Total	446.06	444.87
TK/K to Grade 3 ADA – Classroom-based	446.06	444.87
Grades 4-6 ADA – Total	212.06	211.93
Grades 4-6 ADA – Classroom-based	212.06	211.93
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	658.12	656.80
Classroom-based ADA	658.12	656.80

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Schedule of Instructional Time Offered  
 Year Ended June 30, 2014

<b>Grade Level</b>	<b>1982-1983 Actual Minutes Offered</b>	<b>1986-1987 Minutes Requirements</b>	<b>2013-14 Actual Minutes Offered</b>	<b>Number of Days Traditional Calendar</b>	<b>Number of Days Multi-track Calendar <sup>(3)</sup></b>	<b>Complied with Instructional Minutes and Days Provisions</b>
Kindergarten	31,680	36,000	36,000	180	N/A	Yes
Grades 1 to 3	48,800	50,400	55,100	180	N/A	Yes
Grades 4 to 6 <sup>(1)</sup>	48,800	54,000	55,100	180	N/A	Yes
Grades 7 to 8 <sup>(2)</sup>	62,160	54,000	62,160 or 65,300	180	N/A	Yes
Grades 9 to 12	62,160	64,800	65,300	180	180	Yes

- (1) Elementary schools only.
- (2) Middle schools with grade configurations 6-8 approved for common planning time have at least 62,160 annual instructional minutes. Middle schools with grade configurations 6-8 not approved for common planning time have at least 65,300 annual instructional minutes.
- (3) Only one school followed the multi-track calendar which offered 180 instructional days per track.

Notes:

- 1. All charter schools included in this audit report conform to the above Schedule of Instructional Time Offered.
- 2. LAUSD received incentive funding for increasing instructional time pursuant to the Longer Year/Longer Instructional day, and met its target funding.

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, 2014  
(Dollars in thousands)

	<b>2014-2015 Budgeted</b>	<b>2013-2014 Actual</b>	<b>2012-2013 Actual</b>	<b>2011-2012 Actual</b>	<b>2010-2011 Actual</b>
General Fund:					
Revenues	\$ 6,223,068	\$ 5,853,648	\$ 5,671,594	\$ 5,882,516	\$ 6,328,532
Other Financing Sources	1,500	25,267	38,735	9,645	91,168
Total Revenues and Other Financing Sources	<u>6,224,568</u>	<u>5,878,915</u>	<u>5,710,329</u>	<u>5,892,161</u>	<u>6,419,700</u>
Expenditures	6,236,593	5,660,706	5,784,020	5,845,488	6,117,604
Other Financing Uses	<u>153,843</u>	<u>110,676</u>	<u>158,402</u>	<u>125,394</u>	<u>66,531</u>
Total Expenditures and Other Financing Uses	6,390,436	5,771,382	5,942,422	5,970,882	6,184,135
Change in Fund Balance	(165,868)	107,533	(232,093)	(78,721)	235,565
Beginning Fund Balance	<u>655,199</u>	<u>592,717</u>	<u>824,810</u>	<u>903,531</u>	<u>667,966</u>
Ending Fund Balance	<u>\$ 489,331</u>	<u>\$ 700,250</u>	<u>\$ 592,717</u>	<u>\$ 824,810</u>	<u>\$ 903,531</u>
Available Reserves*	<u>\$ 65,376</u>	<u>\$ 151,257</u>	<u>\$ 65,376</u>	<u>\$ 161,744</u>	<u>\$ 479,661</u>
Unassigned Reserve for Economic Uncertainties	<u>\$ 65,376</u>	<u>\$ 65,376</u>	<u>\$ 65,376</u>	<u>\$ 65,376</u>	<u>\$ 65,376</u>
Unassigned Fund Balance	<u>\$ —</u>	<u>\$ 85,881</u>	<u>\$ —</u>	<u>\$ 96,368</u>	<u>\$ 414,285</u>
Available Reserves as a Percentage of Total Expenditures and Other Financing Uses	1.02%	2.62%	1.10%	2.71%	7.76%
Total Long-Term Debt	\$ 17,348,748	\$ 17,519,475	\$ 17,258,973	\$ 16,630,225	\$ 16,195,638
Average Daily Attendance (ADA) at P-2 excluding regional occupational centers programs and adult programs	513,435	528,598	536,449	550,954	567,816

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 year.

\* Available reserves consist of all unassigned fund balances and unassigned reserve 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, 2014  
 (in thousands)

	<b>Special Reserve – Community Redevelopment Agency</b> <hr style="border: 0.5px solid black;"/>
June 30, 2014 Unaudited Actual Financial Reports Fund Balances/Net Position	\$ 34.180
Adjustment:	
To record receipt of Community Redevelopment funds not subject to Revenue Limit deductions in the proper account	<hr style="border: 0.5px solid black;"/> 456
June 30, 2014 Audited Financial Statement Fund Balances/Net Position	<hr style="border: 0.5px solid black;"/> \$ 34.636

There were no adjustments to fund balances for funds not presented above.

See accompanying notes to state compliance information.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Charter Schools  
Year Ended June 30, 2014

	CDS Code	Affiliated	Fiscally Independent	Included in the District Audit
1	Alexander (Dr. Theodore, Jr.) Science Center	19 64733 0102491	x	Yes
2	Beckford Charter for Enriched Studies	19 64733 6015986	x	Yes
3	Calabash Charter Academy	19 64733 6016240	x	Yes
4	Calahan Community Charter	19 64733 6016257	x	Yes
5	Calvert Charter for Enriched Studies	19 64733 6016265	x	Yes
6	Canyon Charter School	19 64733 6016323	x	Yes
7	Carpenter Community Charter School	19 64733 6016356	x	Yes
8	Castlebay Lane Elementary School	19 64733 6071435	x	Yes
9	Chandler Learning Academy	19 64733 6016422	x	Yes
10	Chatsworth Charter High School	19 64733 1931708	x	Yes
11	Cleveland (Grover) Charter High School	19 64733 1931864	x	Yes
12	Colfax Charter Elementary School	19 64733 6016562	x	Yes
13	Community Magnet Charter Elementary School	19 64733 6094726	x	Yes
14	Darby Avenue Charter	19 64733 6016703	x	Yes
15	Dearborn Elementary Charter Academy	19 64733 6016729	x	Yes
16	Dixie Canyon Community Charter School	19 64733 6016778	x	Yes
17	El Oro Way for Enriched Studies	19 64733 6016869	x	Yes
18	Emelita Academy Charter	19 64733 6016901	x	Yes
19	Enadia Technology Enriched Charter	19 64733 0117036	x	Yes
20	Encino Charter Elementary School	19 64733 6016935	x	Yes
21	Germain Academy for Academic Achievement	19 64733 6017263	x	Yes
22	Granada Elementary Community Charter	19 64733 6017339	x	Yes
23	Hale (George Ellery) Charter Academy	19 64733 6061477	x	Yes
24	Hamlin Charter Academy	19 64733 6017438	x	Yes
25	Haynes Charter for Enriched Studies	19 64733 6017529	x	Yes
26	Hesby Oaks Leadership Charter	19 64733 0112060	x	Yes
27	Justice Street Academy Charter School	19 64733 6017693	x	Yes
28	Kenter Canyon Charter School	19 64733 6017701	x	Yes
29	Knollwood Preparatory Academy	19 64733 6017743	x	Yes
30	Lockhurst Drive Elementary	19 64733 6017891	x	Yes
31	Marquez Charter School	19 64733 6018063	x	Yes
32	Millikan (Robert A.) Middle School, Performing Arts Magnet and Science Academy STEM School	19 64733 6058150	x	Yes
33	Nestle Avenue Charter School	19 64733 6018287	x	Yes
34	Nobel (Alred B.) Middle School	19 64733 6061543	x	Yes
35	Open Magnet Charter School	19 64733 6097927	x	Yes
36	Palisades Charter Elementary	19 64733 6018634	x	Yes
37	Plainview Academic Charter Academy	19 64733 6018725	x	Yes
38	Pomelo Community Charter School	19 64733 6018774	x	Yes
39	Revere (Paul) Charter Middle School	19 64733 6058267	x	Yes
40	Riverside Drive Charter School	19 64733 6018923	x	Yes
41	Serrania Avenue Charter School for Enriched Studies	19 64733 6019111	x	Yes
42	Sherman Oaks Elementary Charter School	19 64733 6019186	x	Yes
43	Superior Street Elementary	19 64733 6019392	x	Yes
44	Taft Charter High School	19 64733 1938612	x	Yes
45	Topanga Learn-Charter Elementary	19 64733 6019525	x	Yes
46	Topeka Charter School for Advanced Studies	19 64733 6019533	x	Yes
47	Van Gogh Charter School	19 64733 6019673	x	Yes
48	Welby Way Charter Elementary & Gifted High Ability Magnet Center	19 64733 6019855	x	Yes
49	Westwood Charter Elementary School	19 64733 6019939	x	Yes
50	Wilbur Charter for Enriched Academics	19 64733 6019954	x	Yes
51	Woodlake Elementary Community Charter	19 64733 6020036	x	Yes
52	Woodland Hills Elementary Charter for Enriched Studies	19 64733 6020044	x	Yes

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Charter Schools (Continued)  
Year Ended June 30, 2014

	<u>CDS Code</u>	<u>Affiliated</u>	<u>Fiscally Independent</u>	<u>Included in the District Audit</u>
53	Academia Moderna		x	No
54	Academic Performance Excellence Academy (APEX)		x	No
55	Academy of Science and Engineering		x	No
56	Accelerated Elementary School (ACES)		x	No
57	Accelerated School. The (TAS)		x	No
58	Alain Leroy Locke College Preparatory Academy		x	No
59	Alliance Cindy and Bill Simon Technology Academy High School	19 64733 0121285	x	No
60	Alliance College-Ready Academy High School #5	19 64733 0111492	x	No
61	Alliance College-Ready Academy High School #16	19 64733 0123141	x	No
62	Alliance College-Ready Middle Academy #4	19 64733 0120030	x	No
63	Alliance College-Ready Middle Academy #5	19 64733 0120048	x	No
64	Alliance College-Ready Middle Academy #7	19 64733 0121277	x	No
65	Alliance College-Ready Middle Academy #12	19 64733 0128058	x	No
66	Alliance Collins Family College-Ready High School	19 64733 0108936	x	No
67	Alliance Dr. Olga Mohan High School (College-Ready High School #4)	19 64733 0111500	x	No
68	Alliance Environmental Science & Technology High School	19 64733 0117606	x	No
69	Alliance Gertz-Ressler-Richard Merkin Academy High School	19 64733 0106864	x	No
70	Alliance Health Services Academy High School	19 64733 0117598	x	No
71	Alliance Jack H. Skirball Middle School	19 64733 0111518	x	No
72	Alliance Judy Ivie Burton Technology High School	19 64733 0108894	x	No
73	Alliance Marc & Eva Stern Math & Science, California State University Los Angeles Campus	19 64733 0111658	x	No
74	Alliance Media Arts & Entertainment Design High School	19 64733 0116509	x	No
75	Alliance Ouchi-O'Donovan High School	19 64733 0111641	x	No
76	Alliance Renee and Meyer Luskin High School	19 64733 0124891	x	No
77	Alliance Susan and Eric Smidt Technology High School	19 64733 0123133	x	No
78	Alliance Tennenbaum Family Technology High School *	19 64733 0121293	x	No
79	Animo Charter Middle School #2	19 64733 0124008	x	No
80	Animo Charter Middle School #3 – Clay Campus *	19 64733 0124016	x	No
81	Animo Charter Middle School #4 – Clay Campus*	19 64733 0124024	x	No
82	Animo College Preparatory Academy – Jordan Campus	19 64733 0124883	x	No
83	Animo Jackie Robinson	19 64733 0111583	x	No
84	Animo Jefferson Charter Middle School	19 64733 0122481	x	No
85	Animo Pat Brown High School	19 64733 0106849	x	No
86	Animo Ralph Bunche Charter High School	19 64733 0111575	x	No
87	Animo South Los Angeles Charter Senior High	19 64733 0102434	x	No
88	Animo Venice Charter High School	19 64733 0106831	x	No
89	Animo Watts College Preparatory Academy	19 64733 0111625	x	No
90	Animo Westside Charter Middle School	19 64733 0122499	x	No
91	Apple Academy Charter Public Schools (AACPS)	19 64733 0126078	x	No
92	Ararat Charter School	19 64733 0121079	x	No
93	Arts in Action Community Charter School	19 64733 0123158	x	No
94	Aspire Antonio Maria Lugo Academy	19 64733 0109660	x	No
95	Aspire Centennial College Preparatory Academy	19 64733 0126797	x	No
96	Aspire Firestone Academy *	19 64733 0122622	x	No
97	Aspire Gateway Academy *	19 64733 0122614	x	No
98	Aspire Huntington Park Charter School	19 64733 0117960	x	No
99	Aspire Inskip Academy *	19 64733 0124800	x	No
100	Aspire Juanita Tate Academy *	19 64733 0124792	x	No

\* PSC = Public School Choice

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Charter Schools (Continued)  
Year Ended June 30, 2014

	CDS Code	Affiliated	Fiscally Independent	Included in the District Audit
101	Aspire Junior Collegiate Academy	19 64733 0114884	x	No
102	Aspire Ollin University Preparatory Academy	19 64733 0112128	x	No
103	Aspire Pacific Academy	19 64733 0122721	x	No
104	Aspire Slauson Academy *	19 64733 0124784	x	No
105	Aspire Titan Academy	19 64733 0120477	x	No
106	Bert Corona Charter School	19 64733 0106872	x	No
107	Birmingham Community Charter High School	19 64733 1931047	x	No
108	Bright Star Secondary Academy	19 64733 0112508	x	No
109	Camino Nuevo Academy 2-Harvard	19 64733 0122861	x	No
110	Camino Nuevo Charter Academy	19 64733 6117667	x	No
111	Camino Nuevo Charter Academy #4 *	19 64733 0124826	x	No
112	Camino Nuevo Charter High School	19 64733 0106435	x	No
113	Camino Nuevo Elementary School #3 *	19 64733 0122564	x	No
114	Camino Nuevo High School #2	19 64733 0127910	x	No
115	Celerity Cardinal Charter School	19 64733 0123984	x	No
116	Celerity Dyad Charter School	19 64733 0115766	x	No
117	Celerity Nascent Charter School	19 64733 0108910	x	No
118	Celerity Octavia Charter School	19 64733 0122655	x	No
119	Celerity Palmati Charter School	19 64733 0123166	x	No
120	Celerity Troika Charter School	19 64733 0115782	x	No
121	Center for Advanced Learning	19 64733 0115139	x	No
122	Central City Value High School	19 64733 0100800	x	No
123	Charter High School of Arts Multimedia/ Performing High School (CHAMPS)	19 64733 0108878	x	No
124	Chime Institute Schwarzenegger Community School	19 64733 6119531	x	No
125	Citizens of the World Charter 2 (Mar Vista)	19 64733 0126193	x	No
126	Citizens of the World Charter 2 (Silver Lake)	19 64733 0126177	x	No
127	Citizens of the World Charter Hollywood	19 64733 0122556	x	No
128	City Charter Elementary School	19 64733 0127886	x	No
129	City Charter Middle School	19-64733 0126102	x	No
130	Crenshaw Arts-Technology Charter High School (CATCH)	19 64733 0101659	x	No
131	Crown Preparatory Academy	19 64733 0121848	x	No
132	Discovery Charter Preparatory School #2	19 64733 0115253	x	No
133	Downtown Value School	19 64733 6119903	x	No
134	El Camino Real Charter High School	19 64733 1932623	x	No
135	Endeavor College Preparatory Charter School	19 64733 0120014	x	No
136	Equitas Academy Charter 2	19 64733 0126169	x	No
137	Equitas Academy Charter Elementary School	19 64733 0119982	x	No
138	Executive Preparatory Academy of Finance	19 64733 0127852	x	No
139	Extera Public School	19 64733 0124198	x	No
140	Extera Public School 2	19 64733 0128132	x	No
141	Fenton Avenue Charter School	19 64733 6017016	x	No
142	Fenton Primary Center	19 64733 0115048	x	No
143	Frederick Douglass Academy Elementary School	19 64733 0117952	x	No
144	Frederick Douglass Academy High School	19 64733 0112557	x	No
145	Frederick Douglass Academy Middle School	19 64733 0112433	x	No
146	Gabriella Charter School	19 64733 0108886	x	No
147	Garr Academy of Mathematics and Entrepreneurial Studies (GAMES)	19 64733 0112334	x	No
148	Global Education Academy	19 64733 0114967	x	No
149	Global Education Academy Middle School	19 64733 0128116	x	No
150	Goethe International Charter School	19 64733 0117978	x	No

\* PSC = Public School Choice

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Charter Schools (Continued)  
Year Ended June 30, 2014

	CDS Code	Affiliated	Fiscally Independent	Included in the District Audit
151 Granada Hills Charter High School	19 64733 1933746		x	No
152 High Tech High – Los Angeles	19 64733 0100677		x	No
153 ICEF Vista Elementary Academy	19 64733 0117937		x	No
154 ICEF Vista Middle Academy	19 64733 0115287		x	No
155 Ingenium Charter Middle School	19 64733 0127985		x	No
156 Ivy Academia Charter School	19 64733 0106351		x	No
157 Ivy Bound Academy Math/Science/Technology	19 64733 0115113		x	No
158 Ivy Bound Academy Middle School 2	19 64733 0128389		x	No
159 James Jordan Middle School	19 64733 0109884		x	No
160 KIPP Academy of Opportunity	19 64733 0101444		x	No
161 KIPP Comienza Community Preparatory	19 64733 0121707		x	No
162 KIPP Empower Academy	19 64733 0121699		x	No
163 KIPP Illuminar Academy	19 64733 0127670		x	No
164 KIPP LA College Preparatory	19 64733 0100867		x	No
165 KIPP Philosophers Academy	19-64733-0125609		x	No
166 KIPP Raices Academy	19 64733 0117903		x	No
167 KIPP Scholar Academy	19-64733-0125625		x	No
168 KIPP Sol Academy	19 64733 0125641		x	No
169 Larchmont Charter School	19 64733 0108928		x	No
170 Los Angeles Academy of Arts & Enterprise Charter (LAAAE)	19 64733 0110304		x	No
171 Los Angeles Big Picture High School	19 64733 0122762		x	No
172 Los Angeles Leadership Academy	19 64733 1996610		x	No
173 Los Angeles Leadership Primary Academy	19 64733 0124818		x	No
174 Los Feliz Charter for the Arts	19 64733 0112235		x	No
175 Lou Dantzler Preparatory Elementary School	19 64733 0117945		x	No
176 Lou Dantzler Preparatory Middle School	19 64733 0112227		x	No
177 Magnolia Science Academy	19 64733 6119945		x	No
178 Magnolia Science Academy 2	19 64733 0115212		x	No
179 Magnolia Science Academy 3	19 64733 0115030		x	No
180 Magnolia Science Academy 4	19 64733 0117622		x	No
181 Magnolia Science Academy 5	19 64733 0117630		x	No
182 Magnolia Science Academy 6	19 64733 0117648		x	No
183 Magnolia Science Academy 7	19 64733 0117665		x	No
184 Magnolia Science Academy 8 (Bell) *	19 64733 0122747		x	No
185 Math and Science College Preparatory	19 64733 0126136		x	No
186 Metro Charter School	19 64733 0127977		x	No
187 Monsenor Oscar Romero	19 64733 0114959		x	No
188 Montague Charter Academy	19 64733 6018204		x	No
189 Multicultural Learning Center	19 64733 6119044		x	No
190 N.E.W. Academy Canoga Park	19 64733 0102483		x	No
191 N.E.W. Academy of Science & Arts	19 64733 0100289		x	No
192 New Designs Charter School	19 64733 0102541		x	No
193 New Designs Charter School – Watts	19 64733 0120071		x	No
194 New Heights Charter School	19 64733 0111211		x	No
195 New Horizons Charter Academy	19 64733 0128371		x	No
196 New Los Angeles Charter School	19 64733 0117614		x	No
197 New Millennium Secondary School	19 64733 0117911		x	No
198 New Village Girls Academy	19 64733 0111484		x	No
199 North Valley Military Institute College Preparatory Academy	19 64733 0100776		x	No
200 Ocean Charter School	19 64733 0102335		x	No

\* PSC = Public School Choice

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Charter Schools (Continued)  
Year Ended June 30, 2014

	CDS Code	Affiliated	Fiscally Independent	Included in the District Audit
201 Oscar De La Hoya Animo High School	19 64733 0101675		x	No
202 Our Community Charter School	19 64733 0109934		x	No
203 Pacoima Charter School	19 64733 6018642		x	No
204 Palisades Charter High School	19 64733 1995836		x	No
205 Para Los Ninos Charter Middle School	19 64733 0117846		x	No
206 Para Los Ninos Charter School	19 64733 6120489		x	No
207 Para Los Ninos – Evelyn Thurman Gratts Primary Center *	19 64733 0122630		x	No
208 Partnerships to Uplift Communities (PUC) California Academy for Liberal Studies Charter Middle School	19 64733 6118194		x	No
209 Partnerships to Uplift Communities (PUC) California Academy for Liberal Studies Early College High School	19 64733 0109553		x	No
210 Partnerships to Uplift Communities (PUC) Community Charter Early College High School	19 64733 0109876		x	No
211 Partnerships to Uplift Communities (PUC) Community Charter Middle School	19 64733 6116750		x	No
212 Partnerships to Uplift Communities (PUC) Early College Academy for Leaders & Scholars (ECALS) *	19 64733 0124933		x	No
213 Partnerships to Uplift Communities (PUC) Excel Academy	19 64733 0112201		x	No
214 Partnerships to Uplift Communities (PUC) Lakeview Charter Academy	19 64733 0102442		x	No
215 Partnerships to Uplift Communities (PUC) Lakeview Charter High School	19 64733 0122606		x	No
216 Partnerships to Uplift Communities (PUC) Milagro Charter Elementary School	19 64733 0102426		x	No
217 Partnerships to Uplift Communities (PUC) Nueva Esperanza Charter Academy	19 64733 0120055		x	No
218 Partnerships to Uplift Communities (PUC) Santa Rosa Charter Academy	19 64733 0119974		x	No
219 Partnerships to Uplift Communities (PUC) Triumph Academy	19 64733 0112193		x	No
220 Partnerships to Uplift Communities (PUC) Triumph Charter High School	19 64733 0122598		x	No
221 Port of Los Angeles High School (POLAH)	19 64733 0107755		x	No
222 Prepa Tec, Los Angeles	19 64733 0127936		x	No
223 Puente Charter School	19 64733 6120471		x	No
224 Renaissance Arts Academy	19 64733 0101683		x	No
225 Rise Ko Hyang Middle	19 64733 0124222		x	No
226 Santa Monica Boulevard Community Charter School	19 64733 6019079		x	No
227 Stella Middle Charter Academy	19 64733 0100669		x	No
228 Student Empowerment Academy	19 64733 0112862		x	No
229 Synergy Charter Academy *	19 64733 0106427		x	No
230 Synergy Kinetic Academy *	19 64733 0117895		x	No
231 Synergy Quantum Academy *	19 64733 0124560		x	No
232 TEACH Academy of Technologies	19 64733 0122242		x	No
233 Urban Village Middle School	19 64733 0127951		x	No
234 USC Hybrid High	19 64733 0125864		x	No
235 Valley Charter Elementary School	19 64733 0122754		x	No
236 Valley Charter Middle School	19 64733 0122838		x	No
237 Valor Academy Charter High School	19 64733 0127894		x	No
238 Valor Academy Charter School	19 64733 0120022		x	No
239 Vaughn Next Century Learning Center	19 64733 6019715		x	No
240 View Park Preparatory Accelerated Elementary School	19 64733 6117048		x	No

\* PSC = Public School Choice

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Charter Schools (Continued)  
Year Ended June 30, 2014

	<u>CDS Code</u>	<u>Affiliated</u>	<u>Fiscally Independent</u>	<u>Included in the District Audit</u>
241 View Park Preparatory Accelerated High School	19 64733 0101196		x	No
242 View Park Preparatory Accelerated Middle School	19 64733 6121081		x	No
243 Vista Charter Middle School	19 64733 0122739		x	No
244 Wallis Annenberg High School	19 64733 0100750		x	No
245 Watts Learning Center Charter Middle School	19 64733 0120527		x	No
246 Watts Learning Center Charter School	19 64733 6114912		x	No
247 Westside Innovative School House (WISH)	19 64733 0121012		x	No
248 Xinaxcalmecac Academia Semillas del Pueblo	19 64733 6119929		x	No

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Notes to State Compliance Information

Year Ended June 30, 2014

#### (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, 2014

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 Education:				
Child Nutrition School Programs Breakfast	10.553	PCA13525 PCA13526	S 89,971,038	
Child Nutrition School Programs Lunch	10.555	PCA13523 PCA13524	139,824,325	
Child Nutrition School Programs Snack	10.555	PCA13755	67,019	
Donated Food Commodities	10.555	Not Available	21,370,681	
Child Nutrition Summer Food Services Program Operations	10.559	PCA13004	2,791,744	
Child Nutrition Summer Food Services Program Sponsor Administration	10.559	PCA13006	292,094	
Subtotal expenditures - Child Nutrition Cluster				254,316,901
Child Nutrition Child Care Food Program Claims	10.558	PCA13529		44,626,016
Child Nutrition Child Care Food Program - Cash in Lieu of Commodities	10.558	PCA13534		3,332,981
Subtotal CFDA 10.558				47,958,997
Child Nutrition Team Nutrition-Front Line Professional Education Mini Grants	10.574	PCA14890		27,560
Passed through California Department of Health Services:				
Network 4 Healthy California	10.561	10-10072/P11-002580		1,355,565
Forest Reserve	10.665	Not Available		51,497
Subtotal Pass-Through Programs				303,710,520
Total U.S. Department of Agriculture				303,710,520
U.S. Department of Defense:				
Reserve Officer Training Corps Vitalization Act Startalk: Exploring Arabic Through Technology.	12.unknown	Not Available		2,108,834
Visual Arts and Photography	12.900	H98230-13-1-0030		93,433
Subtotal Direct Programs				2,202,267
Total U.S. Department of Defense				2,202,267
U.S. Department of Housing & Urban Development:				
Passed through City of Carson				
Carson Guidance - CBDG Entitlement Grants Cluster	14.218	Not Available		9,647
Subtotal Pass-Through Programs				9,647
Total U.S. Department of Housing and Urban Development				9,647
U.S. Department of Justice:				
Step Program Secondary Schools	16.684	20011-GW-AX-K008		147,829
Subtotal Direct Program				147,829
Total U.S. Department of Justice				147,829
U.S. Department of Labor:				
Passed through Employment Development Department:				
Employment Development Department Trade Act				
East Los Angeles Occupational Center	17.245	VARIOUS		22,207
Harbor Occupational Center	17.245	VARIOUS		4,898
Maxine Waters Employment Preparation Center	17.245	VARIOUS		37
Subtotal CFDA 17.245				27,142
LARCA Workforce Innovation Fund	17.283	CO122088		378,659
Passed through Watts Labor Community Action Committee:				
Workforce Investment Act WorkSource Center-Adult	17.258	122691	29,358	
Workforce Investment Act Youth Opportunity Program	17.259	122693	34,954	
Passed through City of Hawthorne				
Workforce Investment Act I-TRAIN - Harbor	17.258	16-0174-0-1-504	12,378	
Passed through Los Angeles City				
Workforce Investment Act Youth Program	17.259	123006	793,000	
Passed through Para Los Ninos				
Workforce Investment Act Youth	17.259	122755-14L	85,705	
Passed through Archdiocesan Youth Employment Services:				
Workforce Investment Act Youth	17.259	T5499	51,824	
Subtotal expenditures Workforce Investment Act Cluster				1,007,219
Subtotal Pass-Through Programs				1,413,020
Total U.S. Department of Labor				1,413,020

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards (Continued)  
Year Ended June 30, 2014

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
National Science Foundation:				
UCLA-Sub-Agreement:Project Mobilize	47.076	0070GND220		250,257
USC-Math for America Los Angeles	47.076	Not Available		22,166
Subtotal Direct Program				272,423
Total National Science Foundation				272,423
U.S. Department of Education:				
Indian Education	84.060	S060A14283		182,944
Fund for Improv Edu Prog – Teach Am Hist	84.215	U215X100365		418,675
Small Learning Communities COH 8	84.215	S215L080570		274,027
Subtotal CFDA 84.215				692,702
Gaining Early Awareness and Readiness for Undergraduate Programs (Gear-Up):				
CA Gear Up	84.334	I2 Gear-Up-1322/1326		2,122
Gear-Up 4 LA	84.334	P334A110166		3,159,600
Gear-Up-Project Steps	84.334	P334A110159		1,347,539
Subtotal CFDA 84.334				4,509,261
ARRA-I3 Fund LA'S Bold Competition	84.396	U396C100336		688,963
Teacher Incentive Fund (TIF)	84.374	S374A120066		8,122,768
Subtotal Direct Programs				14,196,638
Passed through California Department of Education:				
Workforce Investment Act – Adult Basic Ed/ESL	84.002	PCA # 14508		12,863,090
Workforce Investment Act – Adult Secondary Ed	84.002	PCA # 13978		2,517,517
Subtotal CFDA 84.002				15,380,607
Elementary and Secondary Education Act, Title I	84.010	PCA#14329	230,351,198	
Elementary and Secondary Education Act, Title I Delinquent	84.010	PCA#14357	1,113,344	
Elementary and Secondary Education Act, Title I Neglected	84.010	PCA#14329	838,141	
Subtotal expenditures - Title I, Part A				232,302,683
Migrant Ed Regular & Summer	84.011	PCA#14326		1,921,647
Special Ed: IDEA Local Assistance, Part B, Sec.611 Early Intervening Services				
Special Ed: IDEA Basic Local Assistance Entitlement	84.027	PCA#13682-sfp/PCA#10119-frs	7,691,021	
Special Ed: IDEA Local Assistance, Private School ISPs	84.027	13-13379-6473-01	109,332,300	
Special Ed: IDEA Mental Health Allocation Plan	84.027	13-13379-6473-01	1,754,457	
Special Ed: IDEA Pre-School Local Assistance Entitlement	84.027	13-15197-6473-01	7,033,805	
Special Ed: CIEIS 15% IDEA, Part B, Sec.619	84.173	13-13682-6473-01	11,042,390	
IDEA Preschool Expansion Grant	84.173	PCA#13430	305,578	
PreSchool Expansion-Staff Development	84.173	13-13430-6473-01	4,774,096	
IDEA-Preschool Desired Results	84.173	13-13431-6473-01	44,453	
			197,895	
Subtotal expenditures - Special Education Cluster				142,175,995
Carl D. Perkins – SECONDARY PROGRAM, Sec131	84.048	PCA#14894		5,569,220
Carl D. Perkins - Vocational and Technical Education, Sec 132	84.048	PCA#14893		1,609,299
Subtotal CFDA 84.048				7,178,519
Magnet Schools Assistance	84.165	U165A130049/U165A100057		4,006,696
Early Intervention Funds Part C	84.181	13-23761-6473-01		1,178,111
Title IV – Safe and Drug Free Schools & Community- National-Readiness Emergency Mgt 4 Schs.				
Title IV – Safe and Drug Free Schools-Healthy Student	84.184	Q184E100145		10,818
	84.184	Q184L080226		18,085
Subtotal CFDA 84.184				28,903
Homeless Education Project	84.196	PCA#14332		184,671
Twenty-first Century Learning Centers	84.287	PCA#14349		2,005,615
Twenty-first Century Learning Centers	84.287	PCA#14535		13,855,220
Twenty-first Century Learning Centers	84.287	PCA#14603/PCA#14604		796,137
Subtotal CFDA 84.287				16,656,972

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards (Continued)  
Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Assistance Number	Grantor or Pass-Through Entity ID Number	Program Cluster Expenditures	Total Federal Expenditures
Advanced Placement	84.330	S330C110037 S330B110037:PC A14831		2,009,719
GSU Development & Valid of a Behavioral	84.324	13492-02		672
Arts in Edu Model Dev & Dissem	84.351	U351D100117		299,213
School Dropout Prevention Program	84.360	S360A100054		2,122,383
Title III, Limited English Proficient Coaches PD Loc	84.365	PCA#10084		15,063,449
No Child Left Behind Title II-B Math	84.366	PCA#14512		43,237
No Child Left Behind Title II-A – Teacher Quality	84.367	PCA#14341		46,618,120
School Improvement grant	84.377	PCA#15127	\$ 17,541,892	
ARRA-School Improvement grant	84.388	PCA#15020	5,869,866	
Subtotal expenditures School Improvement Grants Cluster				23,411,758
Passed through California Education Roundtable Intersegmental Coordinating Committee				
Alliance for Regional Collaboration to Heighten Educational Success (ARCHES)				
ARRA-Arches-I3 Slope	84.411	MOU		31,542
Passed through MDRC				
Power Teaching i3 Scale Up Evaluation	84.411	Not Available		62,272
Diplomas Now	84.411	U396B100257		27,896
Passed through Old Dominion Univ. Research Foundation-Technology				
Facilitated Scale Up of a Proven Model	84.411	U411A110004		403,823
Subtotal CFDA 84.411				525,533
Passed through State Department of Rehabilitation:				
Rehab-Transition Partnership Program/Trans Part-Greater LA	84.126	28903/ep1313027		1,309,479
Passed through Center for Collaborative Education				
Principal Residency Network	84.363	Not Available		94,883
Subtotal Pass-Through Programs				512,513,250
Total U.S. Department of Education				526,709,888
U.S. Department of Health & Human Services:				
CDCP-School Based HIV/STD Prevention	93.079	IU87PS004181-1		345,524
SBIICC-Roosevelt HS Health Center	93.501	C12CS21892		36,435
ACA GRT 4 School Based HealthCTR	93.501	C12CS25600		92,690
CMS-Cycle II & Cycle III Chipra Outreach	93.767	I203303872A IZOCMS331214-01-00		661,957
Subtotal Direct Programs				1,136,606
Passed through Rand Corporation				
Student for Nutrition & Exercise Program	93.307	9920140035		86,838
Treatment & Services Adaptation Center for Resiliency	93.243	9920130075		21,770
Passed through Dibble Institute				
Dibble Inst-BldgBrighter Future	93.086	90FM0010-01-00		77,120
Passed through CA Health Benefit Exchange-Covered California	93.525	12-F9117		487,708
Passed through Community Councils, Inc-REACH Demo	93.743	Not Available		153,365
Passed through County of Los Angeles:				
Choose Health LA	93.531	PH-002164		224,254
Maternal Infant and Early Childhood Home Visiting Program	93.505	PH-002170		796,969
Passed through California Department of Education:				
General Child Care Center-Block Grant	93.575	PCA15136	7,795,169	
General Child Care Center-Mandatory & Matching Fund	93.596	PCA13609	12,474,811	
Subtotal expenditures – Child Care Development Fund Cluster				20,269,980
Passed through University of California				
ARRA-NIMH School based Mental Program Research	93.701	1647 G NA105		7,543
Passed through County of Los Angeles:				
Passed through Los Angeles County Office of Education:				
ARRA-State Grants to Promote Health Information Technology	93.719	Not Available		1,797
Medi-Cal Administrative Activity	93.778	C-10606:08:09		6,668,074
Subtotal Pass-Through Programs				28,795,418
Total U.S. Department of Health & Human Services				29,932,024
Corporation for National and Community Service-Americorps-V	94.013	11VSPCA014		3,768
Subtotal Direct Program				3,768
Total Corp for National and Comm Service				3,768

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards (Continued)  
Year Ended June 30, 2014

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 Homeland Security:				
Passed through Governors Office of Emergency Services:				
Public Assistance – FEMA 1577 DR2005 Winter Storms	97.036	OIS ID#037-91146		6,056
Public Assistance – FEMA-1810-DR-CA	97.036	OIS ID#037-91146		1,182
Subtotal CFDA 97.036				<u>7,238</u>
Subtotal Pass-Through Programs				<u>7,238</u>
Total U.S. Department of Homeland Security				<u>7,238</u>
 Total Expenditures of Federal Awards				 <u><u>\$ 864,408,624</u></u>

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

**(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) \$21,370,680.73 of donated food commodities received from the U.S. Department of Agriculture, passed-through the State of California, during the year ended June 30, 2014.

**(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.



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## Independent Auditor's 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

To The Honorable Board of Education  
Los Angeles Unified School District

We have audited, in accordance with the 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, 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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 15, 2014.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies as items FS-14-01 through FS-14-05.





### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*.

### **District's Response to Findings**

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Simpson &amp; Simpson".

Los Angeles, California  
December 15, 2014



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## **Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance**

### Independent Auditor's Report

The Honorable Board of Education  
Los Angeles Unified School District

### **Report on Compliance for Each Major Federal Program**

We have audited **Los Angeles Unified School District's** (the District) compliance 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, 2014. 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.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.





*Basis for Qualified Opinion on Workforce Investment Act, Title II: Adult Education and Family Literacy Act (CFDA 84.002), Twenty-First Century Community Learning Centers, (CFDA No. 84.287), Improving Teacher Quality State Grants (CFDA No. 84.367), Gaining Early Awareness and Readiness for Undergraduate Programs (CFDA No. 84.334), and Bold Competition (CFDA No. 84.396).*

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:

<b>Compliance requirement</b>	<b>Program Name and Catalog of Federal Domestic Assistance (CFDA) number</b>	<b>Finding number</b>
Cost Principles	Workforce Investment Act, Title II, CFDA No. 84.002 Improving Teacher Quality State Grants, CFDA No. 84.367	F-14-01
Matching	Gaining Early Awareness and Readiness for Undergraduate Programs CFDA No. 84.334 Bold Competition, CFDA No. 84.396	F-14-04
Reporting	Twenty-First Century Community Learning Centers. CFDA No. 84.287	F-14-05

Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to those programs.

*Qualified Opinion on Workforce Investment Act, Title II: Adult Education and Family Literacy Act (CFDA 84.002), Twenty-First Century Community Learning Centers, (CFDA No. 84.287), Improving Teacher Quality State Grants (CFDA No. 84.367), Gaining Early Awareness and Readiness for Undergraduate Programs (CFDA No. 84.334), and Bold Competition (CFDA No. 84.396).*

In our opinion, except for the noncompliance described in the table above, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Workforce Investment Act, Title II: Adult Education and Family Literacy Act (CFDA 84.002), Twenty-First Century Community Learning Centers, (CFDA No. 84.287), Improving Teacher Quality State Grants (CFDA No. 84.367), Gaining Early Awareness and Readiness for Undergraduate Programs (CFDA No. 84.334), and Bold Competition (CFDA No. 84.396) for the year ended June 30, 2014.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned for the year ended June 30, 2014.



### ***Other Matters***

The results of our auditing procedures disclosed other instances of noncompliance, 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-14-01, F-14-02, F-14-03, F-14-05 and F-14-06. Our opinion on each major federal program is not modified with respect to these matters.

The District's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and 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-14-01, F-14-03, F-14-04, and F-14-05 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 item F-14-06 to be a significant deficiency.



The District's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Simpson &amp; Simpson".

December 15, 2014  
Los Angeles, California



SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditor's Report on State Compliance

To The Honorable Board of Education  
Los Angeles Unified School District

### Report on Compliance

We have audited the compliance of the **Los Angeles Unified School District** (the District), with the compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-2014* (the Guide) for the year ended June 30, 2014. The District's programs are identified in the table below.

### Management's Responsibility

Management is responsible for compliance with the requirements of the state laws and regulations applicable to each program.

### Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with the requirements described in the Guide 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 the *Standards and Procedures for Audits of California K-12 Local Educational Agencies*, prescribed in the California Code of Regulations (CCR), Title 5, sections 19810-19854. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above occurred. An audit also 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. However, our audit does not provide a legal determination of the District's compliance with those requirements.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with state laws and regulations applicable to the following programs:





	<b>Number of Procedures in Education Audit Appeals Panel Audit Guide, Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14</b>	<b>Procedures performed</b>
Attendance Accounting:		
Attendance Reporting	6	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Instructional Time for School Districts	10	Yes
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
Juvenile Court Schools	8	Not applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Yes
After School Education and Safety Program:		
General Requirements	4	Yes
After School Program	5	Yes
Before School Program	6	Yes
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Contemporaneous Records of Attendance for Charter Schools	8	Yes



	<b>Number of Procedures in Education Audit Appeals Panel Audit Guide, Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14</b>	<b>Procedures performed</b>
Mode of Instruction for Charter Schools	1	Yes
Nonclassroom-Based Instruction/Independent Study for Charter Schools	15	Not applicable
Determination of Funding for Nonclassroom-Based Instruction for Charter Schools	3	Not applicable
Annual Instructional Minutes - Classroom Based for Charter Schools	4	Yes
Charter School Facility Grant Program	1	Not applicable

***Opinion***

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its programs for the year-ended June 30, 2014.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guide and which are described in the accompanying schedule of findings and questioned costs as items S-14-01 through S-14-04. Our opinion is not modified with respect to these matters.

The District's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Los Angeles, California  
December 15, 2014

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

June 30, 2014

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- 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
	<b>Department of Agriculture – Child Nutrition Cluster:</b>	Unmodified
10.553	School Breakfast Program	
10.555	National School Lunch Program	
10.559	Summer Food Service Program for Children	
10.558	Department of Agriculture – Child and Adult Care Food Program	Unmodified
84.002	Department of Education – Workforce Investment Act, Title II: Adult Education and Family Literacy Act	Qualified
84.010	Title I Grants to Local Educational Agencies	Unmodified
	<b>Department of Education – Special Education Cluster:</b>	Unmodified
84.027	Special Education Grants to States (IDEA, Part B)	
84.173	Special Education Preschool Grants (IDEA Preschool)	

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

June 30, 2014

<b>CFDA #</b>	<b>Name of Federal Program</b>	<b>Opinion</b>
84.048	Department of Education – Vocational Education Basic Grants to States (Perkins IV)	Unmodified
84.165	Magnet Schools Assistance	Unmodified
84.287	Department of Education – Twenty-First Century Community Learning Centers	Qualified
84.334	Department of Education – Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	Qualified
84.365	Department of Education – English Language Acquisition Grants	Unmodified
84.367	Department of Education -- Improving Teacher Quality State Grants	Qualified
84.374	Teacher Incentive Fund Initiative	Unmodified
	<b>Department of Education – School Improvement Grants Cluster</b>	Unmodified
84.377	School Improvement Grants	
84.388	School Improvement Grants, Recovery Act	
84.396	Department of Education – Bold Competition	Qualified
	<b>Department of Health and Human Services – Child Care Development Fund Cluster:</b>	Unmodified
93.575	Child Care and Development Block Grant	
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	
	• 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:	\$2,593,226
	• Auditee qualified as low risk auditee	No

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

June 30, 2014

**State Awards**

Type of auditor's report issued on compliance for state programs:

Unmodified

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**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

June 30, 2014

**Section II – Findings Relating to the Basic Financial Statements which are Required to be Reported in Accordance with Government Auditing Standards**

**FS-14-01 Lack of Sufficient Authorization for SAP Program Changes – 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**

We reviewed a sample of 40 SAP Transports processed during the audit year. We noted that thirty-two (32) transports were missing requestor signatories. We were informed by ITD that the 32 transports relate to the SAP (financial modules) implementation cutover that occurred during the first week of July 2013 (i.e., July 4th). Also, ITD provided Go/No Go discussion/presentation documents presented to the Business Advisory Committee, Project Steering, and the CFO designed to obtain their approvals for a Go at cutover.

**Cause and Effect**

Insufficient management approval of program changes could cause unauthorized programs and invalid data being introduced into the SAP production environment.

**Recommendation**

SAP Transport Request forms should be consistently approved by the appropriate business management personnel (i.e., business sponsor) prior to implementing a transport request into production. A group authorization could also be considered when processing a large number of transports simultaneously.

**View of Responsible Officials and Planned Corrective Action**

ITD will address this with a documented group authorization. The selected cutover transports are unique in nature as they are part of our SAP implementation.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

June 30, 2014

**FS-14-02 Accounts Payable Three-Way Matching Control – Significant Deficiency**

State Audit Guide Finding Code: 30000

**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 noted a segregation of duties conflict for accounts payable processing as four (4) individuals have the ability to create a purchase order (via ME21N), post an invoice (via MIR4) and receive goods (via MR11) on SAP.

**Cause and Effect**

Lack of segregation of duties in the accounts payable process could result in unauthorized payments being processed.

**Recommendation**

Conflicting access should be removed from SAP system users to ensure that no individual has the ability to create a purchase order, post an invoice and receive goods. Also, the District's SAP GRC (Governance, Risk and Compliance) tool can be utilized to facilitate and document a periodic review (for example every 6 to 12 months) of SAP security roles by their respective business owner.

**View of Responsible Officials and Planned Corrective Action**

Transport moved into production on June 24, 2014 will clean up all access. We have implemented GRC Firefighter to better manage SAP Production Support Team activities.

**FS-14-03 Excessive Vendor Management Access – 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.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2014

#### Condition

Our review of access to SAP's Create vendor (FK01), Change vendor (FK02) and Block/unblock vendor (FK05) production transactions revealed that:

- Over 10 ITD Developers have access to these SAP transactions
- Over 20 ITD business application support personnel have access to these SAP transactions

#### 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 management should periodically review access to Accounts Payable vendor management transaction codes and remove inappropriate access in a timely manner. Also, the District's SAP GRC (Governance, Risk and Compliance) tool can be utilized to facilitate and document a periodic review (for example every 6 to 12 months) of SAP security roles by their respective business owner.

#### View of Responsible Officials and Planned Corrective Action

Transport moved into production on June 24, 2014 will clean up all access. We have implemented GRC Firefighter to better manage SAP Production Support Team activities. Also, the District's SAP GRC tool can be utilized to facilitate and document a periodic review (for example every 6 to 12 months) of SAP security roles by their respective business owner.

#### FS-14-04 SAP General Ledger transactions Access – Significant Deficiency

State Audit Guide Finding Code: 30000

#### Criteria

Application developers should be restricted from having direct/update 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

We noted that 12 ITD Developers, 27 ITD Functional and 5 ITD Security personnel have access to the following production SAP General Ledger transactions:

- F02 (Enter G/L Account Posting)
- F07 (G/L: Balance Carryforward)
- F14 (Post Recurring Entries)

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2014

- F04 (Post Documents with Clearing)
- FB08 (Post a reversal)
- FB09 (Change G/L Account Line Items)
- FBVB (Post Parked Document)
- FBVO (Post Parked Document)
- FBD1 (Enter Recurring Entry)
- FS00 (G/L Acct Master Record Maintenance)

#### **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**

General Ledger transactions should be removed in a timely manner. Also, the District's SAP GRC tool can be utilized to facilitate and document a periodic review (for example every 6 to 12 months) of SAP security roles by their respective business owner.

#### **View of Responsible Officials and Planned Corrective Action**

Transport moved into production on June 24, 2014 will clean up all access. We have implemented GRC Firefighter to better manage SAP Production Support Team activities.

#### **FS-14-05 Release Payroll Transaction Access – Significant Deficiency**

State Audit Guide Finding Code: 30000

#### **Criteria**

ITD personnel should be restricted from having direct/update 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**

We noted three (3) ITD personnel with the ability to release payroll transactions via SAP's PC00\_M99\_PA03\_RELEA transaction.

#### **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.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

June 30, 2014

**Recommendation**

Inappropriate access to the SAP release payroll transaction (PC00\_M99\_PA03\_RELEA) should be removed in a timely manner. Also, the District's SAP GRC tool can be utilized to facilitate and document a periodic review (for example every 6 to 12 months) of SAP security roles by their respective business owner.

**View of Responsible Officials and Planned Corrective Action**

These individuals no longer have access to the t-code.

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

June 30, 2014

### Section III – Findings and Questioned Costs Relating to Federal Awards

#### Program Identification

Finding Reference Number:	<b>F-14-01</b>
Federal Program Title, Awarding Agency, Pass-Through Entity, Catalog of Federal Domestic Assistance (CFDA) Number, and Award Number:	Workforce Investment Act, Title II: Adult Education and Family Literacy Act, U.S. Department of Education (USED), passed through California Department of Education, CFDA No. 84.002, Grant Agreement No. 14508  Title I Grants to Local Educational Agencies: U.S. Department of Education (USED), passed through California Department of Education, CFDA No. 84.010, Grant Agreement No. 14329  Special Education Cluster: Grants to States, Preschool Grants, U.S. Department of Education (USED), passed through California Department of Education, CFDA No. 84.027, Grant Agreement No. 13-13682  Improving Teacher Quality State Grants, U.S. Department of Education (USED), passed through California Department of Education, CFDA No. 84.367, Grant Agreement No. PCA14341  Child Care and Development Fund: Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund, Department of Health and Human Services, passed through California Department of Education, CFDA No. 93.575, Grant Agreement Nos. CSPP-3203 and CCTR-3102
Compliance Requirement:	Cost Principles
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

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2014

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,
  - (b) A federal award and a non-federal 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.

**Workforce Investment Act (CFDA No. 84.002):** In our sample of 60 payroll expenditures, we noted that eight employees at one school site totaling \$35,604 provided signed semiannual certifications; however, the certifications were dated subsequent to our request.

Total exceptions amounted to \$35,604 of \$237,216 sampled from the total payroll expenditures of \$10,496,574.

**Title I Grants to LEAs (CFDA No. 84.010):** In our sample of 60 payroll expenditures, we noted that two employees at two different departments totaling \$3,512 provided signed semiannual certifications; however, one certification was dated subsequent to our request and one was not dated.

Total exceptions amounted to \$3,512 of \$141,630 sampled from the total payroll expenditures of \$153,692,002.

**Special Education Cluster (CFDA No. 84.027):** In our sample of 60 payroll expenditures, we noted that two employees at two different departments totaling \$4,620 provided signed semiannual certifications; however, the certifications were dated subsequent to our request.

Total exceptions amounted to \$4,620 of \$118,641 sampled from the total payroll expenditures of \$70,588,777.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2014

**Improvement Teacher Quality (CFDA No. 84.367):** In our sample of 60 payroll expenditures, we noted that five employees at two different departments totaling \$52,284 provided signed semiannual certifications; however, the certifications were dated subsequent to our request.

Total exceptions amounted to \$52,284 of \$256,368 sampled from the total payroll expenditures of \$32,106,159.

**Child Care and Development Fund (CFDA Nos. 93.575 and 93.596):** In our sample of 60 payroll expenditures, we noted that three employees at three different departments totaling \$3,541 provided signed semiannual certifications; however, the certifications were dated subsequent to our request.

Total exceptions amounted to \$3,541 of \$256,762 sampled from the total payroll expenditures of \$79,316,876.

#### **Cause and Effect**

The conditions appear to be control deficiencies where employees did not follow the District's policies and procedures.

This finding is a repeat finding from fiscal year 2012-13 (F-13-01) for Workforce Investment Act (CFDA No. 84.002).

This finding is a repeat finding and has been reported previously for fiscal years 2008 to 2013 (F-08-01, F-09-01, F-10-01, F-11-01, F-12-01, and F-13-01) for Special Education Cluster (CFDA No. 84.027).

#### **Questioned Costs**

The total cost related to the untimely certifications amounted to \$99,561.

Workforce Investment Act (CFDA No. 84.002): \$35,604

Title I Grants to LEAs (CFDA No. 84.010): \$3,512

Special Education Cluster (CFDA No. 84.027): \$4,620

Improvement Teacher Quality (CFDA No. 84.367): \$52,284

Child Care and Development Fund (CFDA No. 93.575): \$3,541

#### **Recommendation**

We recommend that the District continue to provide ongoing training to appropriate personnel on the updated procedures and include a process to monitor compliance with those procedures.

#### **Views of responsible Officials, Planned Corrective Actions, and Contact information**

The District will continue to provide information to appropriate personnel on time and effort requirements.

Response was provided by the Accounting Control of Los Angeles Unified School District  
Telephone: (213) 241-1000 (Accounting Control Office)

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

June 30, 2014

### Program Identification

Finding Reference Number:	<b>F-14-02</b>
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 California Department of Education, CFDA Nos. 10.553, 10.555, and 10.559, Grant Agreement No. 19-64733
Compliance Requirement:	Eligibility
State Audit Guide Finding Code:	50000

### Criteria

Title 7 – Agriculture, Chapter II – Food and Nutrition Service, Department of Agriculture, Part 245 -- Determining eligibility for free and reduced price meals and free milk in schools, 245.6a - Verification requirements:

(a) Verification requirement. School officials may seek verification of the information on the application. State agencies shall ensure that by December 15 of each School Year, School Food Authorities have selected and verified a sample of their approved free and reduced price applications in accordance with the conditions and procedures described in this section. Verification activity may begin at the start of the school year but the final required sample size shall be based on the number of approved applications on file as of October 31. Any extensions to these deadlines must be approved in writing by FNS.

(b) Sources of information. Sources of information for verification may include written evidence, collateral contacts, and systems of records.

(1) Written evidence. Written evidence shall be used as the primary source of information for verification. Written evidence includes written confirmation of a household's circumstances, such as wage stubs, award letters, and letters from employers. Whenever written evidence is insufficient to confirm income information on the application or current eligibility, the school may require collateral contacts.

### Condition

In our procedures performed to test annual verification of meal applications, we selected a sample of 25 out of 161 households who responded to the annual verification requirements for testing. During our review of the documentation supporting the household income, we noted that one household provided paystubs and copies of the pay checks for November 2011.

### Cause and Effect

The condition appears to be an isolated incident and the cause was attributed to human error in reviewing the supporting documentation.

This is a repeat finding has been reported previously from June 30, 2012 to June 30, 2013 (F-12-02 and F-13-03).

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

June 30, 2014

**Questioned Costs**

The questioned cost is \$228 based on the number of meals claimed for the student during the months of November 2013 through May 2014.

**Recommendation**

We recommend that the District continue to provide training to its staff that performs the verification process to ensure that adequate income verification evidence be obtained.

**Views of responsible Officials, Planned Corrective Actions, and Contact information**

The District agrees with the recommendation. The District has a Standard Operations Procedures (SOP) in place and has provided an in-service annual training outlined with written procedures to the Food Services Meal Compliance Clerks on July 10, 2014. The training focused on calculating household incomes based on verification documents provided and determining eligibility and process for the second reviewer. This training is conducted each calendar school year in preparation for the verification process prior to October 1<sup>st</sup>. In addition, future trainings will also emphasize reviewing the dates of the documentation provided.

Name: Laura Benavidez  
Title: Deputy Director of Food Services  
Telephone: 213-241-2993

**Program Identification**

Finding Reference Number:	<b>F-14-03</b>
Federal Program Title, Awarding Agency, Pass-Through Entity, Catalog of Federal Domestic Assistance (CFDA) Number, Award Number:	Title I Grants to Local Educational Agencies, U.S. Department of Education (USED), passed through California Department of Education, CFDA No. 84.010, Grant Agreement No. 14329  Magnet Schools Assistance Program, U.S. Department of Education (USED), CFDA No. 84.165, Grant Agreement No. U165A10057
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):

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- 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.
  - (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.

BUL-1158.1 Accounting for Supplies and Equipment Purchases: Effective July 1, 2013, the dollar threshold to qualify items as “capital” or fixed assets is decreased from \$25,000 to \$5,000. Items costing below \$5,000 are considered “supplies”.

BUL-3508.5 Section B - Inventory Form and Equipment Inventory Database: School or location is required to submit a Categorical Equipment Inventory (CEI) to Federal and State Education Programs, Beaudry Building, 16th Floor, or an electronic copy to FSEP@lausd.net by June 1 of each school year.

BUL-3508.5 Section D: Letter of Certification requires school or location submit a Principal Certification if no equipment was purchase with categorical funds during the school year.

BUL-3508.5 Section E – Categorical Equipment Inventory Physical Check: School or location is required to perform the following:

- A physical check of the equipment inventory must be conducted every two years, and the results of the physical check must reconcile with inventory records. (Education Department General Administrative Regulations 34 CFR Part 80.32)
- Local district must identify staff to conduct the physical check at school sites. The staff can be a school-site or district-level personnel.
- Send the original copy of the Categorical Equipment Inventory Physical Check (Attachment E) to Federal and State Education Programs, Beaudry Building, 16th Floor, or an electronic copy to FSEP@lausd.net by June 1 and keep one copy on file at the school site.

BUL-953.1: Since requirements for equipment purchased using federal and state categorical funds differ, schools and offices that have purchased equipment with any federal or state categorical funds (e.g. Title I, State Compensatory Education, Beyond the Bell, Cafeteria, etc.) should refer to Bulletin No. 3508, “Inventory of Equipment Purchased through Categorical Programs”, for guidelines on maintaining inventory records.

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**Condition**

Title I Grants to LEAs (CFDA No. 84.010): In our procedures performed to determine if the schools were in compliance with the policies and procedures for managing property and equipment, we sampled a total of 60 schools that submitted the Categorical Equipment Inventory (CEI) and Categorical Equipment Inventory Physical Check (IPC) and verified if these logs were completed in accordance with BUL-3508.5. We noted that certain required information was missing on the CEI and/or IPC provided by two schools, as summarized below:

Missing Required Information	Number of Equipment Missing	
	School Location Code 2383 (CEI)	School Location Code 8200 (IPC)
Acquisition Cost	1	
Delivery Date		5
Funding Source		5

In addition, we noted that the purchase date, acquisition cost, delivery date, and funding source were missing for 25 items on the CEI of school location code 4329. Subsequent to our review, the District's Title I Office determined that these 25 items were not funded by Title I.

Magnet Schools Assistance Program (CFDA No 84.165): In our procedures performed to determine if the schools were in compliance with the policies and procedures for managing property and equipment, we noted that the inventory log of three out of five magnet schools selected for testing did not contain the required information as summarized below:

Missing Required Component	Number of Equipment
Purchase Date	20
Acquisition Cost	20
Serial Number	39
Location	39
Current Condition	39
Delivery Date	35

**Cause and Effect**

Inadequate supervision and insufficient guidance/training to the personnel at the schools over inventory and management of equipment or property may have contributed to the above-mentioned condition. Inadequate information could result in non-compliance with the grant requirements.

This is a repeat finding and has been reported previously for fiscal years 2010 to 2013 (F-10-04, F-11-04, F-12-03 and F-13-04) for Title I Grants to LEAs.

**Questioned Costs**

Not applicable. This finding is considered a programmatic non-compliance issue.

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### **Recommendation**

The District should continue to strengthen its controls over property management by providing adequate supervision and training to ensure that inventory management procedures be performed properly.

### **Views of responsible Officials, Planned Corrective Actions, and Contact Information**

Title I Grants to LEAs (CFDA No. 84.010): In an effort to meet the required criteria, the Federal and State Education Program will take the following actions:

- Review each annual submission of the school's Categorical Equipment Inventory (CEI) and/or Inventory Physical Check (IPC) for completeness.
- Return the inventory documents to the school to complete missing information.
- Ask schools to add N/A in any column where the information was not attainable or not applicable.
- Remind schools to not include non-federal funded equipment in the CEI or IPC.
- Provide additional training to the ESC Title I Coordinators on the findings of this audit report and the importance of completing all information that is required on CEIs.

Name: Karen Ryback

Title: Director, Federal and State Education Programs

Telephone: (213) 241-6990

Magnet School Assistance Program (CFDA No 84.165): In an effort to meet the required criteria, Student Integration Services will take the following actions:

- Check and monitor inventory logs at all Magnet School Assistance Program schools.
- Return inventories to schools to have the missing components completed.
- Equipment is purchased through the Central Office Fiscal Specialist. Once equipment is received by schools, an inventory must be submitted with the serial numbers and other required information.
- Train all Magnet Coordinators on inventory and management of equipment, referencing the policy bulletins. Training will include accurate logging in and labeling of equipment, detailed instructions and demonstration on how to complete the Equipment Inventory form.
- Require each school to complete and send a copy of the yearly inventory to the Student Integration Services office.
- Monitor the inventories to ensure that all components are completed accurately.

Name: Lisa LeSassier

Title: District Magnet Coordinator

Telephone: (213) 241-5695

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### Program Identification

Finding Reference Number: **F-14-04**

Federal Program Title, Awarding Agency, Pass-Through Entity, Catalog of Federal Domestic Assistance (CFDA) Number, Award Number: Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP), U.S. Department of Education (USED), CFDA No. 84.334, Grant Agreement Nos. P334A110166 & P334A110159  
Bold Competition (i3), U.S. Department of Education (USED), CFDA No. 84.396, Grant Agreement No. U396C1000336

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 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 (CFDA No. 84.334):

*P334A110166* – In our procedures performed to determine matching contributions, we noted that the District reported a total of \$3,030,756 matching expenditures for the reporting period from September 1, 2012 through August 31, 2013. Of the total matching expenditures reported, \$670,045 was provided by the District’s partners. The District maintains a summary log to support the matching expenditures provided by partners. We randomly selected 10 transactions totaling \$150,099 and requested documentation to verify

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the reported matching expenditures provided by the partners. Based upon our review of the supporting documentation, we noted the following:

- For three transactions totaling \$33,985, we were unable to agree the reported amount to the supporting documentation (Purchase Request, Contract Request Forms and other schedules) provided by the partners were insufficient.
- Personnel Activity Reports supporting the matching payroll and benefits expenditures totaling \$29,961 provided by the partners were signed late (one signed in October 2013 and one signed in April 2014).

Total exceptions amounted to \$63,946 of \$150,099 sampled from the total matching expenditures provided by the District's partners of \$670,045.

*P334A110159* – In our procedures performed over matching contributions, we noted that the District reported a total of \$1,670,637 matching expenditures for the reporting period from September 1, 2012 through August 31, 2013. Of the total matching expenditures reported, \$609,685 was provided by the District's partners. The District maintains a summary log to support the matching expenditures provided by partners. We randomly selected 16 transactions totaling \$200,729 and requested documentation to support the reported matching expenditures provided by the partners. Based upon our review of the supporting documentation, we noted that the District did not maintain sufficient documentation to support the match expenditures for four transactions totaling \$33,271.

Total exceptions amounted to \$33,271 of \$200,729 sampled from the total matching expenditures provided by of the District's partners of \$609,685.

**Bold Competition (CFDA No. 84.396):** The District's Bold Competition matching fund was provided by one of the District's Office Partners, Unite-LA. For the performance period of 2012-13, the District presented Unite-LA's salary expenses of \$133,525 which was used as a matching cost to the program. In our procedures performed over these matching contributions, we were provided the following supporting documentation:

- Summary worksheet showing staff allocation by funding source.
- Monthly Time and Effort Report for Sponsored Agreement (Time Report) – A form that was signed by the employee to certify the percentage allocation for the pay periods reported for the match.
- Payroll registers and/or canceled checks.

Based upon our review of the above documentation, we selected 25 samples totaling \$120,673 to test if the salary match met the OMB criteria. We noted that the Time Reports totaling \$119,602 were signed and dated late.

- 3 Time Reports totaling \$13,667 were dated after 12 months
- 9 Time Reports totaling \$46,776 were dated after 9 months
- 9 Time Reports totaling \$38,198 were dated after 6 months
- 3 Time Reports totaling \$20,961 were dated after 3 months

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#### Cause and Effect

The condition happened prior to the implementation of the District's procedures as described in the *Intensive Support and Intervention Division Public School Choice Office Process for Reviewing Matching Expenses*.

This finding is a repeat finding from fiscal year 2012-13 (F-13-05) for GEAR-UP (CFDA No. 84.334).

This finding is a repeat finding and has been reported previously from fiscal years 2011-12 to 2012-13 (F-12-05 and F-13-05) for Bold Competition (CFDA No. 84.396).

#### Questioned Costs

GEAR-UP (CFDA No. 84.334): The total matching expenditures related to the inadequate supporting documentation and untimely certifications amounted to \$67,256 and \$29,961, respectively.

*P334A110166* - \$33,985 (inadequate supporting documentation)

*P334A110166* - \$29,961 (untimely certifications)

*P334A110159* - \$33,271 (inadequate supporting documentation)

Bold Competition (CFDA No. 84.396): The total matching expenditures related to the untimely signed Time Reports amounted to \$119,602.

#### Recommendation

Effective October 1, 2012, the District implemented a policy and procedure for reviewing the matching expenditures. We recommend that the District continue to follow the procedures described in the *Intensive Support and Intervention Division Public School Choice Office Process for Reviewing Matching Expenses*.

#### Views of responsible Officials, Planned Corrective Actions, and Contact information

GEAR-UP (CFDA No. 84.334):

*P334A110166* – *Beginning* in 2014-15, all match will be reported on a quarterly basis on each invoice to ensure match is documented in a timely fashion.

- Partners are being informed that all match reported must have primary source documentation for back up. Also all salaries and benefits must be verifiable.
- All match documentation must be signed in a timely fashion, or within the quarter which it was generated.
- For the period from September 1, 2013 to August 31, 2014 all invoices will be reviewed and corrected to ensure that OMB and grant requirements are met.

Name: Lois Bramwell  
Title: Program Supervisor  
Telephone: (213) 241-0150

*P334A110159* – The District will change the structure of the invoices to reflect the in-kind contribution, and ask that each partner submit sufficient supporting documentation for each of the items they document as part

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of the match. When using facilities value as part of the match, the partners will be required to submit an official pricing guide to support the cost, along with evidence that the facility was used.

Name: Yolia Aguirre-Goar  
Title: Project STEPS/GEAR UP Director  
Telephone: (818) 753-6225

**Bold Competition (CFDA No. 84.396):** The District agrees with the finding above. Should the District participate in this or a similar program in the future, policies and procedures will be established and confirmed with the partner organization at the onset to ensure that time reports are signed and collected in a timely manner.

Name: Monique Epps  
Title: Director  
Telephone: (213) 241-2554

**Program Identification**

Finding Reference Number: **F-14-05**

Federal Program Title, Awarding Agency, Pass-Through Entity, Catalog of Federal Domestic Assistance (CFDA) Number, Award Number:

Vocational Education Basic Grants to States (Perkins IV), U.S. Department of Education (USED), passed through California Department of Education (CDE), CFDA No. 84.048, Grant Agreement No. 13-14894-6473-00

Twenty-First Century Community Learning Centers, U.S. Department of Education (USED), passed through California Department of Education (CDE), CFDA No 84.287, Grant Agreement Nos. 10-14349-6473-4A, 10-14349-6473-5A, 10-14535-6473-4A, 10-14535-6473-5A. 10-14535-6473-6A

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

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- 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

Vocational Education Basic Grants to States (CFDA No. 84.048): The District compiled CDE Form 101: E2 (Report on Career Technical Education "CTE" Placement) for secondary education based on data submitted by individual schools and data retrieved from the Student Information System (SIS). Further, we noted that the District class code was converted to the California Basic Educational Data System (CBEDS) code for secondary education.

In our procedures to test the accuracy of the fiscal year 2012-13 data reported on the E2 report for Secondary Vocational Education, we selected 8 CBEDS codes and traced the student population data reported on the E2 report to data from SIS and noted the following discrepancies.

CBEDS Code	CTE Category	SIS School Data	CDE E2 Report	Variance Over(Under)
4020	Ethnicity	254	247	(7)
4441	Ethnicity	154	153	(1)
4609	Ethnicity	629	513	(116)
4609	Special	124	123	(1)
5674	Ethnicity	63	64	1

21<sup>st</sup> CCLC (CFDA No 84.287): As part of the procedures performed over attendance reported by the District's sub-recipients funded by 21<sup>st</sup> CCLC, we tested the attendance documentation of 300 students from 12 schools for the High School After School Education and Safety and Enrichment for Teens program.

There were a total of 18 students in eight different schools who did not have complete sign-in and sign-out time on the sign-in/sign-out sheets. The following are the details of the exceptions:

1. Arleta High School – one student was recorded as absent while the student was present per timesheet.
2. East Valley High School - one student was recorded as present while the student record was missing.
3. Huntington Park High School – one student was recorded as present while the student was absent/unknown per timesheet.
4. Roosevelt High School - six students were recorded as present while the students were absent per timesheet. Two students were recorded as absent while the students were present per

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- timesheet. 1 student signed in but no time was provided when the student signed out; the student was recorded as absent on the MAR.
5. North Hollywood High School – one student was recorded as absent while the student was present per timesheet.
  6. Van Nuys High School – two students were recorded as present while the students were absent per timesheet.
  7. Grant High School – one student was recorded as absent while the student was present per timesheet.
  8. Maywood High School – two students were recorded as present; however, attendance records were not provided.

#### **Cause and Effect**

Vocational Education Basic Grants to States (CFDA No. 84.048): The condition appears to be an isolated incident. The District maintained the backup files supporting the E2 report in a Drop Box; however, due to a synchronizing issue, all backup files were lost. The District had to re-compile the backup files from SIS; however, the data in SIS had already been updated. As a result, student population data on E2 report did not agree with the re-compiled backup files.

21<sup>st</sup> CCLC (CFDA No 84.287): There does not appear to be effective controls in place to ascertain that sufficient documentation is maintained to support the District's compliance with the reporting requirement.

#### **Questioned Costs**

Vocational Education Basic Grants to States (CFDA No. 84.048): Not applicable. This finding is considered a programmatic non-compliance issue.

21<sup>st</sup> CCLC (CFDA No 84.287): Not applicable. This finding is considered a programmatic non-compliance issue.

#### **Recommendation:**

Vocational Education Basic Grants to States (CFDA No. 84.048): We recommend that the District amend its policies and procedures to include controls over safeguarding of electronic backup files.

21<sup>st</sup> CCLC (CFDA No 84.287): We recommend that the District strengthen its procedures on attendance documentation to ensure that the agencies performing services for these programs are aware of the District's policies, specifically on maintaining accurate attendance records. In addition, the District should continue to perform monitoring site visits and review the attendance reporting process of its sub-recipients.

#### **Views of responsible Officials, Planned Corrective Actions, and Contact information**

Vocational Education Basic Grants to States (CFDA No. 84.048): CTE plans to implement an additional source for backup to the data being used for reporting of the E1 and E2. Three additional sources, desktop, flash drive and Cloud, will be used to capture the data. In addition, CDE has been discussing the reporting of the E1 and E2 to be moved to CALPADS. Fiscal year 2014-15 CALPADS will be communicating via webinars with CDE for reporting procedures with tentative implementation date to be in fiscal year 2015-16.

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Name: Nader Delnavaz  
Title: Administrative Coordinator  
Telephone: (213) 241-7510

21<sup>st</sup> CCLC (CFDA No 84.287): The audit finding demonstrates the need to strengthen the District's policies and procedures on attendance documentation for the After School Education and Safety Program (ASES) and explain how the District would provide more training on the policies and procedures to the District's numerous after-school providers so that attendance documentation is accurate when it is reported.

LAUSD - Beyond The Bell Branch agrees with "Audit Finding." Consequently, we will continue to implement the following procedures to ensure that we are providing training on attendance reporting policies and procedures as well as how we are monitoring how the procedures are being implemented at the sites to ensure documentation of reported attendance figures is readily available and accurate for auditing purposes.

1. Agency contractors and program personnel are required to attend a "Start-Up Meeting" scheduled prior to the beginning of the school year. During the "Start-Up Meeting," extensive time is spent on training staff on the importance of properly documenting and maintaining accurate attendance.
2. Beyond the Bell Branch Administrators and Traveling Supervisors attend the training meeting and interject their role in monitoring attendance procedures as they travel to sites. Beyond the Bell staff monitors attendance routinely to ensure procedures are being used and documentation is maintained as required.
3. Contractors and agency program personnel are required to attend an annual "Policies and Procedures/Risk Management" training. As a result of previous audit findings and reflection on best practices, Beyond the Bell developed an attendance documentation training that was implemented during the 2011 – 2012 year. Currently, the training is offered on a monthly basis. Newly hired personnel must register for and attend the next available training date. Returning personnel must register for and attend the training during the fiscal year.
4. The following "Policies and Procedures/Risk Management" training dates are scheduled for the 2014 – 2015 year (NOTE: Attendance Documentation has been implemented as a result of previous audit findings):
  - 08/05/14, 08/06/14, 08/07/14, 08/09/14, 08/16/14, 09/17/14, 10/18/14, 11/12/14, 12/10/14, 01/17/15, 02/10/15, 03/07/15, 04/08/15
5. Contractors and agency program personnel are invited to attend Federal Program Monitoring (FPM) training. The FPM training reflects the CDE's Program Dimensions. The goal of this training is to offer personnel a best practices approach to running exemplary programs that comply with the requirements in the Education Code. Extensive training on "attendance documentation" is offered during this meeting.
  - Beyond The Bell Branch conducts "site visits" to monitor program quality and student attendance through:
    - a. Field Office Administrators
      1. Certificated Administrators conduct site visits to evaluate and monitor agency program implementation. Attendance documentation is closely monitored during these site visits.
    - b. Field Office Traveling Playground Supervisors

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1. Classified/Unclassified Traveling Playground Supervisors conduct weekly visits to evaluate and monitor agency program implementation. Attendance documentation is closely monitored during these site visits.
- c. Central Office Administrators
  1. Central Office Administrators conduct site visits to evaluate and monitor agency program implementation. In addition to program quality and compliance, attendance documentation is closely monitored during these site visits.
6. Beyond the Bell Branch conducts “Random Reviews/Audits of Monthly Attendance Reports” to examine agency sign-in/sign-out procedures. The agency’s “Attendance Documentation” procedures are further evaluated to ensure the agency’s record keeping corresponds to data submitted to Beyond the Bell. In addition, evaluation of these documents ensures they:
  - Comply with Beyond the Bell’s “Early Release Policy.”
  - Verify the sign-in/sign-out forms are certified by Site Coordinator.
  - Contain Student ID Numbers.
7. To ensure the documentation for the After School Education and Safety Programs (ASES) accurately reflects the number of students served and reported to the California Department of Education by the District, Beyond the Bell Branch contracted with City-Span Technologies Incorporated (A nationally recognized service firm which specializes in administering online attendance monitoring programs) to administer an online attendance reporting and monitoring system. Beyond the Bell Branch, through our needs assessments and evaluations, recognized the need to strengthen our internal controls to ensure attendance data is compiled and reported accurately. Furthermore, Beyond the Bell Branch recognizes the need to maintain sufficient documentation for the reconciliation between the District’s Quarterly Attendance Reports (QAR) and information submitted to the California Department of Education. Consequently, Beyond the Bell’s gathering of attendance data and reporting procedures has evolved. As a result of the current and previous audit findings, the following system and procedures have been implemented:
  - Monitoring has been strengthened from quarterly to monthly and all contractors and staff are now required to submit attendance documentation monthly which has resulted in more accurate attendance reporting to the CDE.
  - Beyond the Bell issues a current “Alpha Roster” containing student identification numbers to agencies. Prior to this practice, agencies were responsible for obtaining student identification numbers from schools. Frequently, the information was outdated or incomplete.
  - Beyond the Bell continues the process of reviewing agency’s Sign-in/Sign-out Rosters to ensure required information is recorded on a daily basis. Upon review of agency documents, Beyond the Bell Branch will develop an attendance documentation training scheduled for implementation for the 2015 – 2016 year.
  - Agencies submit their attendance electronically through a secured website to City-Span Technologies Incorporated.
  - A discrepancy report is issued to agencies requesting them to make corrections of errors when they are identified.
  - Agencies correct and resubmit the reports. Discrepancies are fixed in attendance reports.
  - The reporting of attendance to the California Department of Education (CDE) is accomplished on-line bi-annually using After School Support and Information

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System (ASSIST) through close collaboration with CDE's technical staff to ensure accurate transfer of the information.

- As a result of the volume generated by Beyond the Bell programs, the CDE has approved the submission of attendance through an Excel program via e-mail. Personnel at CDE then upload the data into ASSIST. Once the data is in the system, the Beyond the Bell designee approves the data submitted.

We will continue to monitor these changes in protocol to ensure that the procedures are followed and all information is reported accurately and documented as necessary for auditing purposes. Should problems arise in any area for contractors or staff, Beyond the Bell will alter and refine the process accordingly to ensure continuous improvement in operations.

Name: Harry Talbot  
Title: Administrative Coordinator  
Telephone: (213) 241-7900

### Program Identification

Finding Reference Number:	<b>F-14-06</b>
Federal Program Title, Awarding Agency, Pass-Through Entity, Catalog of Federal Domestic Assistance (CFDA) Number, Award Number:	English Language Acquisition Program, U.S. Department of Education (USED), passed through California Department of Education, CFDA No. 84.365, Grant Agreement No. 14346-64733
Compliance Requirement:	Special Tests and Provisions – Parental Notifications (Annual & Initial and AMAO)
State Audit Guide Finding Code:	30000 and 50000

### Criteria

MEM-5633.0: F – Principal Certification Form for the 2013-2014 School Year

Upon reviewing the teacher roster, if a “No” (not in compliance) or “Pending” appears after any teacher who is assigned to a core academic setting, then the school is not yet in compliance with NCLB with respect to teacher. Once the information for your school is verified, please complete the principal certification form and submit the original to Certificated Employment Operations by Monday, December 9, 2013.

Elementary & Secondary Education Act, Subpart 5 – Administration, Part C – General Provisions, Section 3302, Parental Notification:

- a. In General – Each eligible entity using funds provided under this title to provide a language instruction educational program shall, no 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;

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- (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
    - B. 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 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.

MEM-5903.1: Title III Annual Measurable Achievement Objective (AMAO) Guidelines for Parent Notification FY13-14

*Purpose:* This memorandum provides guidelines and procedures for informing all parents of English Learners (ELs) when the District does not meet one or more of the Title III Annual Measurable Achievement Objective (AMAO) performance targets.

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*Instructions:* When one or more of the AMAO performance targets are not met, Title III requires the District to notify all parents of ELs of such failure. This notification must be provided no later than 30 days after the official release of Title III accountability data from CDE. **This year the Title III accountability data was released on November 8, 2013.** An AMAO notification in English and in the Student's home language, if available, must be sent home with all ELs **no later than December 6, 2013.**

To ensure compliance with Title III requirements, schools are to certify on the Online Accountability System (OLAS) that the AMAO notification letter was sent to the parents of all ELs by uploading the *Annual Measureable Achievement Objectives (AMAOs) Notification School Certification Form*.

#### Condition

In our procedures to verify the school's compliance with the AMAO school notifications, we noted that 32 out of 729 schools did not upload the AMAOs Notification School Certification Form to certify that the AMAO notification letters were sent to the parent of all ELs.

To verify that the AMAO notification letters were sent to the parents of all ELs, we sampled 40 schools and requested copies of the school certification forms for notification sent to parents. For failure of Annual Measureable Achievement Objectives (AMAO), we noted the following:

- Three AMAO certificates were dated more than 30 days from November 8, 2013; and
- One AMAO certificate was signed but not dated by the principal; as such, we were unable to determine whether or not the certification was submitted timely.

In another procedure 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 2013-14 school year. In our sample of 60 participating students for annual parent notifications, we noted the following:

- 14 annual parent notifications were dated after the mandatory deadline of 30 days after the beginning of the school year; and
- One initial parent notification was dated after the mandatory deadline within two weeks of the test date.

#### Cause and Effect

Although the schools have made an effort to maintain proper records regarding the Annual Measureable Achievement Objectives and the Annual and Initial Notifications, 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 and has been reported previously for fiscal years 2006 to 2013 (F-06-36, F-07-33, F-08-22, F-09-20, F-10-18, F-11-18, F-12-10, and F-13-07).

#### Questioned Costs

Not applicable. This finding relates to a programmatic, non-compliance issue as well as a deficiency in the internal control system to properly monitor the parental notification process.

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### Recommendation

We recommend that the District continue to strengthen its policies and procedures to ensure that the schools comply with the requirement that all parental notifications are completed and submitted in a timely manner. We also recommend that the supporting documentation is maintained on file to support the schools' compliance as required by the English Language Acquisition Program.

### Views of Responsible Officials, Planned Corrective Actions, and Contact Information

We concur that the District should continue to strengthen its policies and procedures to ensure all schools comply with the requirement that parental notifications are made in a timely manner and the required documentation is on file in support of the schools' compliance for EL Monitoring Programs through the following actions:

- 1) Review and update parental notification policies to include explicit guidelines regarding the mandates and procedures pertaining to parental notification. These policies will be posted on the District's *Inside LAUSD* and the *Multilingual & Multicultural Education* websites and will be accessible to all employees. Reference to these policies will be included in the follow-up *English Learner Master Plan* professional development to all school-site administrators/ EL Coordinators.
- 2) Multilingual & Multicultural Education Department (MMED) EL Programs/Compliance staff and Educational Service Center (ESC) EL Programs/Compliance staff will provide guidance and support through professional development and training to School site EL Designees on parental notifications, policies, and procedures through the following structures:

#### Professional Development

#### Training Date

- Title III Master Plan Institute
- Monthly PD (School-site Coordinators)

July, August, September 2015  
September 2014-May 2015

- 3) MMED EL Programs/Compliance staff, in conjunction with the ESC EL Program/Compliance Coordinators, will use the 2013-14 Single Audit findings, along with the data provided by schools to the District's *English Learner Online Accountability System* to monitor and provide support to schools not meeting the parental notification timelines through the following:

- Prior to the closing window of certification, schools that have not yet certified will be notified by the ESC EL Programs/Compliance Coordinator to complete their certification of EL items through the District's *English Learner Online Accountability System (OLAS)*.
- Monitor the use of OLAS with the principal/EL Designee to ensure implementation and evidence of compliance.

Name: Valerie Brewington  
Title: English Learner Coordinator  
Telephone: (213) 241-5582

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### Section IV - Findings and Questioned Costs Relating to State Awards

#### S-14-01 Regular and Special Day Classes – Elementary Schools – Attendance Computations

**State Program:** Attendance Accounting: Attendance Reporting

**State Audit Guide Finding Codes:** 10000 and 40000

#### Schools Affected

- El Sereno Elementary School
- Gates Elementary School
- Kennedy Elementary School
- Lemay Elementary School
- Panorama City Elementary School
- Tulsa Elementary School
- Coughlin Elementary School
- Del Amo 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

For our sample of 25 elementary schools, we obtained the Student Monthly Attendance Summary Reports (SMASRs) for a sample of teachers for school month three (3). 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 we 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 the data reported in the sampled SMASRs, we selected a sample of absences from notes, phone logs and other absence records and compared them to the SMASRs, to verify that they 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.

We selected a sample of 62,380 days of attendance and 1,076 days of absences for testing and noted the following findings:

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- **El Sereno Elementary School** – Out of the 2,360 days of attendance and 65 days of absences sampled, we noted the following exceptions:
  - Two (2) students were absent for a total of two (2) days, as evidenced by absence notes but were marked as present in the school’s monthly attendance summary.
- **Gates Elementary School** – Out of the 3,700 days of attendance and 84 days of absences sampled, we noted the following exception:
  - One (1) student was absent for a total of one (1) day, as evidenced by an absence note but was marked as present in the school’s monthly attendance summary.
- **Kennedy Elementary School** – Out of the 1,880 days of attendance and 55 days of absences sampled, we noted the following exception:
  - One (1) student was absent for one (1) day, as evidenced by an absence note but was marked as present in the school’s monthly attendance summary.
- **Lemay Elementary School** – Out of the 2,200 days of attendance and 34 days of absences sampled, we noted the following exception:
  - One (1) student was absent for one (1) day, as evidenced by an absence note but was marked as present in the school’s monthly attendance summary.
- **Panorama City Elementary School** – Out of the 3,200 days of attendance and 39 days of absences sampled, we noted the following exception:
  - One (1) student was absent for one (1) day, as evidenced by an absence note but was marked as present in the school’s monthly attendance summary.
- **Tulsa Elementary School** - Out of the 2,340 days of attendance and 38 days of absences sampled, we noted the following exception:
  - One (1) student was absent for one (1) day, as evidenced by an absence note but was marked as present in the school’s monthly attendance summary.
- **Coughlin Elementary School** - Out of the 3,160 days of attendance and 32 days of absences sampled, we noted the following exception:
  - One (1) student was absent for one (1) day, as evidenced by an absence note but was marked as present in the school’s monthly attendance summary.
- **Del Amo Elementary School** - Out of the 2,680 days of attendance and 19 days of absences sampled, we noted the following exception:
  - One (1) student was absent for one (1) day, as evidenced by an absence note but was marked as present in the school’s monthly attendance summary.

These findings are repeat findings, having been reported previously at June 30, 2013 (S-13-01) but for different schools.

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#### Questioned Costs

9 days / 147 days = 0.06 ADA overstated \* \$8,405 = \$504

- El Sereno Elementary School - 2 days overstated/147 days in single track school year
- Gates Elementary School - 1 day overstated/147 days in single track school year
- Kennedy Elementary School - 1 day overstated/147 days in single track school year
- Lemay Elementary School - 1 day overstated/147 days in single track school year
- Panorama City Elementary School - 1 day overstated/147 days in single track school year
- Tulsa Elementary School - 1 day overstated/147 days in single track school year
- Coughlin Elementary School - 1 day overstated/147 days in single track school year
- Del Amo Elementary School - 1 day overstated/147 days in single track school year

#### 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

District staff will continue to work with various school staff throughout the school year to provide assistance, training, information, etc., as necessary to keep staff informed of District policies and procedures pertaining to proper attendance/absence reporting.

#### S-14-02 Regular and Special Day Classes – Secondary Schools – Attendance Computations

**State Program:** Attendance Accounting: Attendance Reporting

**State Audit Guide Finding Codes:** 10000 and 40000

#### Schools Affected:

- Pacoima Middle School
- Edison Middle School
- Kennedy High School
- Van Nuys High School
- South Gate High School
- Belmont High School
- Nobel Middle School (Dependent Charter 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.

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#### Condition, Cause and Effect

For our sample of thirteen (13) secondary schools and two (2) dependent charter schools, we obtained the weekly attendance summaries for a sample of teachers for month four (4). 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 we 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 43,064 days of attendance and 683 days of absences from the District's secondary schools and 9,340 days of attendance and 176 days of absences from the District's dependent charter schools for testing and noted the following findings:

- **Pacoima Middle School** – Out of the 3,532 days of attendance and 63 days of absences sampled, we noted the following exception:
  - One (1) student was absent for a total of one (1) day, as evidenced by an absence note, but was recorded as present in the school's weekly attendance summary.
- **Edison Middle School** – Out of the 3,240 days of attendance and 33 days of 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 weekly attendance summary.
- **Kennedy High School** – Out of the 5,940 days of attendance and 75 days of absences sampled, we noted the following exceptions:
  - Two (2) students were absent for a total of three (3) days, as evidenced by absence notes, but were recorded as present in the school's weekly attendance summary.
- **Van Nuys High School** – Out of the 4,455 days of attendance and 132 days of absences sampled, we noted the following exceptions:
  - Two (2) students were absent for two (2) days, as evidenced by absence notes, but were recorded as present in the school's weekly attendance summary.
- **South Gate High School** – Out of the 3,960 days of attendance and 89 days of 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 weekly attendance summary.

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- **Belmont High School** – Out of the 2,112 days of attendance and 36 days of 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 weekly attendance summary.
- **Nobel Middle School** (Dependent Charter School) – Out of the 6,460 days of attendance and 123 days of absences sampled, we noted the following exceptions:
  - Two (2) students were absent for a total of two (2) days, as evidenced by absence notes, but were recorded as present in the school's weekly attendance summary.

These findings are repeat findings, having been reported previously at June 30, 2013 (S-13-02) but for different schools.

#### Questioned Costs

District's secondary schools:

9 days / 147 days = 0.06 ADA overstated \* \$8,405 = \$504

- Pacoima Middle School – 1 day overstated/147 days in single track school year
- Edison Middle School – 1 day overstated/147 days in single track school year
- Kennedy High School – 3 days overstated/147 days in single track school year
- Van Nuys High School – 2 days overstated/147 days in single track school year
- South Gate High School – 1 day overstated/147 days in single track school year
- Belmont High School – 1 day overstated/147 days in single track school year

Dependent charter school:

2 days / 147 days = 0.01 ADA overstated \* 6,020 = \$60

- Nobel Middle School (Dependent Charter School) – 2 days overstated/147 days in single track school year

#### 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

District staff will continue to work with various school staff throughout the school year to provide assistance, training, information, etc., as necessary to keep staff informed of District policies and procedures pertaining to proper attendance/absence reporting.

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### S-14-03 – After School Education and Safety Program

**State Program:** After School Education and Safety Program

**State Audit Guide Finding Codes:** 40000

#### School Affected

- Hooper Elementary School
- Commonwealth Elementary School
- Liggett Elementary School
- Sterry Elementary School
- 10<sup>th</sup> Street Elementary School
- Kester Elementary School
- Rosewood Elementary School
- Wadsworth Elementary School
- Sheridan Elementary School
- Plummer Elementary School
- Audubon Middle School
- Berendo Middle School
- Liberty Elementary School
- Union Elementary School
- Victoria Elementary School
- Weemes Elementary School
- Beethoven Elementary School
- Broadous Elementary School
- Burroughs Middle School
- Lawrence Middle School
- Pio Pico Middle School
- Reed Middle School
- Sepulveda Middle School
- Sun Valley Middle 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,

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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 22,350 students who participated in the After School Education and Safety Program. We examined the attendance records for the selected students and verified whether 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 32 schools and 20,171 days of attendance in the after school component of the After School Education and Safety Program.

There were a total of five (5) students in four (4) 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 every day during which students participated 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:

- **Berendo Middle School** – One (1) student did not have proper sign-in or sign-out time for two (2) day.
- **Burroughs Middle School** – Two (2) students did not have proper sign-in or sign-out time for a total of ten (10) days.
- **Lawrence Middle School** – One (1) student did not have proper sign-in or sign-out time for five (5) day.
- **Rosewood Elementary School** – One (1) student did not have proper sign-in or sign-out time for one (1) day.

There were 36 students in 11 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:

- **Beethoven Elementary School** - Two (2) students did not participate in the full period of the after school program for three (3) days that they participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **Kester Elementary School** – Two (2) students did not participate in the full period of the after school program for three (3) days that they participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **Rosewood Elementary School** – Three (3) students did not participate in the full period of the after school program for a total of five (5) days that they participated and there were no properly filled out early release forms to explain why such requirement was not complied with.

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- **Sterry Elementary School** – One (1) student did not participate in the full period of the after school program for a total of one (1) day that he participated and there was no properly filled out early release form to explain why such requirement was not complied with.
- **Audubon Middle School** – Three (3) students did not participate in the full period of the after school program for a total of fifteen (15) days that they participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **Berendo Middle School** - Six (6) students did not participate in the full period of the after school program for a total of thirty (30) days that they participated and there were no properly early release forms to explain why such requirement was not complied with.
- **Burroughs Middle School** – Six (6) students did not participate in the full period of the after school program for a total of thirty (30) days that they participated and there were no properly early release forms to explain why such requirement was not complied with.
- **Lawrence Middle School** – Five (5) students did not participate in the full period of the after school program for a total of twenty-five (25) days that they participated and there were no properly early release forms to explain why such requirement was not complied with.
- **Pio Pico Middle School** – One (1) student did not participate in the full period of the after school program for a total of five (5) days that they participated and there were no properly early release forms to explain why such requirement was not complied with.
- **Reed Middle School** – Five (5) students did not participate in the full period of the after school program for a total of twenty-five (25) days that they participated and there were no properly early release forms to explain why such requirement was not complied with.
- **Sun Valley Middle School** – Two (2) students did not participate in the full period of the after school program for a total of ten (10) days that they participated and there were no properly early release forms to explain why such requirement was not complied with.

We obtained the Monthly Attendance Report (MAR) for a sampled month 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 sampled week during the school year 2013-2014. We also tested the completeness and accuracy of the reports by selecting a sample of students and tracing the same students to attendance records and vice versa. We noted the following exceptions:

- **Hooper Elementary School** – MAR was understated by four (4) days, compared to the sign-in sheets.
- **10<sup>th</sup> St Elementary School** - MAR was understated by eleven (11) days, compared to the sign-in sheets. In addition, one (1) student was marked present for a total of one (1) day on sign in sheet but marked absent on the MAR. Two (2) students were listed as present for a total of two (2) days on the MAR but absent on sign in sheet.
- **Commonwealth Elementary School** – Two (2) students were marked present on sign in sheet for a total of two (2) days but marked absent on the MAR, one of them also was marked absent for a total of one (1) day on sign-in sheet but marked present on the MAR.
- **Liberty Elementary School** - MAR was overstated by six (6) days, compared to the sign-in sheets. In addition, one student was marked absent for a total of one (1) day on sign-in sheet but marked present on the MAR. Four (4) students were marked absent for a total of four (4) days on sign-in sheet but marked present on the MAR.

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- **Liggett Elementary School** - MAR was understated by five (5) day, compared to the sign-in sheets. In addition, one (1) student was marked absent for a total of one (1) day on sign-in sheet but marked present on the MAR. And for this same student, he was marked present for a total of one (1) day on sign in sheet but marked absent on the MAR.
- **Union Elementary School** – MAR was overstated by eighty-two (82) days, compared to the sign in sheets. In addition, three (3) students were marked absent for a total of three (3) days on sign in sheet but marked present on the MAR. we also noted one student was marked present for a total of one (1) day on sign-in sheet but marked absent on the MAR.
- **Victoria Elementary School** – MAR was understated by thirty-six (36) days, compared to the sign-in sheets. In addition, fifteen (15) students were marked absent for a total of twenty (20) days on the sign in sheet but marked present on the MAR. We also noted 9 students for a total of 45 days had a sign in sheet with date and time of arrival but students cannot be located on the MAR list.
- **Weems Elementary School** – MAR was overstated by eight (8) days compared to the sign-in sheets. In addition, nine (9) students were marked absent for a total of ten (10) days on sign in sheet but marked present on the MAR. Five (5) students were marked present on sign in sheet for a total of five (5) days but marked absent on the MAR.
- **Rosewood Elementary School** – One (1) student was marked absent for a total of one (1) day on sign in sheet but marked present on the MAR.
- **Berendo Middle School** – MAR was understated by fourteen (14) day compared to the sign-in sheets. Two (2) students were marked present for a total of two (2) day on sign in sheet but marked absent on the MAR. One (1) student was marked present for a total of one (1) day on the MAR but marked absent on sign in sheet.
- **Burroughs Middle School** – MAR was overstated by one hundred thirty-six (136) days compared to the sign-in sheets. Thirteen (13) students were marked absent for a total of thirty-one (21) days on sign in sheet but marked present on the MAR. Two students were marked present for a total of 7 days on sign in sheets but marked absent on the MAR.
- **Lawrence Middle School** – MAR was overstated by thirty-five (35) days compared to the sign-in sheets. In addition, ten (10) students were marked present for a total of ten (10) days on sign in sheet but marked absent on MAR. Eleven (11) students were marked absent for a total of thirteen (13) days on sign in sheets but marked present on the MAR.
- **Pio Pico Middle School** – MAR was overstated by one (1) day compared to the sign-in sheets.
- **Reed Middle School** – MAR was understated by eleven (11) days compared to the sign-in sheets.
- **Sepulveda Middle School** – MAR was overstated by twenty (20) days compared to the sign-in sheets. Eight (8) students were marked absent for a total of nine (9) days on sign in sheet but marked present on the MAR. One student was marked present for a total of 1 day on sign in sheet but marked absent on the MAR.
- **Sun Valley Middle School** – MAR was overstated by three (3) days compared to the sign-in sheets. In addition one (1) student was marked present for a total of one (1) day on the MAR but marked absent on sign in sheet.

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#### **Before School Component of the Program**

On a sample basis, we tested the attendance documentation of 8 schools and 2,179 days of attendance in the before school component of the After School Education and Safety Program.

There were four (4) students in two (2) schools that did not comply with the established late arrival policy.

- **Sheridan Elementary School** - One (1) student did not participate in at least one-half of the before school program for a total of two (2) days that the student 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.
- **Plummer Elementary School** - Three (3) students did not participate in at least one-half of the before school program for a total of eight (8) days that they participated and there was no late arrival form to explain why such requirement was not complied with. The students were counted as present in the attendance summary.

We also obtained the Monthly Attendance Reports (MAR) 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 2013-2014. 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. We noted the following exceptions:

- **Hooper Elementary School** - MAR was understated by seven (7) days compared to the sign in sheets.
- **Wadsworth Elementary School** - MAR was understated by two (2) days compared to the sign in sheets.
- **Sheridan Elementary School** - MAR was overstated by six (6) days compared to the sign in sheets.
- **Broadous Elementary School** - MAR was understated by ten (10) days, compared to the sign in sheets. One student was marked as present on the MAR for a total of one day while marked absent on sign in sheet.
- **Plummer Elementary School** - MAR was overstated by four (4) days, compared to the sign in sheets. Three (3) students were marked absent for a total of three (3) days on the MAR but marked as present on sign in sheet. One student was marked present for a total of 1 day on the MAR but marked as absent on sign in sheet.

#### **Questioned Costs**

As a result of our testing, the over and under reporting of attendance were summarized in the Condition, Cause and Effect section above. 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.

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#### **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 continue performing agency visits to make sure that the established policies are complied with.

#### **Views of Responsible Officials and Planned Corrective Actions**

Beyond The Bell Branch agrees with the finding. Consequently we will continue to implement the following procedures to ensure that we are providing training on attendance reporting policies and procedures as well as how we are monitoring how the procedures are being implemented at the sites to ensure documentation of reported attendance figures is readily available and accurate for auditing purposes.

1. Agency contractors and program personnel are required to attend a "Start-Up Meeting" scheduled prior to the beginning of the school year. During the "Start-Up Meeting," extensive time is spent on training staff on the importance of properly documenting and maintaining accurate attendance.
2. Beyond the Bell Branch Administrators and Traveling Supervisors attend the training meeting and interject their role in monitoring attendance procedures as they travel to sites. Beyond the Bell staff routinely monitors attendance to ensure procedures are being used and documentation is maintained as required.
3. Contractors and agency program personnel are required to attend an annual "Policies and Procedures/Risk Management" training. As a result of previous audit findings and reflection on best practices, Beyond the Bell developed an attendance documentation training that was implemented during the 2011 – 2012 year. Currently, the training is offered on a monthly basis. Newly hired personnel must register for and attend the next available training date. Returning personnel must register for and attend the training during the fiscal year.
4. The following "Policies and Procedures/Risk Management" training dates are scheduled for the 2014 – 2015 year (NOTE: Attendance Documentation has been implemented as a result of previous audit findings):
  - 08/05/14, 08/06/14, 08/07/14, 08/09/14, 08/16/14, 09/17/14, 10/18/14, 11/12/14, 12/10/14, 01/17/15, 02/10/15, 03/07/15, 04/08/15
5. Contractors and agency program personnel are invited to attend a Federal Program Monitoring (FPM) training. The FPM training reflects the CDE's Program Dimensions. The goal of this training is to offer personnel a best practices approach to running exemplary programs that comply with the requirements in the Education Code. Extensive training on "attendance documentation" is offered during this meeting.

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6. Beyond The Bell Branch conducts "site visits" to monitor program quality and student attendance through:
  - a. Field Office Administrators
    1. Certificated Administrators conduct site visits to evaluate and monitor agency program implementation. Attendance documentation is closely monitored during these site visits
  - b. Field Office Traveling Playground Supervisors
    1. Classified/Unclassified Traveling Playground Supervisors conduct weekly visits to evaluate and monitor agency program implementation. Attendance documentation is closely monitored during these site visits.
  - c. Central Office Administrators
    1. Central Office Administrators conduct site visits to evaluate and monitor agency program implementation. In addition to program quality and compliance, attendance documentation is closely monitored during these site visits.
7. Beyond the Bell Branch conducts "Random Reviews/Audits of Monthly Attendance Reports" to examine agency sign-in/sign-out procedures. The agency's "Attendance Documentation" procedures are further evaluated to ensure the agency's record keeping corresponds to data submitted to Beyond the Bell. In addition, evaluation of these documents ensures they:
  - a. Comply with Beyond the Bell's "Early Release Policy."
  - b. Verify the sign-in/sign-out forms are certified by Site Coordinator.
  - c. Contain Student ID Numbers.
8. To ensure the documentation for the After School Education and Safety Programs (ASES) accurately reflects the number of students served and reported to the California Department of Education by the District, Beyond the Bell Branch contracted with City-Span Technologies Incorporated (A nationally recognized service firm which specializes in administering online attendance monitoring programs.) to administer an online attendance reporting and monitoring system. Beyond the Bell Branch through our needs assessments and evaluations recognized the need to strengthen our internal controls to ensure attendance data is compiled and reported accurately. Furthermore, Beyond the Bell Branch recognizes the need to maintain sufficient documentation for the reconciliation between the District's Quarterly Attendance Reports (QAR) and information submitted to the California Department of Education. Consequently, Beyond the Bell's gathering of attendance data and reporting procedures has evolved. As a result of the current and previous audit findings, the following system and procedures have been implemented:
  - Monitoring has been strengthened from quarterly to monthly and all contractors and staff are now required to submit attendance documentation monthly which has resulted in more accurate attendance reporting to the CDE.
  - Beyond the Bell issues a current "Alpha Roster" containing student identification numbers to agencies. Prior to this practice, agencies were responsible for obtaining student identification numbers from schools. Frequently, the information was outdated or incomplete.
  - Beyond the Bell continues the process of reviewing agency's Sign-in/Sign-out Rosters to ensure required information is recorded on a daily basis. Upon review of agency documents,

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Beyond the Bell Branch will develop an attendance documentation training scheduled for implementation for the 2015 – 2016 year.

- Agencies submit their attendance electronically through a secured website to City-Span Technologies Incorporated.
- A discrepancy report is issued to agencies requesting them to make corrections of errors when they are identified.
- Agencies correct and resubmit the reports and discrepancies are fixed in attendance reports.
- The reporting of attendance to the California Department of Education (CDE) is accomplished on-line bi-annually through ASSIST through close collaboration with CDE's technical staff to ensure accurate transfer of the information.
- As a result of the volume generated by Beyond the Bell programs, the CDE has approved the submission of attendance through an EXCEL program via e-mail. Personnel at CDE then upload the data into ASSIST. Once the data is in the system, the Beyond the Bell designee approves the data submitted.

We will continue to monitor these changes in protocol to ensure that the procedures are followed and all information is reported accurately and documented as necessary for auditing purposes. Should problems arise in any area for contractors or staff, Beyond the Bell will alter and refine the process accordingly to ensure continuous improvement in operations.

#### **S-14-04 – Unduplicated Local Control Funding Formula Pupil Counts**

**State Program:** Unduplicated Local Control Funding Formula Pupil Counts

**State Audit Guide Finding Code:** 40000

#### **Schools Affected**

- Belmont Senior High
- John Muir Middle
- Loreto Street Elementary
- Venice Senior High

#### **Criteria**

*California Education Code, Section 2574(b)(3)(A):* In determining the enrollment percentage of unduplicated pupils, under procedures and timeframes established by the Superintendent, commencing with the 2013-14 fiscal year, a county superintendent of schools annually shall report the enrollment of unduplicated pupils, pupils classified as English learners, pupils eligible for free and reduced-price meals, and foster youth in schools operated by the county superintendent of schools to the Superintendent using the California Longitudinal Pupil Achievement Data System (CALPADS).

*(B):* The Superintendent shall make the calculations pursuant to this section using the data submitted through the CALPADS.

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#### **Condition, Cause and Effect**

On a sample basis, we tested the Free and Reduced Price Meal (FRPM) and English Learner (EL) eligibility of 3,082 students from 43 schools from the "1.18 – FRPM / English Learner / Foster Youth – Student List" reported in the CALPADS. We examined supporting documentation for the selected students and verified their respective eligibility.

Of the 3,082 students tested, 1,052 students were selected for verification of their English Language Acquisition Status (ELAS) designation of English Learner (EL) in accordance with procedure *19849(a)(2)* of the audit guide. The ELAS designations include English Learner (EL), English Only (EO), Reclassified Fluent English Proficient (RFEP), or Initially English Proficient Student (IFEP). Students who are determined to be EL can be reclassified based on completion of required measures. Reclassification is the process by which the District determines if students who are EL have acquired sufficient proficiency in English to perform successfully in core academic subjects without English Language Development (ELD) support. Successful reclassification would lead to the student's ELAS designation changing to either RFEP or IFEP.

Based on our testing, we noted that four students from four schools were incorrectly reported in CALPADS as EL as of the census date (October 2, 2013).

One student was reclassified by the school prior to the census date, but the District did not change the designation until after the census date. As a result, this student was incorrectly reported as EL and should be excluded from the District's Unduplicated Pupil Count (UPC).

For one student, the school was unable to provide the supporting documentation for the EL designation. According to the school's official, the California English Language Development Test (CELDT) was not returned by the state vendor. Thus, a hand score had to be performed by the school. However, the Student Score Sheet was not retained. As a result, we are unable to verify the student's EL designation.

For two students, multiple records were keyed into the CALPADS to enter the student initial EL designation, subsequent reclassification of the EL designation, and other demographic data. Due to CALPADS functionality, the subsequent changes to the EL designation inputted into CALPADS were override by the original entry of EL. As a result two students were incorrectly reported as EL and should be excluded from the District's UPC.

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The four exceptions noted were extrapolated to the EL population based on the error rate of the samples selected. The following is a summary of the exceptions noted in our testing and the extrapolated impact on the District's UPC and UPP:

School	Total Enrollment	UPC	UPP	UPC Adjusted Based on Eligibility of FRPM	UPC Adjusted Based on Eligibility for EL Funding	UPC Adjusted Based on Eligibility for Both FRPM and EL	Adjusted Total UPC	Adjusted UPP
Los Angeles Unified School District	517,609	437,944	84.61%	-	(92)	*	437,852	84.59%
Belmont Senior High	970	854	88.04%	-	(1)	-	853	87.94%
John Muir Middle	1,062	949	89.36%	-	(1)	-	948	89.27%
Loreto Street Elementary	376	366	97.34%	-	(1)	-	365	97.07%
Venice Senior High	2,139	1,434	67.04%	-	(1)	-	1,433	66.99%

\* The adjustment represents the extrapolated impact of the error on the District's UPC. Refer to the Questioned Costs section for additional details.

In addition to the previously mentioned exceptions, we noted that 28 students from 17 schools were incorrectly reported in CALPADS as EL as of the census date. Although these students were incorrectly reported as EL, these students qualified for FRPM and could have been included in the District's UPC. As such, there were no adjustments to the District's UPC related to these 28 students.

#### Questioned Costs

We determined the total impact of the four findings on the District by extrapolating the noted errors to the total UPC. We determined that the total extrapolated impact on the District's UPC is 92 students.

We decreased the District's UPC by the extrapolated impact of 92 students, and calculated an Adjusted UPC of 84.59%.

We applied the Adjusted UPC to the District's LCFF State Aid, Adjusted for Minimum State Aid Guarantee for fiscal year 2013-14, and we computed total questioned costs to be \$64,194.

#### Recommendation

We recommend that the School Information Branch of the District provide updates and training to the staff regarding data entry requirements of CALPADS. Additionally, staff inputting records into CALPADS should validate the accuracy of the data entered and accepted by the system.

Further, the District's schools should follow-up with the state vendor regarding unreturned tests which are used in determining the student's EL eligibility, and should retain a copy of the hand-calculated Student Score Sheet as supporting documentation.

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The School Information Branch will provide training to staff on the data reporting requirements of CALPADS by February 27, 2015. In addition, the District's policy document for EL eligibility processes will include the policy to retain a copy of the hand-calculated Student Score Sheet at the school site.

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#### **Findings Related to the Basic Financial Statements Reported in Accordance with *Government Auditing Standards***

#### **FS-13-01 Construction in Progress and Transfers to Depreciable Capital Assets – Material Weakness**

State Audit Guide Finding Code: 30000

#### **Recommendation**

We recommend that the initial determination of what projects should be recorded to Object 6000-Capital Outlay, and the evaluation, determination and documentation related to the completion of projects, be performed by employees with adequate knowledge of the financial accounting for such assets.

The District's Financial Reporting Division should establish new and improved policies and procedures, with proper oversight by employees with adequate knowledge, to ensure that the CIP account is analyzed and reconciled on a timely basis by project level. The analysis should validate that (1) completed projects are moved timely from CIP to the appropriate fixed asset account to be depreciated; (2) projects remaining in CIP at year-end represent projects required to be capitalized in accordance with GAAP; (3) repair projects which do not meet the accounting standards to be capitalized, are timely expensed; (4) cancelled projects are timely expensed, and all costs in CIP have been properly allocated/direct charged to each project.

#### **Current Status**

Facilities Services Division (Facilities), in collaboration with Finance, Information Technology Division (ITD), and Integrated Library and Textbook Support Services (Library), developed the Project Capitalization Policy for use on districtwide capital programs. The document has been reviewed and was finalized and approved on July 17, 2014. It provides guidelines and procedures for capitalization of fixed assets, including trigger for recording beneficial use to begin service life of the asset for depreciation purposes.

Facilities, ITD and Library identified staff in their respective departments with responsibilities for project accounting and reporting of capital assets and periodic review of asset reports. The staff was provided training in June 2014. The first session focused on project capitalization, while the second session covered use of SAP reports to display asset data and to determine if projects are appropriately set for capitalization. Further training is planned for new staff and to review lessons learned from the asset settlement process.

Facilities has combined various data files and created an Asset Capitalization Master file to track project capitalization activities. Data is still being cleansed and consolidated. Once the file is completed, the information will be integrated into COLIN, Facilities' project controls system. This system modification with related workflows and exception reports is estimated to be completed in March 2015.

ITD closely monitored status of IT projects and has updated QuickBase and other IT project database to ensure that assets are settled timely and accurately in SAP. A monthly project dashboard is also

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produced by the ITD Project Management Office to show the status of IT projects in terms of scope, schedule, and budget.

Since the District finalized and adopted the new Project Capitalization Policy in July 2014 and is in the process of implementing the changes and improvements to the procedures, certain CIP related issues still existed during FY 2013-14. See ML-14-08 in the management letter on page 328.

**FS-13-02 Standardized Change Management Process – Significant Deficiency**

State Audit Guide Finding Code: 30000

**Recommendation**

Each system should have a change management process that adheres to consistent approvals for all LAUSD accounting systems. Procedures should include documenting business sponsor, ITD and user acceptance approval using an actual signature or workflow system user account for processing program change requests.

**Current Status**

Corrective action(s) implemented. Change management procedures have been developed by ITD.

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**Findings and Questioned Costs Related to Federal Awards**

**1. Finding F-13-01 – Allowable Costs – Payroll Certifications and Documentation for Specially Funded Employee Positions**

**Program Identification:**

**Special Education Cluster:** Grants to States, Preschool Grants, U.S. Department of Education (USED), Passed through the California Department of Education, CFDA No. 84.027, Grant Agreement 12-13379-6473-01;

**L.A.'s Bold Competition:** Turning Around and Operating Its Low-Performance Schools, U.S. Department of Education, CFDA No. 84.396, Grant Agreement U396C100336;

**Workforce Investment Act, Title II:** Adult Education and Family Literacy Act, U.S. Department of Education, Passed through the California Department of Education, CFDA No. 84.002, Grant Agreement 13-Multiple-6473.

**Recommendation**

We recommend that the District continue to provide ongoing training to appropriate personnel on the updated procedures and include a process to monitor compliance with those procedures.

**Current Status**

Implemented

**2. Finding F-13-02 – Allowable Costs – Not Allowable Activities and Unsupported Documentation to Non Payroll Expenditures**

**Program Identification:**

**Title I Grants to Local Educational Agencies:** U.S. Department of Education, Passed through the California Department of Education, CFDA No. 84.010, Grant Agreement 14329;

**Teacher Incentive Fund Initiative:** U.S. Department of Education, CFDA No. 84.374, Grant Agreement S374A120066.

**Recommendation**

**Title I Grants to LEAs (CFDA #84.010):** We recommend that the District continue to provide guidance/training to ensure appropriate costs are charged to federally funded programs.

**Teacher Incentive Fund Initiative (CFDA #84.374):** The District should prepare an adjusting journal entry to correct the above error and provide proof of correction for the grantor's follow-up.

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**Current Status**

Implemented

**3. Finding F-13-03 – Eligibility - Lack of Effective and Timely Monitoring of CCTR Centers**

**Program Identification:**

**Child Nutrition Cluster:** School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children, U.S. Department of Agriculture, Passed through the California Department of Education, CFDA No. 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, Passed through the California Department of Education, CFDA No. 93.575 and 93.596, Grant Agreements CSPP-2211 and CCTR-2210.

**Recommendation**

**Child Nutrition Cluster:** We recommend that the District continue to provide training to its staff that perform the verification of eligibility, to ensure that errors in calculations may be minimized.

**Child Care and Development Fund:** We recommend that 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 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.

**Current Status**

Implemented

**4. Finding F-13-04– Equipment – Equipment Management Policies**

**Program Identification:**

**Title I Grants to Local Educational Agencies,** U.S. Department of Education (USDE), Passed through the California Department of Education, CFDA No. 84.010, Grant Agreements 14329-6473 and 14981-6473,

**Vocational Education Basic Grants to States (Perkins IV),** U.S. Department of Education (USDE), Passed through the California Department of Education, CFDA No 84.048, Grant Agreements 12-14893-6473 and 12-14893-7443;

**School Improvement Grants,** Department of Education, Passed through the California Department

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of Education, CFDA No 84.377 and 84.388, Grant Agreements

**Workforce Investment Act (WIA), Title II: Adult Education and Family Literacy Act**, U.S. Department of Education (USDE). Passed through the California Department of Education, CFDA No. 84.002, Grant Agreement No: Multiple-6473. 12-13970-6473;

**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.

**Current Status**

Implemented

**5. Finding F-13-05 – Matching, Level of Effort and Earmarking**

**Program Identification:**

**Teacher Incentive Fund Initiative**, U.S. Department of Education, CFDA No. 84.374A, Grant Agreement S374A120066;

**Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)**, U.S. Department of Education, CFDA No. 84.334, Grant Agreement P334A110166;

**Bold Competition (i3)**, U.S. Department of Education, CFDA No. 84.396, Grant Agreement U396C100336;

**Recommendation**

**Teacher Incentive Fund Initiative** – Program Staff should review the District’s established policies and procedures to ensure that proper documentation is prepared and maintained to support the matching.

**GEAR-UP** – Program staff should update its policies and procedures to require proper documentation be prepared and maintained to support the matching. We also recommend that the policy and procedure include proper timely review of the supporting documentation.

**Bold Competition** – Effective October 1, 2012, the District program office implemented a policy and procedure for reviewing the matching expenditures. We recommend that the program office continue to follow the procedures as described in the *Intensive Support and Intervention Division Public School Choice Office Process for Reviewing Matching Expenses*.

**Current Status**

Implemented

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**6. Finding F-13-06 – Reporting- Performance Reporting**

**Finding F-12-09 – Reporting- Performance Reporting**

**Finding F-11-12 – Reporting- Performance Reporting**

**Program Identification:**

**Teacher Incentive Fund Initiative**, U.S. Department of Education, CFDA No. 84.374A, Grant Agreement Grant Agreement S374A120066;

**Magnet Schools Assistance**, U.S. Department of Education, CFDA No 84.165, Grant Agreement U165A10057;

**Child Nutrition Cluster: School Breakfast Program**, National School Lunch Program, Summer Food Service Program for Children, Passed through the California Department of Education, U.S. Department of Agriculture CFDA 10.553, 10.555, and 10.559, Grant Agreement 19-64733-0000000-01;

**Vocational Education Basic Grants to States (Perkins IV)**, U.S. Department of Education, Passed through the California Department of Education, CFDA No. 84.048, Grant Agreements 12-14894-6473-00, 12-14893-6473-00, 12-14893-7443-00, 11-14894-6473-00, 11-14893-7443-00, 11-14893-6473-00, and 09-14894-64733-00;

**Twenty-First Century Community Learning Centers**, U.S. Department of Education (USDE), Passed through the California Department of Education (CDE), CFDA No 84.287, Grant Nos. 11-14535-6473-4A, 11-14535-6473-5A, 11-14349-6473-5A, 11-14535-6473-4A, 10-14349-6473-4A, 10-14349-6473-5A, 10-14535-6473-4A, 10-14535-6473-5A, 10-14535-6473-6A.

**Recommendation**

**Child Nutrition Cluster (CDE #s 10.553, 10.555, and 10.559):** We recommend the District determine the cause of the variances. Program staff should perform a reconciliation between the claimed percentages with the CMS for all other schools and months under Provision 2 and make an adjustment accordingly, if any. We also recommend that the District strengthen its controls to ensure the claim percentages be reconciled with the CMS and such review should be performed periodically.

**Magnet Schools Assistance (CFDA 84.165) and Teacher Incentive Fund Initiative (CFDA 84.374A):** Policies and procedures should be implemented to strengthen its controls over APR reporting for the TIF Program, to ensure that reports are accurately reconciled to the actual data.

With regards to the specific finding related to reporting expenditure for each school under the Magnet School Assistance, the District should report the total cost per school in accordance with the instructions and adjust the total accumulative expenditures per school in the next APR.

**Section 132 – ROC/P Adult Vocational Education Basic Grants:** The District should continue to monitor and enforce the policies and procedures they have implemented which has strengthened and

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improved its controls over reporting for the Secondary and Adult Vocational Education program, to ensure that students' data are not lost and the data collection is documented adequately.

**Section 131 – Secondary Vocational Education Basic Grants:** 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.

**Twenty-First Century Community Learning Centers:** The District should continue to strengthen its control procedures to closely monitor its outside vendor to ensure that attendance data is compiled and reported accurately in accordance with the State requirements.

**Current Status**

Implemented

**7. Finding F-13-07 – Special Tests and Provisions**

**Program Identification:**

**Title I Grants to LEAs, U.S. Department of Education.** Passed through the California Department of Education, CFDA 84.010, Grant Agreement 14329-6473.

**Recommendation**

We recommend that the District continue to strengthen its monitoring process to ensure that schools are compliant with the principal attestation requirement and submit accurate certifications timely.

**Current Status**

Implemented

**8. Finding F-13-07 – Special Tests and Provisions (Parent Notification Letters) – Support for Notifications**

**Finding F-12-10 – Special Tests and Provisions (Parent Notification Letters) – Support for Notifications**

**Finding F-11-18 – Special Tests and Provisions (Parent Notification Letters) – Support for Notifications**

**Program Identification:**

**English Language Acquisition Program, U.S. Department of Education,** Passed through the California Department of Education, CFDA 84.365, Grant Agreement 14346-64733;

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**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 as per the English Language Acquisition Program.

**Current Status**

Implemented

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### Findings and Questioned Costs Relating to State Awards

#### S-13-01 Regular and Special Day Classes – Elementary Schools – Attendance Computations

**State Audit Guide Finding Codes:** 10000 and 40000

##### Schools Affected

- Barton Hill Elementary School
- Manhattan Place Elementary School
- Darby Elementary School
- Eshelman Elementary School
- Aragon Elementary School
- Lanai Road Elementary School

##### 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.

##### Current Status

Implemented for Affected Schools

#### S-13-02 - Regular and Special Day Classes – Secondary Schools – Attendance Computations

**State Audit Guide Finding Codes:** 10000 and 40000

##### Schools Affected:

- Curtiss Middle School
- Markham Middle School
- Emerson Middle School
- Cortines High School
- University High School

##### 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.

##### Current Status

Implemented for Affected Schools

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#### **S-13-03- School Accountability Report Card**

**State Audit Guide Finding Code:** 72000

##### **Schools Affected**

- Cimarron Elementary School
- Cortines School Of VPA
- Eshelman Elementary School
- Hope High School
- La Salle Elementary School
- Liechty Middle School
- Manhattan Place Elementary School
- University High School

##### **Recommendation**

We recommend that information on the District's Facilities Conditions' Evaluation be uploaded accurately in the District's SARC. The District should conduct a review of the uploaded information in SARC to ensure its accuracy and its consistency with its source documents.

##### **Current Status**

The actions to this finding were implemented prior to the publication of 2012-13 SARC in February 2014.

#### **S-13-04 – After School Education and Safety Program**

**State Audit Guide Finding Code:** 40000

##### **Schools Affected**

- Melvin Elementary School
- Herrick Elementary School
- Madison Elementary School
- Byrd Middle School
- El Sereno Middle School
- Kittridge Elementary School
- Mack Elementary School
- Carver Middle School
- Gage Middle School
- Nimitz Middle School
- Beachy Elementary School
- Huntington Park Elementary School
- Sharp Elementary School
- Vernon Elementary School
- 6th Ave Elementary School
- 15<sup>th</sup> Street Elementary School
- West Vernon Elementary School
- 24<sup>th</sup> Street Elementary School
- Barett Elementary School
- Emelita Elementary School
- Humphreys Elementary School
- City Terrace Elementary School
- Garden Grove Elementary School
- Heliotrope Elementary School
- Montara Elementary School
- Parmelee Elementary School
- Fernangeles Elementary School
- 49th St. Elementary School
- Valerio Elementary School

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#### **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 continue performing agency visits to make sure that the established policies are complied with.

#### **Current Status**

Beyond the Bell Branch continues to refine and implement the procedures indicated to ensure we are providing training on attendance policies and procedures, as well as how we monitor how the procedures are implemented at the sites, to ensure documentation of reported attendance figures is readily available and accurate for auditing purposes.

**INDEPENDENT AUDITOR'S MANAGEMENT LETTER**



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**SIMPSON & SIMPSON**  
CERTIFIED PUBLIC ACCOUNTANTS  
  
FOUNDING PARTNERS  
BRAINARD C. SIMPSON, CPA  
MELBA W. SIMPSON, CPA

December 15, 2014

The Honorable Board of Education  
Los Angeles Unified School District  
Los Angeles, California

Members of the Board:

In planning and performing our audit of the financial statements of the **Los Angeles Unified School District** (District) as of and for the year ended June 30, 2014, 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 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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies as items FS-14-01 through FS-14-05.

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 324 to 331. Our observations and recommendations have been discussed with appropriate members of management and are intended to strengthen internal controls and operating efficiency.



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 &amp; Simpson". The signature is written in black ink and is positioned below the "Very truly yours," text.

## **Current Year Management Letter Comments**

### **ML-14-01 Payroll's SAP PA30 Maintain Human Resource Data Access**

#### **Observation**

There are (11) ITD Developer personnel with the ability to update or maintain Human Resource Data via SAP Payroll's PA30 transaction.

#### **Impact**

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**

Inappropriate access to SAP Payroll's PA30 Maintain Human Resource Data transaction should be removed in a timely manner. Also, the District's SAP GRC (Governance, Risk and Compliance) tool can be utilized to facilitate and document a periodic review (for example every 6 to 12 months) of SAP security roles by their respective business owner.

#### **Management Response**

Transport moved into production on June 24, 2014 will clean up all access. We have implemented GRC Firefighter to better manage SAP Production Support Team activities.

### **ML-14-02 SAP Maintain Payroll Position Descriptions Access**

#### **Observation**

There are one (1) ITD Functional and one (1) ITD Developer personnel (a contractor) who have the ability to maintain payroll position descriptions via SAP's PO13 transaction. Upon further research, it was determined that although the contractor was assigned a role that contained the PO13 transaction, the transaction was not used by the contractor.

#### **Impact**

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**

Inappropriate access to SAP Payroll's maintain payroll position descriptions (PO13) transaction should be removed in a timely manner. Also, the District's SAP GRC tool can be utilized to facilitate and document a periodic review (for example every 6 to 12 months) of SAP security roles by their respective business owner.

## **Current Year Management Letter Comments**

### **Management Response**

The ITD Developer is a consultant whose user ID was locked in August 2013. His access was removed. The ITD Functional's access was removed as well.

### **ML-14-03 SAP Correct Payroll transaction Access**

#### **Observation**

One (1) ITD personnel has the ability to correct payroll with access to SAP Payroll's Correct Payroll transaction (PC00\_M99\_PA03\_CORR).

#### **Impact**

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**

Inappropriate access to SAP Payroll's Correct Payroll transaction (PC00\_M99\_PA03\_CORR) should be removed in a timely manner. Also, the District's SAP GRC tool can be utilized to facilitate and document a periodic review (for example every 6 to 12 months) of SAP security roles by their respective business owner.

### **Management Response**

This individual no longer have access to the t-code.

### **ML-14-04 SAP Maintain Benefit Tables Transaction Access**

#### **Observation**

There are three (3) ITD personnel with the ability to maintain benefits tables with access to SAP's PA92 transaction.

#### **Impact**

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.

## **Current Year Management Letter Comments**

### **Recommendation**

Inappropriate access to SAP Payroll's maintain benefit tables transaction (PA92) should be removed in a timely manner. Also, the District's SAP GRC tool can be utilized to facilitate and document a periodic review (for example every 6 to 12 months) of SAP security roles by their respective business owner.

### **Management Response**

These individuals no longer has access to the t-code.

### **ML-14-05 SAP Cost Center Assignments Transaction Access**

#### **Observation**

Update access to the SAP cost center assignments transaction (PP03) is assigned to three (3) ITD developer personnel.

#### **Impact**

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**

Inappropriate access to the SAP cost center assignments transaction (PP03) should be removed in a timely manner. Also, the District's SAP GRC tool can be utilized to facilitate and document a periodic review (for example every 6 to 12 months) of SAP security roles by their respective business owner.

#### **Management Response**

These individuals no longer has access to the t-code.

### **ML-14-06 SAP Additional Payments Infotype Access**

#### **Observation**

Two (2) ITD personnel have update access to the SAP Additional Payments infotype (015).

## **Current Year Management Letter Comments**

### **Impact**

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**

Inappropriate access to the SAP Additional Payments infotype (015) should be removed in a timely manner. Also, the District's SAP GRC tool can be utilized to facilitate and document a periodic review (for example every 6 to 12 months) of SAP security roles by their respective business owner.

### **Management Response**

ITD BASE Benefits have updated the life Insurance plans for the employees and going forward we have trained the Business owners to perform the task, access will be removed with the June 24th transport.

## **ML-14-07 Business Continuity /IT Disaster Recovery Planning**

### **Observation**

A Business Continuity Plan which comprises IT Disaster Recovery and Business Processing Plans has not been completed, although they are in process. Such plans are designed to reduce the impact of a major disruption on key business functions and processes.

### **Impact**

In the event of major disruption, the District will not be able to recover its critical accounting systems, business operations and processes in a timely manner.

### **Recommendation**

A Business Continuity Plan 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.

### **Management Response**

Progress has been made in developing the Disaster Recovery/ Business Continuity Program plans and they are expected to be completed by May 2015.

## **Current Year Management Letter Comments**

### **ML-14-08 Construction in Progress and Transfers to Depreciable Capital Assets**

#### **Observation**

Since 1997, the District has undertaken numerous construction projects to either repair or modernize existing school facilities and, starting in 2001, to build new schools. Facilities Program Support Services, a branch within the District's Facilities Services Division (FSD), facilitates the proper accumulation and recording of the costs related to construction projects. The Information Technology Division (ITD) and Integrated Library and Textbook Support Services (ILTSS) facilitate proper accumulation and recording of the costs related to School Network Modernization Projects and Library Renovation Programs, respectively. ITD also is responsible for all internally developed software used by the District.

Construction in progress (CIP) is a District general ledger account that refers to the temporary classification of capital assets that are being built/assembled/developed before being placed in service. The District tracks all its costs related to the building/assembly/development of such assets until the asset is completed. The District's formal policy for the determination of when an FSD project is completed is the Notice of Completion (NOC), which is filed with the Los Angeles County Registrar-Recorder Office. For ITD School Network Modernization Projects, the Test and Acceptance Form is the determination of completion. Internally developed software is moved to completed projects when substantially completed and put in service. For ILTSS projects, the "Budget Modification Form" issued to close the project is the determination of completion.

During our testing of the costs accumulated in CIP and transfers to depreciable capital assets, we noted that certain Facilities construction, ITD, and ILTSS projects amounting to \$15.1 million, \$5.9 million, and \$6.2 million, respectively, were completed during fiscal year 2014 but were still in CIP. We also noted that trailing charges related to certain depreciable capital assets in the amount of \$8.5 million that remained in CIP have not been transferred to depreciable capital assets. Depreciation expenses related to these completed projects amounted to \$1.3 million for fiscal year 2014 and \$0.1 million for prior fiscal years. In addition, we noted that certain projects with cumulative costs of \$8.0 million were completed in prior years, but were transferred and recorded to depreciable capital assets during fiscal year 2014. The related depreciation expenses that should have been reported in prior years amounted to \$0.9 million.

#### **Impact**

During fiscal year 2014, the District has established new and improved policies and procedures and conducted training for the analysis and reconciliation of the CIP accounts. In its continuous effort to clean up the CIP accounts, misclassification of construction in progress and depreciable capital assets were discovered that resulted in audit adjustments in depreciation expenses for fiscal year 2014.

#### **Recommendation**

We recommend that the FSD, ITD, and ILTSS departments dedicate sufficient staff resources to perform timely analysis and review of the CIP accounts.

## **Current Year Management Letter Comments**

### **Management Response**

Management notes that there have been significant improvements in accounting for construction in progress and transfers to depreciable capital assets. The District will continue the improvements by 1) on-going update of policies and procedures, as needed, 2) providing basic and advanced training at least once a year and 3) identifying issues and providing oversight to the settlement process and linking asset records to projects in the accounting system of record, SAP.

### **ML-14-09 Procurement of Construction Contracts**

#### **Observation**

During our review of the internal controls over the District's procurement procedures related to construction contracts, we noted that a total of three out of 22 procured construction contract samples were missing the Public Works Contracts (PWC) form.

Public works refers to construction projects that are paid for in whole or in part out of public funds. The PWC form should be completed by the awarding body, and submitted through the California Department of Industrial Relations (DIR) online access. The completion and the submission of this form fulfills the required public works project award notification to both the Division of Apprenticeship Standards [Labor Code sec. 1773.3 (replacing former DAS-13 notification) and the Division of Labor Standards Enforcement Public Works Compliance Monitoring Unit [8 Cal. Code Reg. sec. 16451(a)]

The District, in their effort to retrieve the PWC from the DIR's website, was unable to access their prior submissions. As a result, the District was unable to support their preparation and submission of the PWC.

#### **Impact**

Failure to submit the PWC to the DIR would result in non-compliance with the respective labor code.

#### **Recommendation**

The District should adhere to the reporting requirements set forth by the DIR, and retain supporting documentation of the submission.

#### **Management Response**

Management concurs. The Construction Contracts team will work to resolve issues with online access and submission of the online PWC 100 forms. In the interim, Facilities Contracts will submit paper PWC-100 forms to ensure compliance with this requirement.

## **Current Year Management Letter Comments**

### **ML-14-10 Procurement of Professional Services**

#### **Observation**

Our review over the internal controls of the District's procurement procedures related to Professional Services revealed a total of three task order contracts with procured vendors in which the District did not obtain a Due Diligence investigation and/or background check in a timely manner.

Based on the District's Desk-Top Procedures for Facilities Contracts, revised in April 2013, "The District will perform due diligence investigation and/or background check of any Architectural-Engineering (A-E) or Professional Services firm planning to enter into a contract agreement with the District."

The thresholds and timing requirements for when the Due Diligence reports are to be requested are as follows: "For any one contract over \$1 million in value or multiple contracts for a single firm with a potential cumulative value of over \$1 million, Facilities Contracts will request OIG to perform a Due Diligence Investigation. The District may delay due diligence investigations for task order contracts until the cumulative assigned task orders approach the required limits. This investigation will take approximately 4-6 weeks to prepare and Facilities Contracts may use the results of this audit for up to two years after its completion."

The total cumulative value of assigned task orders for all three vendors procured reached the \$1 million threshold during Fiscal Year 2014.

As of June 30, 2014, the District has not requested the OIG to perform a Due Diligence Investigation for two of the three vendors procured, upon the cumulative assigned task order reaching the required limit.

For one of the three vendors procured, the District relied on a prior Due Diligence Investigation which was performed beyond the allowable two year window as per the requirement.

#### **Impact**

Untimely review of procured vendor's Due Diligence Investigation will delay the District's response to potential issues which may arise from the investigation. As it states in the District's Desk-Top Procedures for Facilities Contracts, "upon review of the Due Diligence Investigation, if there are any serious issues which are uncovered, the Director of Facilities Contracts (or his designee) will conduct a responsibility hearing with the firm to validate/discard the issues raised. If the responsibility hearing proves the firm is non-responsible, the Facilities Contracts will not issue any additional task orders to that firm until the contract expires."

#### **Recommendation**

The District should adhere to the District's Desk-Top Procedures for Facilities Contracts, and perform Due Diligence Investigations based on the requirements.

*The Honorable Board of Education  
Los Angeles Unified School District  
December 15, 2014*

### **Current Year Management Letter Comments**

#### **Management Response**

Management concurs. Controls will be implemented to ensure that Task Order contracts that have reached \$750,000 in total contract value will have a Due Diligence performed to ensure that potential issues are addressed in a timely manner. Management will review all task order contracts that have reached the \$750,000 threshold to ensure that Due Diligence reports are requested and reviewed by April 15, 2015.

**Status of Prior Year Management Letter Comments**

**ML-13-01 Lack of Sufficient Authorization for SAP Program Changes**

**Recommendation**

SAP Transport Request forms should be consistently approved by the appropriate business management personnel (i.e., business sponsor) prior to implementing a transport request into production.

**Current Status**

Corrective action(s) not implemented. See FS-14-01 of the Section II – Findings Relating to the Basic Financial Statements which are Required to be Reported in Accordance with GAS.

**ML-13-02 SAP Maintain Payroll Position Descriptions Access**

**Recommendation**

ITD management should periodically review access to the maintain payroll position descriptions (PO13) transaction code and remove inappropriate access in a timely manner.

**Current Status**

Corrective action(s) implemented. Access removed.

**ML-13-03 Access To Mainframe System Parameter Datasets (SYS1\*.\*)**

**Recommendation**

ITD management should periodically review access to SYS1\*.\* datasets that control the IFS environment and remove inappropriate access in a timely manner.

**Current Status**

IFS was replaced as of July 2013. Accordingly, no further action(s) are required.

**ML-13-04 IFS Production Dataset Access**

**Recommendation**

ITD management should periodically review access to IFS production data and remove inappropriate access in a timely manner.

## **Status of Prior Year Management Letter Comments**

### **Current Status**

IFS was replaced as of July 2013. Accordingly, no further action(s) are required.

### **ML-13-05 Welligent Change Control**

#### **Recommendation**

ITD management should implement program change control procedures that include documenting business sponsor, ITD and user acceptance approval.

#### **Current Status**

Corrective action(s) implemented. Change control procedures have been documented.

### **ML-13-06 Ineffective Accrual Procedures for Construction-Related Payments**

#### **Recommendation**

The District should implement a systematic methodology or procedure to be used in determining what expenditures need to be recorded as accrued liabilities in the appropriate fiscal year, especially for departments that involve high volume of expenditure transactions. For construction-related expenditures where typically, actual billings by vendors take place at a much later date from when the services are rendered, project managers and other employees responsible for overseeing delivery of goods and services from third party vendors should be made responsible and held accountable to coordinate with FSD, ITD and Accounts Payable Department in determining ongoing projects for which services have been rendered but have not been billed at year-end. Alternatively, these same project managers/employees may be assigned the responsibility to coordinate with third party vendors to encourage timely submission of billings/invoices. Actual billings/invoices can then be the basis for the amount of expenditures to be accrued at year-end.

#### **Current Status**

Corrective actions(s) implemented. Facilities and ITD have made significant improvements to their procedures for accruing construction-related payments. These improvements include better coordination between staff and vendors, implementation of three-way-match in the SAP accounting system, recording of expense at GR posting, and changes in accounting for retention. These improvements substantially reduced missed construction accruals down to immaterial amounts in fiscal year 2013-14.

**Status of Prior Year Management Letter Comments**

**ML 13-07 Analysis of Accounts Receivable – Overpayments**

**Recommendation**

We recommend that the District continue implementing procedures to develop and maintain an organized subsidiary ledger of Accounts Receivable – employee overpayments, where overpayments and corresponding collections of these overpayments, by employee, are accounted for. In that way, the District has a better basis of determining the overpayments' impact in the fund financial statements.

**Current Status**

Corrective actions(s) implemented. The District has developed and maintained subsidiary ledgers that detail the overpayment receivable by employee. The Payroll Administration's management is in the process of implementing 14 new wage types to track all overpayments and unrecoverable amounts. The new wage types will post to the subsidiary ledgers and have information that reflects, at the employee level, the overpayments and corresponding collections made to the overpayments. This will also serve to improve the process currently applied by the District's management to assess the collectability of overpayments which are used to estimate the reserve for bad debts.

**ML-12-03 – Construction in Progress and Transfers to Depreciable Capital Assets**

**Recommendation**

We continue to recommend that the FSD perform a more thorough analysis of costs incurred for New Construction, Existing Facilities and Library Services projects when deciding whether these projects are completed and are ready to be put into operation and therefore, are to be depreciated.

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" document for the project's primary construction contractors. Supposedly, this document denotes that a project is completed or substantially completed. This information has to be verified by the facilities group 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.

**Current Status**

Corrective action(s) not implemented. See ML-14-08 of the Current Year Management Letter Comments.

**Status of Prior Year Management Letter Comments**

**ML-11-01 - Data Center Physical Access**

**Recommendation**

Data Center access reports should be reviewed and signed periodically (e.g., every 6 to 12 months) by ITD management to identify and remove inappropriate physical access to the data center.

**Current Status**

Corrective action(s) implemented. Data Center access has been reviewed and documented.

**ML-11-04 - IT Asset Inventory Management**

**Recommendation**

An IT asset discovery tool should be implemented to support the management of IT asset inventory.

**Current Status**

Corrective action(s) implemented. ITD implemented BMC's ADDM (Atrium Discovery and Dependency Mapping) IT discovery tool in 2013 to inventory network connected computer devices (e.g., servers).

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## APPENDIX C

### BOOK-ENTRY ONLY SYSTEM

THE INFORMATION IN THIS APPENDIX C CONCERNING THE DEPOSITORY TRUST COMPANY AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE DISTRICT AND THE UNDERWRITER BELIEVE TO BE RELIABLE, BUT THE DISTRICT AND THE UNDERWRITER TAKES NO RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS THEREOF. THERE CAN BE NO ASSURANCE THAT THE DEPOSITORY TRUST COMPANY WILL ABIDE BY ITS PROCEDURES OR THAT SUCH PROCEDURES WILL NOT BE CHANGED FROM TIME TO TIME.

The Depository Trust Company (“DTC”) will act as securities depository for the Bonds. The 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 security certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC 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”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com). Information on these websites is not incorporated herein by reference.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each security (“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 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all 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 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the 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. If less than all of the Bonds are to be 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 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 District 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and other payments on the 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, 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 or the District subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and other payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District, 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.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District. Under such circumstances, in the event that a successor depository is not obtained, security certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC and the requirements of the Resolution with respect to certificated Bonds will apply.

THE DISTRICT, THE COUNTY, THE PAYING AGENT, THE FINANCIAL ADVISOR, AND THE UNDERWRITER CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (I) PAYMENTS OF PRINCIPAL OF AND INTEREST EVIDENCED BY THE BONDS (II) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE BONDS OR (III) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

NEITHER THE DISTRICT, THE COUNTY, THE PAYING AGENT, THE FINANCIAL ADVISOR, NOR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OR COMPLETENESS OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST ON THE BONDS, (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE RESOLUTION, OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE BONDS.

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## APPENDIX D

### PROPOSED FORM OF OPINION OF BOND COUNSEL

*Upon the delivery of the Bonds, Hawkins Delafield & Wood LLP, Bond Counsel to the District, proposes to render its final approving opinion with respect to the Bonds in substantially the following form:*

Board of Education  
Los Angeles Unified School District  
Los Angeles, California

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance of the \$326,045,000 principal amount 2015 General Obligation Refunding Bonds, Series A (the "Bonds") by the Los Angeles Unified School District (the "District"). The Bonds are being issued pursuant to the laws of the State of California (the "State") and a resolution adopted by the Board of Education of the District on April 14, 2015 (the "Resolution").

In such connection, we have examined the Resolution, certain estimates, expectations and assumptions made by or on behalf of the District, originals, or copies identified to our satisfaction as being true copies, of such records and proceedings of the District and such other documents, including a certificate of the District relating to certain federal income tax matters (the "Tax Certificate"), and other matters deemed necessary to render the opinions set forth herein.

Based on the foregoing, we are of the opinion that under existing law:

(1) The Resolution has been duly adopted by the District and constitutes a valid and binding obligation of the District enforceable against the District in accordance with its terms.

(2) The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount (except as to certain personal property which is taxable at limited rates).

(3) Under existing statutes and court decisions, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations.

The Code establishes certain requirements which must be met subsequent to the issuance of the Bonds in order that the interest on the Bonds be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Bonds, restrictions on the investment of proceeds of the Bonds prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause the interest on the Bonds to become subject to federal income taxation retroactive to their date of execution and delivery, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of issuance of the Bonds, the District will execute a Tax Certificate relating to the Bonds containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the District represents that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that the interest on the Bonds will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in this paragraph (3), we have relied upon and assumed (i) the material accuracy of the District's representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of the interest on the Bonds, and (ii) compliance by the District with procedures and covenants set forth in the Tax Certificate as to such matters.

(4) Under existing statutes, interest on the Bonds is exempt from State of California personal income tax.

The foregoing opinions are qualified to the extent that the enforceability of the Bonds and the Resolution may be limited by bankruptcy, moratorium, insolvency or other laws affecting creditor's rights or remedies and is subject to general principles of equity (regardless of whether such enforceability is considered in equity or at law), to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities in the State of California.

Except as stated in paragraphs (3), (4) and (5) above, we express no opinion regarding any other Federal, state or local tax consequences with respect to the Bonds or the ownership or disposition thereof. Further, we express no opinion herein as the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Bonds, or under state and local tax law.

We render our opinion under existing statutes and court decisions as of the date of issuance of the Bonds, and we assume no obligation to update, revise or supplement this opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances, or any change in law or in interpretations thereof, or otherwise, that may hereafter arise or occur, or for any other reason.

This letter is furnished by us as Bond Counsel and is solely for your benefit and it is not to be used, circulated, quoted, or otherwise referred to for any purposes other than the issuance and delivery of the Bonds and may not be relied upon by any other person or entity without our express written permission, except that references may be made to it in any list of closing documents pertaining to the delivery of the Bonds.

Very truly yours,

## APPENDIX E

### 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 Bonds, which are being issued pursuant to the laws of the State of California and a resolution adopted by the Board of Education of the District on April 14, 2015 (collectively, the “Resolution”). 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 Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2 12(b)(5).

**Section 2.** Definitions. In addition to the definitions set forth in the Resolution, 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.

“Bonds” shall mean, collectively, the District’s 2015 General Obligation Refunding Bonds, Series A.

“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, the current internet address of which is <http://emma.msrb.org>.

“Holder” shall mean either the registered owners of the Bonds, or if the 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 May 6, 2015 with respect to the Bonds.

“Participating Underwriter” shall mean the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Resolution” shall mean the resolution adopted by the Board of Education of the District on April 14, 2015.

“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 EMMA System.

(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. 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 2014-15 Fiscal Year (which is due not later than February 25, 2016), 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. 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).

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.

The Dissemination Agent shall: 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 (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 hereof, 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) Table 3 – “Historical Gross Assessed Valuation of Taxable Property” if and to the extent provided to the District by the County;

(ii) Table 4 – “Assessed Valuation and Parcels by Land Use”;

(iii) Table 5 – “Assessed Valuations of Single Family Homes per Parcel”;

(iv) Table 7 – “Property Tax Levies, Collections and Delinquencies”, if and to the extent provided to the District by the County;

(v) Table 8 – “Largest Local Secured Taxpayers”;

(vi) Table A-1 “Annual Average Daily Attendance”;

(vii) Table A-6 – “District General Fund Budget” for the current fiscal year;

(viii) Table A-23 – “Proposition BB (Election of 1997) Bonds”, if and only to the extent that bonds issued pursuant to Proposition BB or bonds that have refunded such bonds are outstanding;

(viii) Table A-24 – “Measure K (Election of 2002) Bonds” , if and only to the extent that bonds issued pursuant to Measure K or bonds that have refunded such bonds are outstanding;

(ix) Table A-25 “Measure R (Election of 2004) Bonds”, if and only to the extent that bonds issued pursuant to Measure R or bonds that have refunded such bonds are outstanding; and

(x) Table A-26 “Measure Y (Election of 2005) Bonds”, if and only to the extent that bonds issued pursuant to Measure Y or bonds that have refunded such bonds are outstanding.

(c) It shall be sufficient for purposes of Section 4 hereof if the District provides annual financial information by specific reference to documents (i) available to the public on the MSRB Internet Web site (currently, [www.emma.msrb.org](http://www.emma.msrb.org)) or (ii) filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference. The provisions of this Section 5(c) shall not apply to notices of Listed Events pursuant to Section 6 hereof.

(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 cause to be provided, in a timely manner not in excess of ten (10) Business Days of the District having notice of such Listed Event, notice of such Listed Event to (i) the EMMA System of the MSRB and (ii) the Dissemination Agent.

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 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 Bonds, or other material events affecting the tax status of the 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 Bonds, 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;
- (xiv) appointment of a successor or additional Paying Agent or the change of name of a Paying Agent, if material; and
- (xv) any amendment or waiver of a provision of this Disclosure Certificate.

The District notes that items (viii), (ix), (x) and (xii) are not applicable to the Bonds.

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.

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.

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 Resolution.

**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 Bonds and the 9-digit CUSIP numbers for the 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 Bonds. If such termination occurs prior to the final maturity of the 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 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. (a) This Disclosure Certificate may be amended by the District without the consent of the holders of the Bonds (except to the extent required under clause (a)(iv)(2) below), if all of the following conditions are satisfied:

(i) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the District or the type of business conducted thereby;

(ii) this Disclosure Certificate as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(iii) the District shall have received an opinion of Hawkins Delafield & Wood LLP or other nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the District, to the same effect as set forth in (a)(ii) above;

(iv) either (1) the District shall have received an opinion of Hawkins Delafield & Wood LLP or other nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the District, to the effect that the amendment does not materially impair the interests of the holders of the Bonds or (2) is approved by the Holders of the Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Holders; and

(v) the District shall have delivered copies of such opinion and amendment to the MSRB through its EMMA system within ten (10) Business Days from the execution thereof.

(b) In addition to subsection 10(a) above, this Disclosure Certificate may be amended and any provision of this Disclosure Certificate may be waived, by written certificate of the District, without the consent of the holders of the Bonds, if all of the following conditions are satisfied:

(i) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Disclosure Certificate which is applicable to this Disclosure Certificate;

(ii) the District shall have received an opinion of Hawkins Delafield & Wood LLP or other nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the District, to the effect that performance by the District under this Disclosure Certificate as so amended or giving effect to such waiver, as the case may be, will not result in a violation of the Rule; and

(iii) the District shall have delivered copies of such opinion and amendment to the MSRB through its EMMA system.

(c) 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 hereof, and (ii) the Annual Report for the year in which the change is made should 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 Bonds then outstanding, shall) or any Holders or Beneficial Owners of the 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 Resolution, 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 Bonds.

**Section 14.** Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: May 28, 2015

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

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## APPENDIX F

### 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 Bonds.

#### County of Los Angeles Pooled Surplus Investments

The Treasurer and Tax Collector (the "Treasurer") of the County of Los Angeles (the "County") has the delegated authority to invest funds on deposit in the County Treasury (the "Treasury Pool"). As of March 31, 2015, 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	\$ 9.747
Schools and Community Colleges	12.649
Independent Public Agencies	2.319
Total	<u>\$24.715</u>

The Treasury Pool participation composition is as follows:

Non-discretionary Participants	90.61%
Discretionary Participants:	
Independent Public Agencies	7.99%
County Bond Proceeds and Repayment Funds	1.40%
Total	<u>100.00%</u>

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 31, 2015, reaffirmed the following criteria and order of priority for selecting investments:

1. Safety of Principal
2. Liquidity
3. Return on Investment

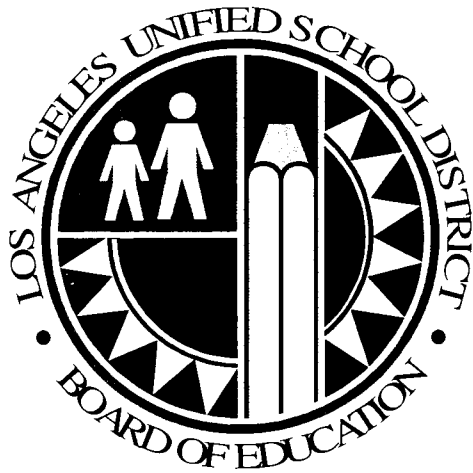
The Treasurer prepares a monthly Report of Investments (the "Investment Report") summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors. According to the Investment Report dated April 30, 2015, the March 31, 2015 book value of the Treasury Pool was approximately \$24.715 billion and the corresponding market value was approximately \$24.715 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. On a quarterly basis, the County's outside independent auditor (the "External Auditor") reviews the cash and investment reconciliations for completeness and accuracy. Additionally, the External Auditor reviews investment transactions on a quarterly basis for conformance with the approved Investment Policy and annually accounts for all investments.

The following table identifies the types of securities held by the Treasury Pool as of March 31, 2015:

Type of Investment	% of Pool
U.S. Government and Agency Obligations	51.65%
Certificates of Deposit	13.56
Commercial Paper	33.41
Bankers Acceptances	0.00
Municipal Obligations	0.15
Corporate Notes & Deposit Notes	1.23
Asset Backed Instruments	0.00
Repurchase Agreements	0.00
Other	<u>0.00</u>
	<u>100.00%</u>

The Treasury Pool is highly liquid. As of March 31, 2015, approximately 41.38% of the investments mature within 60 days, with an average of 557 days to maturity for the entire portfolio.



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