

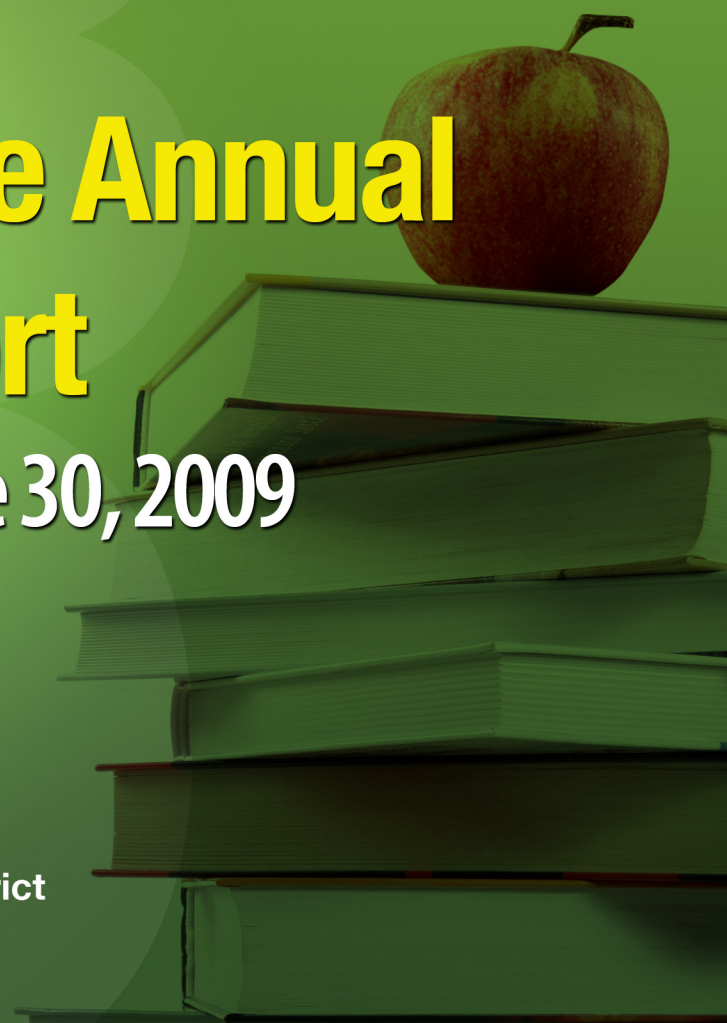


Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2009



Los Angeles Unified School District
Los Angeles, California



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

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2009**

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

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

**MR. TIMOTHY S. ROSNICK
CONTROLLER**



**PREPARED BY
ACCOUNTING AND DISBURSEMENTS DIVISION**

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

LOS ANGELES UNIFIED SCHOOL DISTRICT

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INTRODUCTORY SECTION

LOS ANGELES UNIFIED SCHOOL DISTRICT

Accounting and Disbursements Division

RAMON C. CORTINES
Superintendent of Schools

MEGAN K. REILLY
Chief Financial Officer



TIMOTHY S. ROSNICK
Controller

V. LUIS BUENDIA
Deputy Controller

TERESA SANTAMARIA
Deputy Controller

February 19, 2010

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

Dear Board Members:

The Comprehensive Annual Financial Report of the Los Angeles Unified School District (District), for the fiscal year ended June 30, 2009, 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 2008-2009 is Simpson & Simpson, CPAs. The independent auditor's report on the basic financial statements is presented in the Financial Section of this report on page 1.

Audit Results

The District received an Unqualified financial audit, which means that there were no significant findings during the audit of the financial statements. For the federal compliance audit, 3 programs received an Unqualified audit and 14 programs were Qualified. The District received an Unqualified state compliance audit. The Qualified federal compliance audit indicates that there were material weaknesses discovered during the audit.

The District is pleased that the number of findings during 2008-2009 declined from 43 to 29. In addition, the amount of the questioned costs declined 67%, from \$17.2 million in 2007-2008 to \$5.6 million in 2008-2009. Even with these improvements, the District will continue to work with schools and offices to focus on resolving the remaining areas of internal control and compliance issues.

Comprehensive Annual Financial Report

This report is presented in five sections:

I. Introductory

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

II. Financial

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

III. Supplementary

This section includes combining financial statements for nonmajor funds, schedules for capital assets and long-term obligations, and informational schedules for General Fund, Adult Education Fund, and Child Development Fund.

IV. Statistical

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

V. State and Federal Compliance Information

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

Profile of the Los Angeles Unified School District

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

As of June 30, 2009, the District is operating 437 elementary schools, 76 middle/junior high schools, 68 senior high schools, 60 options schools, 11 multi level schools, 17 special education schools, 22 magnet schools and 138 magnet centers, 24 community adult schools, 5 regional occupational centers, 5 skills centers, 1 regional occupational program center, 100 early education centers, 4 infant centers, and 28 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, 2009, the District employed 46,133 certificated,

33,773 classified, and 19,030 nonregular employees. Enrollment as of October 2008 was 637,051 students in K-12 schools, 147,406 students in adult schools and centers, and 10,787 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

As of this writing, the United States economy is still in the recession that began in December 2007. The unemployment rates for both the nation and California has generally been increasing since this date. As indicated in the table below, California’s unemployment rates for the months of January 2009 through December 2009 have been higher than the nation’s.

Month (2009)	U.S.	California
January	7.60%	10.10%
February	8.10%	10.60%
March	8.50%	11.20%
April	8.90%	11.10%
May	9.40%	11.60%
June	9.50%	11.60%
July	9.40%	11.90%
August	9.70%	12.30%
September	9.80%	12.30%
October	10.20%	12.50%
November	10.00%	12.40%
December	10.00%	12.40% (P)

P – Preliminary estimate

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

California’s State budget has been revised several times due to unstable economic conditions. The Governor’s State Budget for 2009 was enacted in February 2009, and served as the basis for the school districts’ 2008-2009 Second Interim report. Subsequently, the May Revised State Budget served as the basis for the school districts’ closure of the 2008-2009 budget and the development of the 2009-2010 budget. Lastly, the revised 2009-2010 State Budget enacted in July 2009 served as basis for the school districts’ 2009-2010 budget planning.

The May Revised State Budget included budget balancing solutions which did not materialize in the May 2009 statewide special election. These solutions comprised of Propositions 1A, 1B, and 1C which were most critical and significant for local education agencies. Because the aforementioned propositions did not pass in the May 2009 statewide special election, the basis for the school district’s 2008-2009 budget reverted back to the February 2009 State Budget.

Chronology of State Budget Adoptions

On December 1, 2008, the Governor declared a “fiscal emergency” which required the Legislature to hold a special session that must be acted upon within 45 days.

In response to a 2008-2009 projected deficit of \$11.2 billion and a projected deficit over a two-year period (2008-2009 and 2009-2010) of \$28 billion, the Governor proposed in the *first extraordinary session* a set of actions to address the deficit, including a \$2.5 billion reduction to Proposition 98. The Legislature developed a majority-vote budget package but did not send it to the Governor due to a threat of a veto. During the *second extraordinary session*, the Governor cited a continued decline in revenues and a 2008-2009 deficit of \$14.8 billion with a total projected deficit of \$41.8 billion for 2008-2009 and 2009-2010 periods.

On December 31, 2008, ten days before the constitutional deadline, the Governor released his budget for 2009-2010. In addition to the proposed 2009-2010 budget, the Governor proposed significant proposals to the enacted 2008-2009 budget to address the state’s fiscal crisis. The package included proposals for expenditure reductions across most programs, additional revenues, securitization of the lottery, and borrowing.

In early January, the Legislature came up with its own proposed budget proposals in response to the Governor’s second extraordinary session requests and January budget proposals. The Governor vetoed the package and called a third extraordinary session.

February Action

In February 20, 2009, the budget package was released which included the 2009 Budget Act, amendments to the 2008 Budget Act, various trailer bills that amended the California Education Code and other California codes to reflect technical changes necessary to implement the budget. At this time, the projected deficit for the two-year period 2008-2009 and 2009-2010 was \$41.6 billion. The budget balancing solutions included spending cuts (\$14.9 billion), revenue increases (\$12.5 billion), borrowing (\$5.4 billion), federal dollars (\$7.9 billion), and various ballot measures that were included in the May 2009 election. The budget package specifically includes the following items:

- Funding reductions affecting general purpose funding (revenue limits) and most categorical programs in 2008-2009 and 2009-2010, and
- Flexibility in spending funds from many categorical programs through 2012-2013

Governor’s May Revision

On May 14, 2009, five days before the May election, the Governor released his May revision of the budget which indicated the continued decline in the state’s economy, thus, increasing the estimate of the two-year budget gap. The budget package comprised of two alternatives: (1) if the proposed ballot measures were adopted, and (2) if the proposed ballot measures failed. The ballot measures failed which in turn increased the budget gap to \$63 billion. Some major proposed changes included: (1) additional reductions to school district apportionments in both 2008-2009 and 2009-2010, (2) additional deferrals of school district apportionments payments from 2009-2010 to 2010-2011, (3) child care changes associated with eliminating the CalWORKs cash aid program, and (4) a provision that would allow school districts to reduce the instructional day/year by up to seven days, limited to no more than three years.

Final Amended Budget Act of 2009

On July 1, 2009, the Governor called a fourth extraordinary session to address the state’s worsening economic condition and the out of balance February budget. On July 28, 2009, the Governor signed bills to

address the then \$24 billion budget gap, to amend the Budget Acts of 2008 and 2009, and to make statutory changes necessary to implement the budget package.

The Proposition 98 minimum funding level was certified in ABX4 3 for fiscal years 2005-2006 through 2008-2009, which specifies an outstanding maintenance factor of \$11.2 billion to be restored over time to the Proposition 98 base as the state's economy and revenues improve, per California constitutional requirements. This budget package reduced \$1.6 billion in 2008-2009 Proposition 98 funding through a reversion ("sweep") of undistributed categorical program balances. It provided funding in 2009-2010 to backfill \$1.5 billion of these cuts and provided for a per ADA reduction to revenue limits, charter school general purpose entitlements, and if necessary, categorical programs.

Federal Funding

The Federal government funds from the American Recovery and Reinvestment Act (ARRA) provides additional funds for Title 1 and Individuals With Disabilities Education Act (IDEA). Additionally, the Federal government backfills the 2008-2009 cuts from the revenue limit and categorical programs through the State Fiscal Stabilization Funds. These funds are one-time in nature which will boost 2009-2010 funds but drastically reduce the 2010-2011 funds.

School District Budget

As a result of the various state budget changes, the following are some major highlights for school district budget development.

- COLA for 2008-2009 and 2009-2010 are 5.66% and 4.25%, respectively, with corresponding deficits rates of 7.844% and 18.355%
- COLA for the out years 2010-2011 and 2011-2012 are estimated at -0.38% and 1.80%, respectively, with a deficit rate of 18.355% for both years (based on the Governor's Proposed 10-11 Budget released on January 8, 2010)
- One-time reduction to 2009-2010 revenue limits of \$252.83 per 2008-2009 P-2 ADA
- 2009-2010 revenue limits were originally decreased by the corresponding amount received for Quality Education Investment Act (QEIA) but was later revised in Assembly Bill 56 of the third extraordinary session so that there will be no reductions to revenue limits but instead will be funded from the state's reversion of funds for categorical programs
- Elimination of COLA for all categorical programs for both 2008-2009 and 2009-2010 and reductions to most programs of 15.38% for 2008-2009 and 4.46% for 2009-2010
- Categorical programs were classified into three tiers to help identify the application of funding reduction and flexibility as to use as follows: Tier I with no funding reduction and no flexibility as to use, Tier II with funding reduction but no flexibility as to use, and Tier III with both funding reduction and flexibility as to use
- Flexibilities allowed in the budget include: (a) transfer of 2007-2008 categorical ending fund balances (with some exclusions) to the unrestricted portion of the General Fund on a one-time basis; and (b) transfer of most categorical program balances for any educational purpose, which includes transfer to the unrestricted portion of the General Fund, with some exceptions; this flexibility is in effect from 2008-2009 through 2012-2013
- Change in K-3 Class Size Reduction funding for 2008-2009 to 2011-2012 to reflect the new funding structure and funding cap which is limited to the number of classes applied for in the 2008-2009 application
- Shift of Home-to-School Transportation program from Tier I categorical program to Tier II categorical program

- Reduction of the required contribution into Routine Restricted Maintenance Account from three percent to one percent of the General Fund expenditures through 2012-2013
- Elimination of the district's matching requirements of one-half of one percent for the Deferred Maintenance Program; the State share continues to be funded as part of the Tier III Categorical Program
- Change in the required Reserve For Economic Uncertainties to one-third of the percentage in the Criteria and Standards for 2009-2010 and full restoration of the requirement by 2011-2012
- ARRA funding for Title 1, Individuals With Disabilities Education Act (IDEA), and the State Fiscal Stabilization Funds are one-time funds and should be spent by September 30, 2011
- Flexibility to reduce instruction by up to five days without losing any incentive funding to maintain a 180-day school year through 2012-2013
- Flexibility to reduce the amount of set aside for facility maintenance and to use funds from the sale of surplus property for non-facility related purposes
- Suspension of the purchase of newly adopted instructional materials through 2012-2013
- Extension of the QEIA program for one additional year through 2014-2015
- State's deferrals of specific apportionments and the change in the schedule of principal apportionment payments and special purpose apportionment payments to 5% each month for July and August and 9% each month through the rest of the fiscal year

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

Superintendent's Strategic Plan

The Los Angeles Unified School District's mission is to provide high quality instruction and a coherent and rigorous curriculum in every classroom to facilitate student learning and achievement.

In collaboration with teachers, administrators, classified staff, students in secondary schools, and community members, the Superintendent has developed the following strategies in line with this mission statement:

- Improved academic achievement for all students
- Improved graduation rates for all students
- Effective individual counseling
- Strong parent, community and school connections
- Safe and orderly schools

Local Bonds:

a) Proposition BB Bonds

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

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

b) General Obligation Bonds – Proposition 39

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

- On the November 5, 2002 ballot, Measure K was approved and authorized the District to issue up to \$3.35 billion of General Obligation Bonds (Bonds). These funds would be used to: build new neighborhood schools, repair aging and deteriorating classrooms, improve early childhood programs, upgrade safety and technology, expand public charter schools, develop joint use projects in collaboration with city, state, federal, and private agencies, and provide for library books at new schools and improve library technology.
- Measure R or the Safe and Healthy Neighborhood Schools Improvement Act of 2004 was passed on March 2, 2004. The District was authorized to issue and sell up to \$3.87 billion in General Obligation Bonds to provide financing for specific school facilities projects subject to all of the accountability safeguards such as annual performance audits. All Bond expenditures are subject to review and oversight of the Citizens' Bond Oversight Committee.
- Measure Y or the Safe and Healthy Neighborhood Schools Repair and Construction Act of 2005 was passed on November 8, 2005. It authorized the District to issue and sell up to \$3.985 billion in General Obligation Bonds to provide funds for the renovation, modernization, construction, and expansion of school facilities. The District has established a separate Measure Y Building Fund to account for the income and expenditures of the bond proceeds.
- Measure Q or the Safe Healthy Neighborhood Schools Measure was passed on November 7, 2008. It authorized the District to issue and sell up to \$7.0 billion in General Obligation Bonds to continue to repair/upgrade aging/deteriorating classrooms, restrooms, upgrade fire and earthquake safety, reduce asbestos, lead paint, air pollution, water quality hazards, build/upgrade specialized

classrooms students need to meet job and college requirements and improve classroom internet access. As of August 15, 2009, the District has not issued any Measure Q bonds.

Financial Information

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

School districts in California are required by Education Code Section 41010 to follow the California School Accounting Manual in preparing reports to the State. The District, under Assembly Bill 1200 (Chapter 1213, Statutes of 1991), has utilized a dual-adoption budget schedule. The District has adopted a Superintendent's Provisional Budget prior to the State-mandated July 1 deadline and a Superintendent's Final Budget no later than September 8. On October 28, 2008, the Board elected to use a single-adoption budget schedule for 2009-2010 which requires Final Budget adoption by July 1.

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

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

Financial Results

In 2008-2009, the Statement of Changes in Net Assets shows that the District's Net Assets decreased \$78.2 million during the year. The Unrestricted Net Assets, which are negative, declined from (\$605.5 million) to (\$1,492.5 million). The negative Unrestricted Net Assets are largely the result of the liability due to the District's lifetime medical benefits for certain retirees. This liability increased from \$832.7 million to \$1,653.9 million during the year.

In 2008-2009, the fund balance of the General Fund increased \$92.8 million from \$657.2 million to \$750.0 million. This increase was due to the receipt of ARRA-SFSF funding in the amount of \$358 Million. This money is intended to be used over two fiscal years. All of the fund balance is either reserved due to legal restrictions or designated by the board for specific purposes.

Cash Management

Cash temporarily idle during the year and not needed immediately for operations is invested. Substantially all of the District's cash is deposited in the Los Angeles County treasury. The District is limited by EC §41015 and Government Code §53601 to investing in: U.S., state, or local government securities or U.S. government guaranteed securities; banker's acceptances or negotiable certificates of deposits issued by a nationally or state-chartered bank or savings and loan association; and commercial paper of "prime

quality.” These guidelines are followed by the County Treasurer’s Office in making pool and specific investments for the District. At June 30, 2009, the District’s cash in the county pool was \$3,502.2 million.

The District also maintains some cash deposits with various banking institutions. At June 30, 2009, cash deposits, including imprest funds in schools and offices, were \$29.8 million. These deposits are either covered by federal depository insurance or collateralized at the rate of 110% of the deposits.

The District also had \$67.5 million in cash deposit accounts held by various trustees for the acquisition or construction of fixed assets, and for the repayment of long-term debt.

Income earned from all cash deposits in 2008-2009 was \$117.7 million.

Risk Management

The District maintains various insurance programs, the majority of which are partially or entirely self-insured, while the smaller and/or specialized types of coverage are placed with commercial insurance carriers including excess property coverage (\$1 billion above a \$500,000 self-insurance retention for 2008-2009) for loss due to fire.

The District is self-insured for its Workers’ Compensation Program and partially self-insured for the Liability Insurance (excess coverage of \$45 million above a \$3 million self-insurance retention for 2008-2009) and Health and Welfare Insurance Programs. Separate Funds are used to account for amounts set aside to pay claims incurred and related expenditures under the respective insurance programs.

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

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

The District has implemented an Owner Controlled Insurance Program (OCIP) covering new construction and renovation projects funded by school bonds. Under an OCIP, owners provide general liability and workers’ compensation insurance coverage to construction contractors. Because contractors remove insurance costs from their bids, savings accrue to the owner. Under the District’s OCIP program, workers’ compensation coverage with statutory limits, and primary general liability and excess liability coverage with limits of \$100 million have been underwritten by three major insurance carriers. Savings to the District over the life of the construction program are estimated to be approximately \$72 million under OCIP I (05/01/1999 – 05/01/2006) and \$117 million under OCIP II (05/01/2006 – 05/01/2013).

The District also has purchased environmental insurance coverage for the construction program. Two policies protect certain contractors and the District from losses resulting from environmental-related incidents occurring during construction, and one policy provides optional coverage to ensure that site clean-up cost overruns are not borne by the District. The limits of coverage on the clean-up cost-cap policy are variable by specific project while the other policies have limits of \$50 million each.

Other Post Employment Benefits

The District offers lifetime medical benefits to retirees who meet certain conditions. The latest actuarial report estimates the present value of this liability for the benefits to be \$11 billion. Generally Accepted Accounting Principles require the District to recognize this liability on the District’s financial statements

over a 30 year period. As mentioned above, the District recognized an additional liability of \$821 million in the current year.

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

Office of the Inspector General

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

Acknowledgments

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

Respectfully submitted,

Ramon C. Cortines
Superintendent of Schools

Prepared by:



Timothy S. Rosnick
Controller



Megan K. Reilly
Chief Financial Officer

BOARD OF EDUCATION

Mónica García
PRESIDENT

Marguerite Poindexter LaMotte

Yolie Flores

Tamar Galatzan

Julie Korenstein
(Term ended June 30, 2009)

Steve Zimmer
(Term started July 1, 2009)

Nury Martinez
(Term started July 1, 2009)

Marlene Canter
(Term ended June 30, 2009)

Richard Vladovic

PRINCIPAL SCHOOL DISTRICT OFFICIALS

Ramon C. Cortines
Superintendent of Schools
(Effective January 1, 2009)

Ramon C. Cortines
Senior Deputy Superintendent
(April 18, 2008 - December 31, 2008)

David L. Brewer III
Superintendent of Schools
(Resigned effective December 31, 2008)

Megan K. Reilly
Chief Financial Officer

Timothy S. Rosnick
Controller

LOCAL DISTRICT (LD) SUPERINTENDENTS

Jean Brown – LD 1

Robert A. Martinez – LD 5
(Interim – Effective July 1, 2009)

Alma Pena-Sanchez – LD 2

Carmen N. Schroeder
(Retired June 30, 2009)

Michelle King – LD 3

Martin Galindo – LD 6

Byron Maltez – LD 4
(Interim – Effective July 1, 2009)

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

Richard Alonzo
(Retired June 30, 2009)

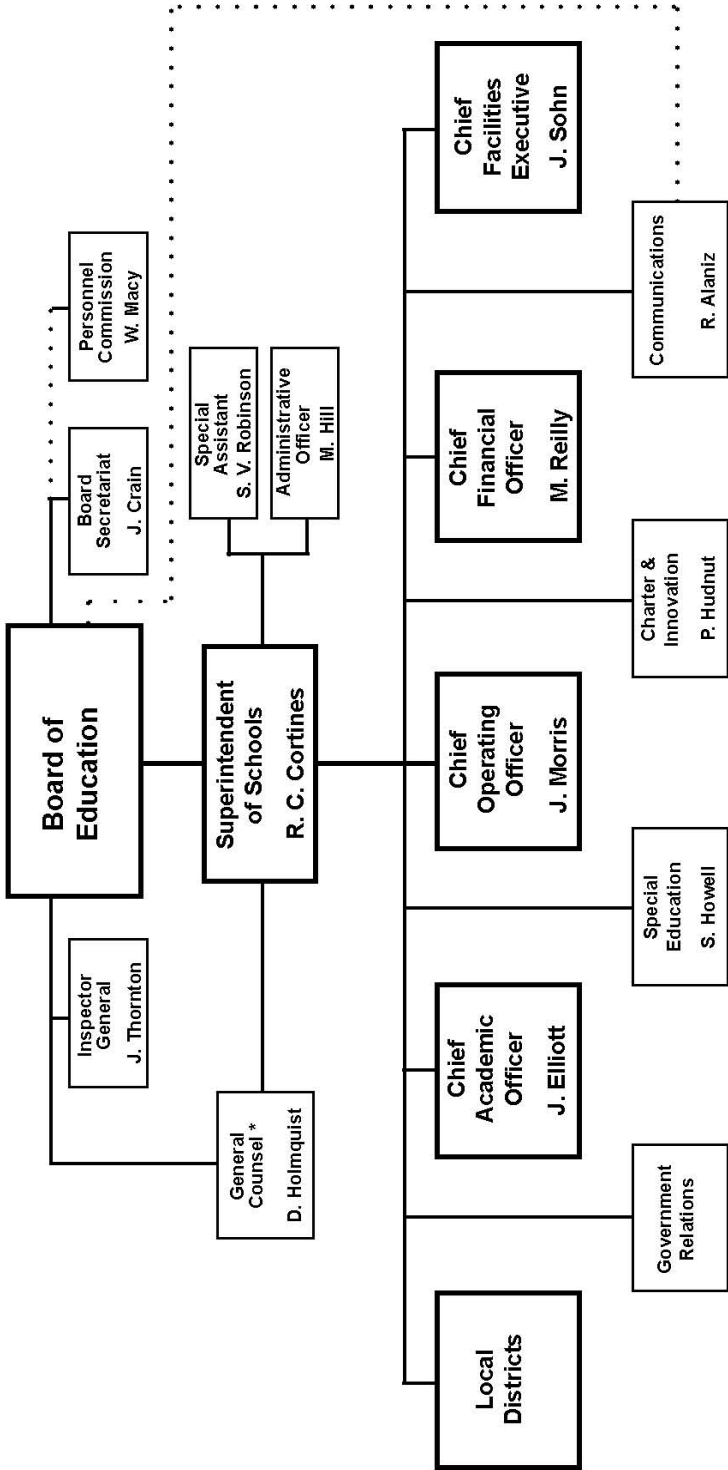
Liza Scruggs
(Interim – July 1, 2009 – August 31, 2009)

Carol Truscott
(Retired June 30, 2009)

Linda Del Cueto – LD 8

Los Angeles Unified School District

**Los Angeles Unified School District
2009-2010 Organization Chart
11-23-2009**



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

FINANCIAL SECTION



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

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LOS ANGELES, CA 90010
(213) 736-6664 TELEPHONE
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www.simpsonandsimpsoncpas.com

Independent Auditor's Report

The Honorable Board of Education
Los Angeles Unified School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Los Angeles Unified School District** (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the Education Audit Appeals Panel's *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2008-09*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Los Angeles Unified School District as of June 30, 2009, and the respective changes in financial position, and where applicable, cash flows, thereof and respective budgetary comparison for the general fund for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 1 to the financial statements, the Los Angeles Unified School District adopted the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, for the year ended June 30, 2009.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Management's discussion and analysis on pages 3 through 14 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, the supplementary information section, the statistical section, and the state and federal compliance information section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The supplementary information listed in the supplementary section (pages 65 to 127) and the information on pages 195 to 207 and pages 211 to 215 in the state and federal compliance information section have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information in the introductory section, the supplemental information section (pages 129 to 149), the statistical section, and pages 208 to 209 in the state and federal compliance information section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

A handwritten signature in cursive script that reads "Simpson & Simpson".

Los Angeles, California
February 19, 2010

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2009

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, 2009. 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-x of this report.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$4.9 billion (net assets). This amount is net of a \$1.5 billion deficit in unrestricted net assets resulting from the recognition of unfunded liabilities for other postemployment benefits (OPEB).
- The District's total net assets decreased by \$78.2 million from prior year total, primarily due to the recognition of OPEB expense as stated above.
- As of the close of the 2009 fiscal year, the District's governmental funds reported combined ending fund balances of \$3.0 billion, a decrease of \$267.9 million from June 30, 2008.
- At the end of the current fiscal year, unreserved fund balance for the General Fund, including designated for economic uncertainties, was \$184.6 million, or 2.8% of total General Fund expenditures.
- The District's total long-term obligations increased by \$1.5 billion (16.1%) during the current fiscal year. The increase resulted primarily from recognition of additional net OPEB obligation and from new issues of general obligation bonds.

Overview of the Basic Financial Statements

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

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

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

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

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

The government-wide financial statements can be found on pages 15-16 of this report.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2009

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

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

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

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

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

The governmental fund financial statements can be found on pages 17 and 19 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 22-24 of this report.

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

The fiduciary fund financial statements can be found on pages 25-26 of this report.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2009

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. The combining schedules and statements showing the individual accounts within the District bonds, County school facilities bonds, County school facilities bonds, Debt service, and nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund schedules and statements can be found on pages 65-113 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets over time may serve as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$4.9 billion at the close of the most recent year.

By far the largest portion of the District's net assets (\$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 net assets (\$1.8 billion) represent resources that are subject to external restrictions on how they may be used. The remaining negative balance in unrestricted net assets (\$1.4 billion) resulted from the recognition of \$1.7 billion of net OPEB obligation.

At the end of the 2009 fiscal year, the District is able to report positive balances in all categories of net assets except for unrestricted net assets.

The \$1.8 billion increase in capital assets primarily relates to the continuing school construction and modernization projects throughout the District.

Long-term liabilities increased by \$1.5 billion primarily due to issuance of general obligation bonds and accrual of net OPEB obligation.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2009

Summary Statement of Net Assets (in thousands)

As of June 30, 2009 and 2008:

	Governmental Activities	
	2009	2008
		(restated)
Current Assets	\$ 5,419,997	\$ 5,977,667
Capital Assets, net	12,330,406	10,517,964
Total Assets	17,750,403	16,495,631
Current Liabilities	1,698,459	1,908,099
Long-term Liabilities	11,148,319	9,605,693
Total Liabilities	12,846,778	11,513,792
Net Assets:		
Invested in capital assets, net of related debt	4,584,300	3,694,054
Restricted for:		
Debt service	490,953	417,991
Program activities	1,320,877	1,475,311
Unrestricted	(1,492,505)	(605,517)
Total Net Assets	\$ 4,903,625	\$ 4,981,839

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2009

Summary Statement of Changes in Net Assets (in thousands)

As of June 30, 2009 and 2008:

	Governmental Activities	
	2009	2008 (restated)
Revenues:		
Program Revenues:		
Charges for services	\$ 62,409	\$ 101,681
Operating grants and contributions	3,278,482	3,224,600
Capital grants and contributions	924,952	664,407
Total Program Revenues	<u>4,265,843</u>	<u>3,990,688</u>
General Revenues:		
Property taxes levied for general purposes	927,441	806,413
Property taxes levied for debt service	598,980	539,735
Property taxes levied for community redevelopment	1,295	5,775
State aid – formula grants	2,517,499	2,817,720
Grants, entitlements, and contributions not restricted to specific programs	453,643	505,638
Unrestricted investment earnings	74,859	156,817
Miscellaneous	87,949	85,547
Total General Revenues	<u>4,661,666</u>	<u>4,917,645</u>
Total Revenues	<u>8,927,509</u>	<u>8,908,333</u>
Expenses:		
Instruction	4,291,864	4,416,790
Support services:		
Support services – students	359,087	366,514
Support services – instructional staff	623,621	731,016
Support services – general administration	60,395	51,873
Support services – school administration	518,838	502,506
Support services – business	134,008	136,540
Operation and maintenance of plant services	758,813	727,090
Student transportation services	168,837	173,167
Data processing services	98,013	108,451
Operation of noninstructional services	370,016	324,348
Facilities acquisition and construction services	119,137	89,029
Other uses	240	882
Interest expense	379,295	350,420
Depreciation – unallocated	302,298	217,052
Unfunded OPEB Expense – unallocated	821,261	832,665
Total Expenses	<u>9,005,723</u>	<u>9,028,343</u>
Changes in Net Assets	<u>(78,214)</u>	<u>(120,010)</u>
Net assets – beginning, restated	<u>4,981,839</u>	<u>5,101,849</u>
Net assets – ending	<u>\$ 4,903,625</u>	<u>\$ 4,981,839</u>

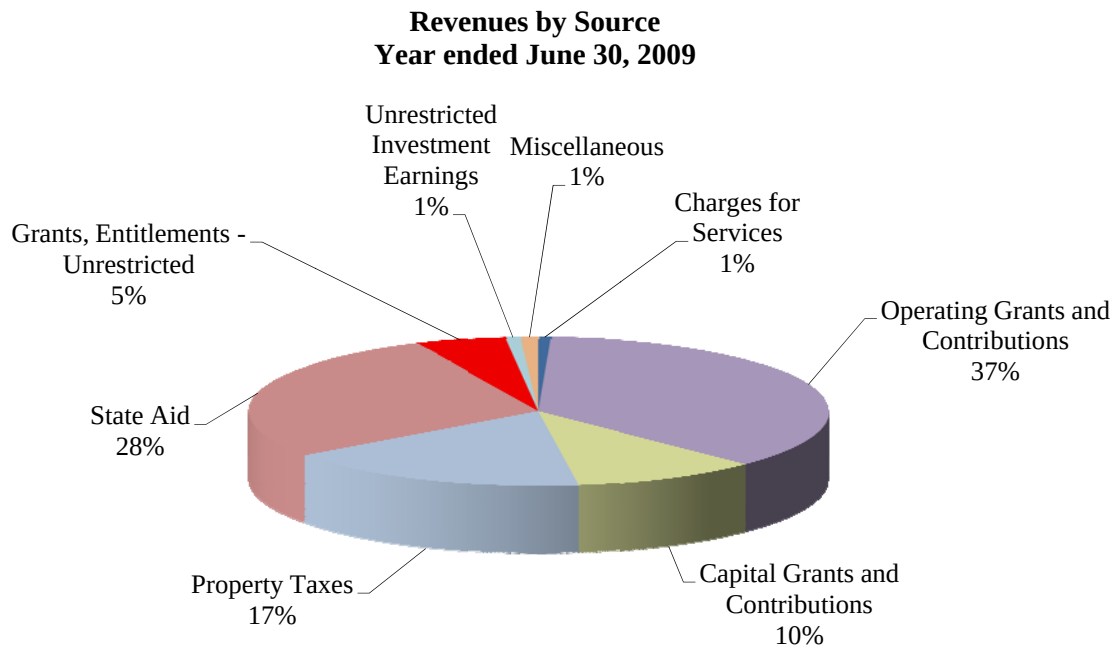
LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2009

The District's net assets decreased by \$78.2 million in the current fiscal year. The major component of this decrease is in total general revenues which is \$256.0 million lower, primarily in revenue limit sources, due to declining enrollment and higher deficit factor.

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

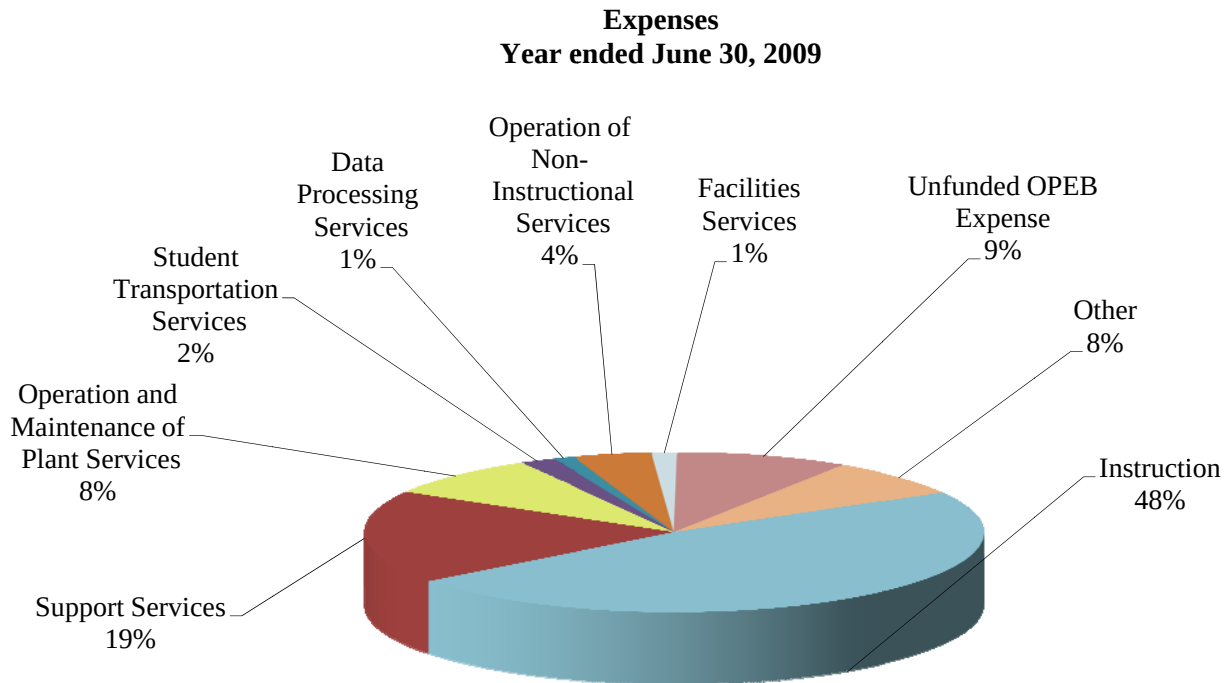


LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2009

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



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3.0 billion, a decrease of \$267.9 million in comparison with the prior year. Approximately 80.9% (\$2.4 billion) of this total combined ending fund balance constitutes unreserved fund balance, which is available for spending at the District's discretion. The remaining 19.1% is reserved to indicate that it is not available for new spending because it has already been committed for: legally restricted balances (\$553.9 million), inventories and prepaid expenses (\$14.9 million), and revolving cash (\$6.7 million).

The General Fund is the primary operating fund of the District. At the end of the 2009 fiscal year, the unreserved fund balance of the General Fund was \$184.6 million, while the total fund balance reached \$750.0 million. As a measure of the General Fund's liquidity, it may be useful to compare both the unreserved fund balance and the total fund balance to the total fund expenditures. The unreserved fund balance represents 2.8% of the total General Fund expenditures, while the total fund balance represents 11.4% of that same amount.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2009

The fund balance of the District's General Fund increased by \$92.7 million during the current fiscal year as a result of lower expenditures. Expenditures in all categories are \$342.8 million lower compared to last fiscal year.

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

	<u>District Bonds</u>	<u>County School Facilities Bond</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>		
				<u>Special Revenue</u>	<u>Other Capital Projects</u>	<u>Total</u>
Fund balance, June 30, 2009:						
Reserved for:						
Revolving cash and imprest funds	\$ 3,800	\$ —	\$ —	\$ 84	\$ —	\$ 84
Inventories	—	—	—	6,196	—	6,196
Unreserved	<u>729,284</u>	<u>534,745</u>	<u>554,753</u>	<u>159,720</u>	<u>268,577</u>	<u>428,297</u>
Total	733,084	534,745	554,753	166,000	268,577	434,577
Fund balance, July 1, 2008	<u>961,477</u>	<u>532,895</u>	<u>497,093</u>	<u>243,760</u>	<u>382,514</u>	<u>626,274</u>
Increase (decrease) in fund balance	\$ <u>(228,393)</u>	\$ <u>1,850</u>	\$ <u>57,660</u>	\$ <u>(77,760)</u>	\$ <u>(113,937)</u>	\$ <u>(191,697)</u>

The fund balance increased during the current year: for the County School Facilities Bonds, as a result of higher apportionments from the State bond proceeds, and for the Debt Service, primarily from the deposit into the Bond Interest and Redemption Fund of property taxes levied to pay principal and interest on bond issues. The fund balance decreased for the District Bonds, due to spending for continuing school construction and renovation projects; for the Special Revenue, due to the transfer of deferred maintenance apportionments to the General Fund in accordance with the State flexibility provision as well as increased expenditures in the cafeteria operations; and for Other Capital Projects due to unspent income from developer fees.

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

At the end of the year, the District's proprietary funds have unrestricted net assets of \$40.8 million. The net decrease of \$97.1 million in the current year can be attributed to the temporary vacationing of worker's compensation premium contributions from user funds as a budget balancing solution for the General Fund. This was possible because of surplus accumulated in the Workers' Compensation Self-Insurance Fund from aggressive loss control measures undertaken over the past several years.

General Fund Budgetary Highlights

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

Differences between the 2008-2009 General Fund original budget (the 2008-2009 Final Budget adopted by the Board of Education in September 2008) and the amended final budget resulted in an overall increase in the ending balance by \$155.4 million. This is primarily due to increased budgeted revenue resulting from additional State budget information and changes known during the amended final budget. These include reduction in the

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2009

Revenue Limit deficit rate from 5.357% to 4.713% and the retraction of a 6.5% reduction on State categorical programs.

The General Fund ending balance increased by \$88.4 million compared to the Final Budget due to lower expenditures, offset by lower revenues. The \$190.9 million unfavorable variance in revenues and other financing sources between the final budget and actual occurred primarily because multi-year categorical program revenues were budgeted in their entirety but earned only to the extent that expenditures occurred.

The \$279.2 million favorable variance in expenditures and other financing uses between the final budget and actual occurred primarily due to under-expenditure in nearly all objects of expenditure in both unrestricted and restricted programs, but mainly in books and supplies (\$160.4 million) and services and other operating expenditures (\$56.1 million). The under-expenditure is due to budget reductions and freeze implemented during the year and also because expenditures in categorical (specially-funded) programs were less than the budget. A significant portion of the categorical variances resulted from the factor described in the revenue variance – the full budgeting of expenditures in the first year of multi-year grants.

Capital Assets and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2009 amounts to \$12.3 billion (net of accumulated depreciation), a 17.2% increase from the prior year. The investment in capital assets includes sites, improvement of sites, buildings and improvements, equipment and construction in progress, net of any related accumulated depreciation.

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

- Continuing construction of additional school buildings as well as school modernization projects throughout the District. Construction in progress as of the close of the fiscal year was \$2.8 billion.
- Various building additions and modernizations were completed at a cost of \$1.6 billion.
- A total of 4 new schools were completed in 2009 of which two opened in 2008-2009 and two will be opening its doors during the 2009-2010 school year to new students.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2009

Capital Assets (net of accumulated depreciation)

As of June 30, 2009 and 2008 (in thousands):

	Governmental Activities	
	2009	2008
Sites	\$ 2,969,404	\$ 2,700,727
Improvement of sites	215,420	190,574
Buildings and improvements	6,196,847	4,957,106
Equipment	133,217	122,338
Construction in progress	2,815,518	2,547,219
Total	<u>\$ 12,330,406</u>	<u>\$ 10,517,964</u>

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

Long-term obligations. At the end of the current fiscal year, the District had total long-term obligations of \$11.1 billion. Of this amount, \$8.2 billion comprises debt to be repaid by voter-approved property taxes and not by the General Fund of the District.

Outstanding Obligations

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

	Governmental Activities	
	2009	2008 (restated)
General Obligation Bonds	\$ 8,223,575	\$ 7,500,552
Certificates of Participation (COPs)	442,655	501,875
Capital Lease Obligations	3,008	3,768
State School Building Aid Fund	—	286
Children's Center Facilities Revolving Loan	792	792
California Energy Commission Loan	663	865
Liability for Employee Benefits	234,586	191,297
Self-insurance Claims	551,769	548,702
Other Postemployment Benefits (OPEB)	1,653,926	832,665
Arbitrage Payable	11,967	12,068
Legal Settlements	25,378	12,823
Total	<u>\$ 11,148,319</u>	<u>\$ 9,605,693</u>

The District's total long-term obligations increased by \$1.5 billion (16.1%) during the current fiscal year. The key factors in this increase were the issuance of general obligation bonds during the year and the recognition of additional net OPEB obligation.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2009

On August 16, 2007, the District issued \$1 billion of 2007 General Obligation Bonds as follows: \$150 million of General Obligation Bonds, Election of 2002 (Measure K), Series C; \$550 million of General Obligation Bonds, Election of 2004 (Measure R), Series H; and \$300 million of General Obligation Bonds, Election of 2005 (Measure Y), Series E. The next bond issuance was on February 19, 2009 for \$950 million representing 2009 General Obligation Bonds as follows: \$250 million of General Obligation Bonds, Election of 2002 (Measure K), Series D; \$550 million of General Obligation Bonds, Election of 2004 (Measure R), Series I; and \$150 million of General Obligation Bonds, Election of 2005 (Measure Y), Series F.

The District's current underlying ratings on its general obligation bonds are "Aa3", "AA-" and "A+" from Moody's Investors Service (Moody's), Standard and Poor's Ratings Group (S&P) and Fitch Ratings (Fitch), respectively. The District's current underlying ratings on its nonabatable leases (COPs) are "A1", "A+" and "A" from Moody's, S&P and Fitch, respectively; for abatable leases (COPs), the underlying ratings are "A2", "A+" and "A" from Moody's, S&P and Fitch, 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. See Subsequent Events on this page for more information.

State statutes limit the amount of general obligation bond debt a unified school district may issue to 2.5% of its total taxable property. The debt limitation for the District as of June 30, 2009 is \$11.9 billion, which is in excess of the District's outstanding general obligation bond debt.

Additional information on the District's long-term obligations can be found in Notes 10 and 11 on pages 51-58 of this report.

Subsequent Events

Since June 30, 2009, the District has issued the following debts:

On August 13, 2009 the District issued \$750 million of Tax and Revenue Anticipation Notes. The District made the required deposit of \$262.5 million on January 31, 2010, and will make the required deposits of \$262.5 million on March 31, 2010, \$238.5 million on April 30, 2010, and \$1.5 million on June 4, 2010 in anticipation of repayment of TRANS on August 12, 2010. The TRANS carried a coupon of 2.00% and had an arbitrage yield of 0.62%.

On September 29, 2009, the District issued \$40,728,200 of Certificates of Participation 2009 Series A to finance equipment and capital improvements for the Cafeteria Management System and Newman Nutrition Center. The COPs mature on October 1, 2019 and had an arbitrage yield of 3.92%.

On October 15, 2009, the District issued a total of \$1,974.8 million of General Obligation Bonds as follows:

- a. Qualified School Construction Bonds for \$318.8 million, Measure Y, Election of 2005, Series H
- b. Election of 2005, Measure Y Series G, Federally Taxable Bonds for \$5.6 million
- c. Series KRY, Federally Taxable Build America Bonds for \$1,369.8 million and \$205.8 million Tax Exempt General Obligation Bonds or a total of \$1,575.6 million as: \$200 million of Measure K, \$400 million of Measure R, and \$975.6 million of Measure Y, and
- d. Tax Exempt Refunding Bonds Series A for \$ 74.8 million

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2009

On January 27, 2010, the District issued \$69,685,000 of Refunding Certificates of Participation 2010 Series A to refinance the 1997 Series A Certificates and the 1998 Series A Certificates. The COPs mature on December 1, 2017 and had an arbitrage yield of 3.20%.

On February 18, 2010, the District completed the sale of General Obligation bonds as follows:

- a. \$491.6 million Series KRY, Tax Exempt General Obligation Bonds
- b. \$1,250.6 million Series RY, Federally Taxable Build America Bonds
- c. \$3.8 million Measure Y, Election of 2005, Series I (Taxable)
- d. \$75 million Tax Exempt Refunding Bonds Series A

This transaction is scheduled to close on March 4, 2010.

Requests for Information

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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

(in thousands)

	Governmental Activities
Assets:	
Cash and cash equivalents	\$ 3,559,297
Investments	592,741
Property taxes receivable	80,453
Accounts receivable, net	1,097,781
Accrued interest receivable	21,031
Prepaid expense	13,354
Deferred charges	40,479
Inventories	14,861
Capital assets:	
Sites	2,969,404
Improvement of sites	507,963
Buildings and improvements	8,243,000
Equipment	1,156,042
Construction in progress	2,815,518
Less accumulated depreciation	<u>(3,361,521)</u>
Total Capital Assets, Net of Depreciation	<u>12,330,406</u>
Total Assets	<u>17,750,403</u>
Liabilities:	
Vouchers and accounts payable	489,547
Contracts payable	121,150
Accrued payroll	243,458
Other payables	117,802
Unearned revenue	212,159
Tax and revenue anticipation notes and related interest payable	514,343
Long-term liabilities:	
Portion due within one year	478,203
Portion due after one year	<u>10,670,116</u>
Total Liabilities	<u>12,846,778</u>
Net Assets:	
Invested in capital assets, net of related debt	4,584,300
Restricted for:	
Debt service	490,953
Program activities	1,320,877
Unrestricted	<u>(1,492,505)</u>
Total Net Assets	<u><u>\$ 4,903,625</u></u>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Activities
Year Ended June 30, 2009
(in thousands)

Functions/programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
Governmental activities:					
Instruction	\$ 4,291,864	\$ 6,497	\$ 1,538,356	\$ —	\$ (2,747,011)
Support Services – students	359,087	—	243,391	—	(115,696)
Support Services – instructional staff	623,621	183	641,554	—	18,116
Support Services – general administration	60,395	—	133	—	(60,262)
Support Services – school administration	518,838	—	131,204	—	(387,634)
Support Services – business	134,008	8,694	121,542	—	(3,772)
Operation and maintenance of plant services	758,813	6,999	162,386	48,382	(541,046)
Student transportation services	168,837	—	156,509	—	(12,328)
Data processing services	98,013	—	10,986	—	(87,027)
Operation of non-instructional services	370,016	15,777	269,543	—	(84,696)
Facilities acquisition and construction services*	119,137	24,259	1,287	876,570	782,979
Other Uses	240	—	—	—	(240)
Interest expense	379,295	—	1,591	—	(377,704)
Depreciation – unallocated**	302,298	—	—	—	(302,298)
Unfunded OPEB Expense – unallocated	821,261	—	—	—	(821,261)
Total Governmental Activities	<u>\$ 9,005,723</u>	<u>\$ 62,409</u>	<u>\$ 3,278,482</u>	<u>\$ 924,952</u>	<u>(4,739,880)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					927,441
Property taxes, levied for debt service					598,980
Property taxes, levied for community redevelopment					1,295
State aid – formula grants					2,517,499
Grants, entitlements, and contributions not restricted to specific programs					453,643
Unrestricted investment earnings					74,859
Miscellaneous					87,949
Total General Revenues					<u>4,661,666</u>
Change in Net Assets					(78,214)
Net Assets – Beginning of Year, restated					<u>4,981,839</u>
Net Assets – End of Year				\$	4,903,625

* 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, 2009
(in thousands)

	General	District Bonds	County School Facilities Bonds	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:						
Cash in county treasury, in banks, and on hand	\$ 512,175	\$ 915,864	\$ 611,031	\$ 507,804	\$ 405,773	\$ 2,952,647
Cash held by trustee	265	300	—	26,870	40,028	67,463
Investments	515,000	—	—	17,760	—	532,760
Taxes receivable	—	—	—	80,453	—	80,453
Accounts receivable – net	1,025,050	7,442	—	2,227	61,057	1,095,776
Accrued interest receivable	8,114	5,012	1,678	126	2,039	16,969
Due from other funds	294,981	—	—	—	—	294,981
Inventories	8,665	—	—	—	6,196	14,861
Total Assets	\$ 2,364,250	\$ 928,618	\$ 612,709	\$ 635,240	\$ 515,093	\$ 5,055,910
Liabilities and Fund Balances:						
Vouchers and accounts payable	\$ 285,906	\$ 104,580	54,723	\$ 13	\$ 23,713	\$ 468,935
Contracts payable	3,785	89,133	23,241	—	4,991	121,150
Accrued payroll	244,262	21	—	—	—	244,283
Other payables	90,051	1,800	—	21	20,613	112,485
Due to other funds	274,833	—	—	—	20,148	294,981
Deferred revenue	201,108	—	—	80,453	11,051	292,612
Tax and revenue anticipation notes and related interest payable	514,343	—	—	—	—	514,343
Total Liabilities	1,614,288	195,534	77,964	80,487	80,516	2,048,789
Fund Balances:						
Reserved	565,333	3,800	—	—	6,280	575,413
Unreserved:						
Designated	184,629	729,284	534,745	—	—	1,448,658
Designated, reported in:						
Special revenue funds	—	—	—	—	154,116	154,116
Capital projects funds	—	—	—	—	266,286	266,286
Undesignated	—	—	—	554,753	—	554,753
Undesignated, reported in:						
Special revenue funds	—	—	—	—	5,604	5,604
Capital projects funds	—	—	—	—	2,291	2,291
Total Fund Balances	749,962	733,084	534,745	554,753	434,577	3,007,121
Total Liabilities and Fund Balances	\$ 2,364,250	\$ 928,618	\$ 612,709	\$ 635,240	\$ 515,093	\$ 5,055,910

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2009
(in thousands)

Total Fund Balances – Governmental Funds	\$ 3,007,121
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$15,691,927 and the accumulated depreciation is \$3,361,521.	12,330,406
Property taxes receivable will be collected this year, but are not available soon enough to pay the current period's expenditures and therefore are deferred in the funds.	80,453
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.	40,842
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.	(10,595,676)
Other assets – deferred charges are not reflected in the fund financials.	<u>40,479</u>
Total Net Assets – Governmental Activities	<u>\$ 4,903,625</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, 2009
(in thousands)

	General	District Bonds	County School Facilities Bonds	Debt Service Funds	Other Governmental Funds	Total Governmental Funds
Revenues:						
Revenue limit sources	\$ 3,444,940	\$ —	\$ —	\$ —	\$ —	\$ 3,444,940
Federal revenues	1,077,124	—	—	—	280,045	1,357,169
Other state revenues	1,964,250	—	914,161	4,161	340,629	3,223,201
Other local revenues	163,429	21,322	11,411	616,414	92,087	904,663
Total Revenues	<u>6,649,743</u>	<u>21,322</u>	<u>925,572</u>	<u>620,575</u>	<u>712,761</u>	<u>8,929,973</u>
Expenditures:						
Current:						
Certificated salaries	3,231,930	—	—	—	152,982	3,384,912
Classified salaries	997,780	48,968	602	—	189,098	1,236,448
Employee benefits	1,284,528	19,964	313	—	135,599	1,440,404
Books and supplies	296,660	5,052	93	—	140,050	441,855
Services and other operating expenditures	744,441	40,083	170	—	87,776	872,470
Capital outlay	27,478	1,129,660	848,270	—	108,544	2,113,952
Debt service – principal	2,158	—	—	300,530	—	302,688
Debt service – bond, COPs, and capital leases interest	376	—	—	362,674	—	363,050
Other outgo	240	—	—	—	—	240
Total Expenditures	<u>6,585,591</u>	<u>1,243,727</u>	<u>849,448</u>	<u>663,204</u>	<u>814,049</u>	<u>10,156,019</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>64,152</u>	<u>(1,222,405)</u>	<u>76,124</u>	<u>(42,629)</u>	<u>(101,288)</u>	<u>(1,226,046)</u>
Other Financing Sources (Uses):						
Transfers in	79,017	191,744	33,065	208,315	63,698	575,839
Transfers – support costs	8,606	—	—	—	(8,606)	—
Transfers out	(86,188)	(143,506)	(107,339)	(231)	(251,557)	(588,821)
Contributions to restricted programs	24,504	—	—	—	(24,504)	—
Issuance of bonds	—	945,774	—	—	—	945,774
Issuance of COPs	—	—	—	—	120,950	120,950
Payment to refunded COPs escrow agent	—	—	—	(107,795)	—	(107,795)
Insurance proceeds – fire damage	1,439	—	—	—	—	1,439
Capital leases	1,196	—	—	—	—	1,196
Land and building sale/lease	—	—	—	—	9,610	9,610
Total Other Financing Sources (Uses)	<u>28,574</u>	<u>994,012</u>	<u>(74,274)</u>	<u>100,289</u>	<u>(90,409)</u>	<u>958,192</u>
Net Changes in Fund Balances	<u>92,726</u>	<u>(228,393)</u>	<u>1,850</u>	<u>57,660</u>	<u>(191,697)</u>	<u>(267,854)</u>
Fund Balances, July 1, 2008	<u>657,236</u>	<u>961,477</u>	<u>532,895</u>	<u>497,093</u>	<u>626,274</u>	<u>3,274,975</u>
Fund balances, June 30, 2009	<u>\$ 749,962</u>	<u>\$ 733,084</u>	<u>\$ 534,745</u>	<u>\$ 554,753</u>	<u>\$ 434,577</u>	<u>\$ 3,007,121</u>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities
June 30, 2009
(in thousands)

Total Net Changes in Fund Balances – Governmental Funds	\$ (267,854)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$2,126,185) and gain on exchange of capital assets (\$44) exceed depreciation (\$323,892) in the period.	1,802,337
Some of the capital assets acquired this year were financed with capital leases. The amount financed is reported in the governmental funds as a source of financing. On the other hand, the proceeds are not revenues in the statement of activities, but rather, constitute long-term liabilities in the statement of net assets	(1,196)
Proceeds of new debt and repayment of debt principal are reported as other financing sources and uses in the governmental funds, but constitute additions and reductions to liabilities in the statement of net assets.	(660,960)
Premiums, discounts, refunding charges and issuance costs are reported as other financing sources and uses in the governmental funds, but presented as liabilities or deferred charges, net of amortization in the statement of net assets.	(14,225)
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.	12,554
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).	(45,074)
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.	16,957
Some expenses, including legal settlements and rebatable arbitrage, are recognized in the government wide statements as soon as the underlying event has occurred but not until due and payable in the governmental funds.	(2,405)
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.	(821,261)
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.	(97,087)
Changes in Net Assets of Governmental Activities	\$ <u>(78,214)</u>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
General Fund
Year Ended June 30, 2009
(in thousands)

	Budget			Variance with Final Budget – Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
Revenue limit sources	\$ 3,541,507	\$ 3,566,630	\$ 3,444,940	\$ (121,690)
Federal revenues	830,726	880,599	1,077,124	196,525
Other state revenues	2,169,030	2,249,878	1,964,250	(285,628)
Other local revenues	147,921	163,773	163,429	(344)
Total Revenues	6,689,184	6,860,880	6,649,743	(211,137)
Expenditures:				
Current:				
Certificated salaries	3,203,989	3,259,972	3,231,930	28,042
Classified salaries	998,196	1,005,298	997,780	7,518
Employee benefits	1,299,674	1,298,997	1,284,528	14,469
Books and supplies	528,478	457,063	296,660	160,403
Services and other operating expenditures	784,178	800,507	744,441	56,066
Capital outlay	57,975	36,194	27,478	8,716
Debt service – principal	1,990	2,190	2,158	32
Debt service – bond, COPs, and capital leases interest	3,373	1,051	376	675
Other outgo	879	881	240	641
Total Expenditures	6,878,732	6,862,153	6,585,591	276,562
Excess (Deficiency) of Revenues Under Expen	(189,548)	(1,273)	64,152	65,425
Other Financing Sources (Uses):				
Transfers in	93,826	76,889	79,017	2,128
Transfers – support costs	9,468	11,109	8,606	(2,503)
Transfers out	(73,831)	(91,365)	(86,188)	5,177
Contributions to restricted programs	—	—	24,504	24,504
Insurance proceeds – fire damage	7,000	7,000	1,439	(5,561)
Capital leases	1,999	1,999	1,196	(803)
Total Other Financing Sources	38,462	5,632	28,574	22,942
Net Changes in Fund Balances	\$ (151,086)	\$ 4,359	92,726	\$ 88,367
Fund Balances, July 1, 2008			657,236	
Fund Balances, June 30, 2009			\$ 749,962	

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Net Assets
Proprietary Funds
Governmental Activities – Internal Service Funds
June 30, 2009
(in thousands)

Assets:	
Cash in county treasury, in banks, and on hand	\$ 539,187
Investments	59,981
Accounts receivable – net	2,005
Accrued interest and dividends receivable	4,062
Prepaid expenses	13,354
Total Assets	618,589
Liabilities:	
Current:	
Vouchers and accounts payable	20,612
Accrued payroll	567
Other payables	4,799
Estimated liability for self-insurance claims	174,517
Total Current Liabilities	200,495
Noncurrent:	
Estimated liability for self-insurance claims	377,252
Total Liabilities	577,747
Total Net Assets – Unrestricted	\$ 40,842

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Governmental Activities – Internal Service Funds
Year Ended June 30, 2009
(in thousands)

Operating Revenues:	
In-district premiums	\$ 887,246
Total Operating Revenues	<u>887,246</u>
Operating Expenses:	
Certificated salaries	201
Classified salaries	7,353
Employee benefits	3,349
Supplies	402
Premiums and claims expenses	997,302
Claims administration	14,774
Other contracted services	1,461
Total Operating Expenses	<u>1,024,842</u>
Operating Loss	<u>(137,596)</u>
Nonoperating Revenues (Expenses):	
Interest income	22,414
Other local income	5,129
Transfers in	12,982
Miscellaneous expense	(16)
Total Nonoperating Revenues	<u>40,509</u>
Change in Net Assets	(97,087)
Total Net Assets, July 1, 2008	<u>137,929</u>
Total Net Assets June 30, 2009	<u>\$ 40,842</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, 2009
(in thousands)

Cash Flows From Operating Activities:	
Cash payments to employees for services	\$ (10,441)
Cash payments for goods and services	(1,015,276)
Receipts from assessment to other funds	<u>885,191</u>
Net Cash Used By Operating Activities	<u>(140,526)</u>
Cash Flows From Investing Activities:	
Earnings on investments	24,491
Purchase of investments	99,366
Transfers in	12,982
Other local income	<u>5,129</u>
Net Cash Provided By Investing Activities	<u>141,968</u>
Net Increase in Cash and Cash Equivalents	1,442
Cash and cash equivalents, July 1	<u>537,745</u>
Cash and cash equivalents, June 30	<u>\$ 539,187</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating loss	\$ (137,596)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Changes in operating assets and liabilities:	
Increase in accounts receivable	(1,821)
Decrease in prepaid expense	2,747
Decrease in due from other funds	20,425
Increase in vouchers and accounts payable	2,004
Increase in accrued payroll	567
Increase in other payables	2,233
Decrease in due to other funds	(32,154)
Increase in estimated liability for self-insurance claims – current	11,463
Decrease in estimated liability for self-insurance claims – noncurrent	<u>(8,394)</u>
Total Adjustments	<u>(2,930)</u>
Net Cash Used By Operating Activities	<u>\$ (140,526)</u>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009
(in thousands)

	Pension Trust Funds	Agency Fund
Assets:		
Cash in county treasury, in banks, and on hand	\$ 20,643	\$ 19,533
Total Assets	<u>20,643</u>	<u>19,533</u>
Liabilities:		
Other payables	<u>20,643</u>	<u>19,533</u>
Total Liabilities	<u>20,643</u>	<u>19,533</u>
Total Net Assets – Held in Trust	<u>\$ —</u>	<u>\$ —</u>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds – Pension Trust Funds
Year Ended June 30, 2009
(in thousands)

Additions:	
Investment income	\$ 414
Total Additions	414
Deductions:	
Distributions to participants	(79)
Other transfers	497
Other contracted services	1,850
Total Deductions	2,268
Change in Net Assets	(1,854)
Total Net Assets, July 1, 2008	1,854
Total Net Assets, June 30, 2009	\$ —

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2009

(1) Summary of Significant Accounting Policies

The Los Angeles Unified School District accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

The following summary of the more significant accounting policies of the District is provided to assist the reader in interpreting the basic financial statements presented in this section. These policies, as presented, should be viewed as an integral part of the accompanying basic financial statements.

(a) Reporting Entity

The District is primarily responsible for all activities related to K-12 public education in most of the western section of Los Angeles County, State of California. The governing authority, as designated by the State Legislature, consists of seven elected officials who together constitute the Board of Education (Board). Those organizations, functions, and activities (component units) for which the Board has accountability comprise the District's reporting entity.

The District's Comprehensive Annual Financial Report includes all Funds of the District and its component units with the exception of the fiscally independent charter schools, which are required to submit audited financial statements individually to the State, and the Auxiliary Services Trust Fund, which is not significant in relation to District operations. This fund was established in 1935 to receive and disburse funds for insurance premiums on student body activities and property, "all city" athletic and musical events, and grants restricted for student-related activities. The District has certain oversight responsibilities for these operations but there is no financial interdependency between the financial activities of the District and the fiscally independent charter schools or the Auxiliary Services Trust Fund.

Blended Component Units

The District Finance Corporation and the District Administration Building Finance Corporation (the Corporations) were formed in 2000 and 2001, respectively, to finance properties leased by the District. The Corporations have a financial and operational relationship which meets the reporting entity definition criteria of GASB for inclusion of the Corporations as blended component units of the District. These Corporations are nonprofit public benefit corporations, and they were formed to provide financing assistance to the District for construction and acquisition of major capital facilities. The District currently occupies all completed Corporation facilities and, upon completion, intends to occupy all Corporation facilities under construction under lease purchase agreements. At the end of the lease terms, or pursuant to relevant transaction documents with the District, or upon dissolution of the Corporations, title to all Corporations property passes to the District.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2009

(b) *Government-Wide and Fund Financial Statements*

The District's basic financial statements consist of fund financial statements and government-wide statements which are intended to provide an overall viewpoint of the District's finances. The government-wide financial statements, which are the statement of net assets and the statement of activities, report information on all nonfiduciary District funds excluding the effect of interfund activities. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which are primarily supported by fees and service charges. The District does not conduct any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements on pages 17 and 19. Nonmajor funds are aggregated in a single column.

(c) *Measurement Focus and Basis of Accounting*

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. The same measurement focus and basis of accounting also apply to trust funds. The agency fund, however, reports only assets and liabilities and therefore has no measurement focus.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when susceptible to accrual, i.e., both measurable and available to finance expenditures of the fiscal period. "Available" means collectible within the current period or soon enough thereafter to pay current liabilities. Application of the "susceptibility to accrual" criteria requires consideration of the materiality of the item in question and due regard for the practicality of accrual, as well as consistency in application.

Federal revenues and State apportionments and allowances are determined to be available and measurable when entitlement occurs or related eligible expenditures are incurred. Secured and unsecured property taxes related to debt service and community redevelopment purposes that are estimated to be collectible and receivable within 60 days of the current period are recorded as revenue. Investment income is accrued when earned. All other revenues are not considered susceptible to accrual.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2009

Expenditures for the governmental funds are generally recognized when the related fund liability is incurred, except debt service expenditures and expenditures related to compensated absences which are recognized when payment is due.

(d) Financial Statement Presentation

The District's comprehensive annual financial report includes the following:

- Management's Discussion and Analysis is a narrative introduction and analytical overview of the District's financial activities as required by GASB Statement No. 34. This narrative overview is in a format similar to that in the private sector's corporate annual reports.
- Government-wide financial statements are prepared using full accrual accounting for all of the District's activities. Therefore, current assets and liabilities, capital and other long-term assets, and long-term liabilities are included in the financial statements.
- Statement of net assets displays the financial position of the District including all capital assets and related accumulated depreciation and long-term liabilities.
- Statement of activities focuses on the cost of functions and programs and the effect of these on the District's net assets. This financial report is also prepared using the full accrual basis and shows depreciation expense and unfunded OPEB expense.

(e) Fund Accounting

The District's accounting system is organized and operated on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A description of the activities of the various funds is provided below:

Major Governmental Funds

The District has the following major governmental funds for the fiscal year 2008-2009:

General Fund – The General Fund is used to account for all financial resources relating to educational activities and the general business operations of the District, including educational programs funded by other governmental agencies. The General Fund consists of unrestricted and restricted funds.

District Bonds Fund – This category represents the total of the following building accounts: Building Account – Bond Proceeds (BB Bonds), established to account for bond proceeds received as a result of the passage of Proposition BB; Building Account – Measure K, established to account for bond proceeds received as a result of the issuance of General Obligation Bonds (G.O. Bonds) authorized pursuant to ballot measure "Measure K"; Building Account – Measure R, established to account for bond proceeds received by the passage of Measure R; and Building Account – Measure Y, established to account for bond proceeds received by the passage of Measure Y.

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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2009

Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), and the 2006 State School Facilities Fund (Proposition 1D).

Debt Service Funds – Debt Service Funds are used to account for all financial resources intended for the repayment of general long-term debt principal and interest. The District maintains the following Debt Service Funds: Bond Interest and Redemption, Tax Override, and Capital Services.

Other Governmental Funds

The District has the following nonmajor governmental funds:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than for Capital Projects) that are legally restricted to expenditures for specified purposes. The District maintains the following Special Revenue Funds: Adult Education, Cafeteria, Child Development, and Deferred Maintenance.

Capital Projects Funds – Capital Projects Funds are used to account for all financial resources related to the acquisition or construction of major capital facilities and equipment other than those financed by the General and Special Revenue Funds. The District maintains the following nonmajor Capital Projects Funds: Building, State School Building Lease-Purchase, Special Reserve, Special Reserve – FEMA-Earthquake, Special Reserve – FEMA-Hazard Mitigation, Special Reserve – Community Redevelopment Agency, and Capital Facilities Account. The District Bonds Fund (BB Bonds, Measure K, Measure R, and Measure Y) and the County School Facilities Bonds Fund (Prop 1A, Prop 47, Prop 55, and Prop 1D) are reported separately as a major fund in fiscal year 2008-2009.

Proprietary Funds

The District has the following Proprietary Funds:

Internal Service Funds – Internal Service Funds are used to account for all financial resources intended to provide self-insurance services to other operating funds of the District on a cost-reimbursement basis. The District maintains the following Internal Service Funds: Health and Welfare Benefits, Workers' Compensation Self-Insurance, and Liability Self-Insurance. The Health and Welfare Benefits Fund was established to pay for claims, administrative costs, insurance premiums, and related expenditures; the Workers' Compensation Self-Insurance Fund and the Liability Self-Insurance Fund were established to pay for claims, excess insurance coverage, administrative costs, and related expenditures.

Under the full accrual basis of accounting that is generally accepted for Internal Service Funds, total estimated liabilities for self-insurance are recorded based on estimated claims liabilities, including the estimated liability for incurred but not reported claims. For the Workers' Compensation and Liability Self-Insurance Funds, the estimates are determined by applying an appropriate discount rate to estimated future claim payments. No discount is applied to estimated Health and Welfare Benefits Fund claims because they are generally paid within a short period of time after the claims are filed.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2009

in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal service funds are charges to other operating funds for self-insurance services. Operating expenses include the cost of services including insurance premiums, claims, and administrative costs. All revenues and expenses not meeting this definition are nonoperating revenues and expenses.

Fiduciary Funds

The District has the following Fiduciary Funds:

Pension Trust Funds – Pension Trust Funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, postemployment benefit plans or other employee benefit plans. The District maintains two types of pension trust funds:

Annuity Reserve Fund – The Annuity Reserve Fund accounts for all financial resources used to provide additional retirement benefits to employees who were members of the District Retirement System on June 30, 1972. On November 18, 2003, participant members voted to dissolve the fund and distribute its net assets to the members. As of June 30, 2009, the fund's remaining equity of \$473,213 has been transferred to the General Fund.

Attendance Incentive Reserve Fund – The Attendance Incentive Reserve Fund is used to account for 50% of funds from salary savings as a result of reduced costs of absenteeism of the United Teachers of Los Angeles (UTLA) represented employees.

Agency Fund - The Student Body Fund accounts for cash held by the District on behalf of student bodies at various school sites.

(f) Budgetary Control and Encumbrances

School districts in California are required by Education Code Section 41010 to follow the California School Accounting Manual in preparing reports to the State. The District, under Assembly Bill 1200 (Chapter 1213/Statutes of 1991), has utilized a dual-adoption budget schedule consisting of a Provisional Budget adopted prior to the State-mandated July 1 deadline and a Final Budget no later than September 8. These budgets are revised by the District's Board during the year to give consideration to unanticipated revenues and expenditures (see Note 4 – Budgetary Appropriation Amendments). Effective with the 2009-2010 fiscal year, the Board elected, on October 28, 2008, to change to a single-adoption budget schedule which requires Final Budget adoption by July 1.

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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2009

the General, Special Revenue, Debt Service, Capital Projects, Internal Service, and Pension Trust Funds.

Formal budgetary integration is employed as a management control device during the year for all budgeted funds. The District employs budgetary control by minor (sub) object and by individual program accounts. Expenditures may not legally exceed budgeted appropriations by major object level as follows: Certificated Salaries, Classified Salaries, Employee Benefits, Books and Supplies, Services and Other Operating Expenditures, Capital Outlay, Other Outgo, and Other Financing Uses.

The District utilizes an encumbrance system for all budgeted funds, except Proprietary and Fiduciary Funds, to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid or liabilities are incurred. All encumbrances expire at June 30; however, a reserve representing incomplete contracts is provided for at year end. Appropriation authority lapses at the end of the fiscal year.

(g) *Cash and Investments*

Cash includes amounts in demand deposits with the Los Angeles County Treasury and various financial institutions, imprest funds in schools and offices, and cafeteria change funds. The District maintains some cash deposits with various banking institutions for collection clearing, check clearing, or revolving fund purposes. The District also maintains deposit accounts held by various trustees for the acquisition or construction of capital assets, for the repayment of long-term debt, and for the repayment of tax and revenue anticipation notes.

In accordance with State Education Code Section 41001, the District deposits virtually all of its cash with the Treasurer of the County of Los Angeles. The District's deposits, along with funds from other local agencies such as the county government, other school districts, and special districts, make up a pool, which the County Treasurer manages for investment purposes. Earnings from the pooled investments are allocated to participating funds based on average investment in the pool during the allocation period.

All District-directed investments are governed by Government Code Section 53601 and Treasury investment guidelines. The guidelines limit specific investments to government securities, domestic chartered financial securities, domestic corporate issues, and California municipal securities. The District's securities portfolio is held by the County Treasurer. Interest earned on investments is recorded as revenue of the fund from which the investment was made. All District's investments are stated at fair value based on quoted market prices.

(h) *Short-term Interfund Receivables/Payables*

During the course of operations, numerous transactions occur between individual funds for goods provided, services rendered, or support to other funds. These receivables or payables are classified as "due from other funds" or "due to other funds" on the governmental funds balance sheet. Interfund balances within governmental activities are eliminated on the government-wide statement of net assets.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2009

(i) Inventories

Inventories consist of expendable materials and supplies held for consumption, which are valued at cost, using the average-cost method. Except for food and cafeteria supplies, which are expended when received, inventories are recorded as expenditures when shipped to schools and offices. Balances of inventory accounts are offset by corresponding reservations of fund balance, which indicate that these amounts are not available for appropriation and expenditure.

(j) Capital Assets

Capital assets, which include sites, improvement of sites, buildings and improvements, equipment, and construction in progress, are reported in the government-wide financial statements. Such assets are valued at historical cost or estimated historical cost unless obtained by annexation or donation, in which case they are recorded at estimated market value at the date of receipt. The District utilizes a capitalization threshold of \$25,000.

Projects under construction are recorded at cost as construction in progress and transferred to the appropriate asset account when substantially complete. Costs of major improvements and rehabilitation of buildings are capitalized. Repair and maintenance costs are charged to expense when incurred. Equipment disposed of, or no longer required for its existing use, is removed from the records at actual or estimated historical cost, net of accumulated depreciation.

All capital assets, except land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Improvement of sites	20
Buildings	50
Portable buildings	20
Building improvements	20
Furniture and fixtures	20
Playground equipment	20
Food services equipment	15
Transportation equipment	15
Telephone system	10
Reprographics equipment	10
Broadcasting equipment	10
Vehicles	8
Computer system and equipment	5
Office equipment	5

(k) Contracts Payable

Contracts payable includes only the portion applicable to work completed and unpaid as of June 30, 2009. All significant incomplete portions of contracts are reported as reserved fund balance.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2009

(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 1992-1993 school year based on the employee's salary band for that year.

An attendance incentive plan was developed and adopted as part of the collective bargaining agreement between the District and UTLA in fiscal year 1992-1993. The objective of the plan is to reduce the cost of absenteeism by rewarding deserving teachers with cash bonuses based on their unused sick leave at the end of the fiscal year. Funding for the plan comes from the undisbursed balance of certain day-to-day substitute teacher accounts.

Annually, 50% of the savings in the account is disbursed as cash payments to eligible teachers and the remaining 50% is deposited in the Attendance Incentive Reserve Fund, to be disbursed in a lump-sum distribution as employees retire or terminate their employment with the District.

(m) *Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective-interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt using straight-line method.

In the fund financial statements, debt issuances including any related premiums or discounts as well as bond issuance costs are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

(n) *Revenue Limit Sources/Property Taxes*

The revenue limit is the basic financial support for District activities. The District's revenue limit is received from a combination of local property taxes and state apportionments. For the fiscal year 2008-2009, the District received local property taxes amounting to \$927.4 million and State aid amounting to \$2,517.5 million.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2009

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding March 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (March 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distributions prescribed by Section 4705 of the California Revenue and Taxation Code. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll, approximately on October 1 of each year. The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District.

The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the State General Fund, and is known as the State Apportionment. As a result, a receivable has not been recorded for the related property taxes in the general fund as any receivable is offset by a payable on the state apportionment.

The District's base revenue limit is the amount of general purpose revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

(o) New Accounting Pronouncement

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, became effective for the year ended June 30, 2009. However, except as stated hereinafter, the District did not identify any obligating event that constitutes a liability. Accordingly, no liability was recognized for pollution remediation obligation in the government wide statements, as of June 30, 2009.

In the course of acquiring sites for the construction of new schools, the District has acquired property with known pollution, which the District expects to remediate to prepare the property for use. Although the project unavoidably included pollution remediation activities, the primary objective is school construction. Such pollution remediation outlays are capitalized in the government wide statements when goods and services are acquired.

Older schools buildings in the District are known to have asbestos-containing materials, but the asbestos is encapsulated in the materials and does not pose health hazards unless they are altered in a way that exposes the asbestos. This can occur when a modernization project is undertaken. When this happens, outlays are recognized and capitalized in the government wide statements only when goods and services are acquired.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2009

(p) *Restatement*

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 1992-1993 school year based on the employee's salary band for that year. This liability, estimated at \$102.6 million as of June 30, 2009, should have been recognized starting in Fiscal Year 2001-2002 when the District implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The adjustment was recorded to beginning net assets to recognize this liability, as a result of which, the net assets as of June 30, 2008 has been restated as follows (in thousands):

Net Assets at June 30, 2008, as previously reported	\$	5,084,399
Liability for Employee Benefits		<u>102,560</u>
Net Assets at June 30, 2008, as restated	\$	<u><u>4,981,839</u></u>

(q) *Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses in the accompanying basic financial statements. Actual results may differ from those estimates.

(2) **Tax and Revenue Anticipation Notes**

Tax and Revenue Anticipation Notes (TRANs) are short-term debt instruments used to finance temporary cash flow deficits in anticipation of receiving taxes and other revenues. On December 11, 2007, the District issued \$600.0 million of 2007-2008 Tax and Revenue Anticipation Notes (TRANs) with an overall weighted true interest cost of 3.2% and total premium of \$5.0 million. These notes were retired on their due date of December 29, 2008.

On July 31, 2008, the District issued a total of \$500.0 million of 2008-2009 TRANs with an overall weighted true interest cost of 1.5% and total premium of \$7.1 million. The principal and interest on the notes are payable at maturity on July 30, 2009.

TRANs – Short-Term Notes Payable (in thousands)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Beginning balance, July 1, 2008	\$ 600,000	\$ 15,599	\$ 615,599
Additions	500,000	20,868	520,868
Deductions	<u>(600,000)</u>	<u>(22,124)</u>	<u>(622,124)</u>
Ending balance, June 30, 2009	<u><u>\$ 500,000</u></u>	<u><u>\$ 14,343</u></u>	<u><u>\$ 514,343</u></u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2009

(3) Reconciliation of Government-Wide And Fund Financial Statements

(a) *Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets*

The accompanying governmental fund balance sheet includes reconciliation between *total fund balances – governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.” The details of the \$10,595,676 difference are as follows (in thousands):

Bonds payable	\$ (8,223,575)
Certificates of participation (COPs)	(442,655)
Capital lease obligations	(3,008)
Children center facilities revolving loan	(792)
California energy commission loan	(663)
Liability for employee benefits	(233,194)
Other Post Employment Benefits (OPEB)	(1,653,926)
Arbitrage payable	(11,967)
Legal settlements	(25,378)
Other	<u>(518)</u>
Net adjustment to reduce <i>total fund balances – governmental funds</i> to arrive at <i>net assets – governmental activities</i>	\$ <u><u>(10,595,676)</u></u>

(b) *Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities*

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *total net changes in fund balances – governmental funds* and *changes in net assets of governmental activities* as reported in the accompanying government-wide statement of activities. One element of that reconciliation explains that “Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.” The details of this \$1,802,337 difference are as follows (in thousands):

Capital related expenditures	\$ 2,126,185
Depreciation expense	(323,892)
Gain on exchange of capital assets	<u>44</u>
Net adjustment to increase net changes in <i>total fund balances – governmental funds</i> to arrive at <i>changes in net assets – governmental activities</i>	\$ <u><u>1,802,337</u></u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2009

Another element of that reconciliation states that “Proceeds of new debt and repayment of debt principal are reported as other financing sources and uses in the governmental funds, but constitute additions and reductions to liabilities in the statement of net assets.” The details of this \$660,960 difference are as follows (in thousands):

Debt issued or incurred:		
General obligation bonds	\$	(950,000)
Certificates of participation		(120,950)
Principal repayments:		
General obligation bonds		228,825
Certificates of participation		178,720
Capital leases		1,956
State school building aid fund payable		286
California energy commission loan		203
Net adjustment to decrease net changes in <i>total fund balances – governmental funds</i> to arrive at <i>changes in net assets – governmental activities</i>	\$	<u><u>(660,960)</u></u>

(4) Budgetary Appropriation Amendments

During the fiscal year, only \$0.7 million modification was necessary to reduce appropriations for expenditures and other financing uses for the General Fund.

(5) Cash and Investments

Cash and investments as of June 30, 2009 are classified in the accompanying basic financial statements as follows (in thousands):

Statement of net assets:		
Cash and investments	\$	4,084,575
Cash and investments held by trustee		<u>67,463</u>
Subtotal		4,152,038
Fiduciary funds:		
Cash and investments		<u>40,176</u>
Total cash and investments	\$	<u><u>4,192,214</u></u>

Cash and investments as of June 30, 2009 consist of the following (in thousands):

Cash on hand (cafeteria change funds)	\$	69
Deposits with financial institutions and LA County Pool (a)		3,599,404
Investments (b)		<u>592,741</u>
Total cash and investments	\$	<u><u>4,192,214</u></u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2009

- (a) Deposits with financial institutions include cash in the Los Angeles County Pooled Surplus Investment Fund (\$3,502,155), cash held by fiscal agents or trustees (\$67,463), and cash deposited with various other financial institutions, including imprest funds in schools and offices (\$29,786).

School districts are required by Education Code Section 41001 to deposit their funds with the county treasury. Cash in county treasury refers to the fair value of the District's share of the Los Angeles County (County) Pooled Surplus Investment (PSI) Fund.

- (b) Investments include funds set aside in a county repayment account for TRANs (\$515,000), sinking funds invested by trustees of COPs (\$17,760), and specific purpose investments arranged by the District with the County Treasurer for internal service funds that are not needed for daily operations (\$59,981).

Except for investments by trustees of COPs proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from the web site at <http://ttax.co.la.ca.us/>. The table below identifies some of the investment types permitted in the investment policy:

	Authorized Investment Type	Maximum Maturity	Maximum Total Par Value	Maximum Par Value per Issuer
A.	Obligations of the U.S. government, its agencies and instrumentalities.	None	None	None
B.	Approved Municipal Obligations	5 to 30 years	10% of PSI portfolio	None
C.	Asset-Backed Securities with highest ratings	5 years	20% of PSI portfolio	with credit rating limits
D.	Bankers' Acceptances Domestic and Foreign	180 days	40% of PSI portfolio	with credit rating limits
E.	Negotiable Certificates of Deposits – Domestic & Euro	3 years	30% of PSI portfolio	with credit rating limits
	Negotiable Certificates of Deposits – Euro	1 year	10% of PSI portfolio	with credit rating limits
F.	Corporate and Depository Notes	3 years	30% of PSI portfolio	with credit rating limits
G.	Floating Rate Notes	7 years	10% of PSI portfolio	with credit rating limits
H.	Commercial Paper (CP) rated "A-1" (S&P) and "P-1" (Moody's)	270 days	40% of PSI portfolio	10% per issuer's outstanding CP
I.	Shares of Beneficial Interest – U.S. government obligations		15% of PSI portfolio	
J.	Repurchase Agreement	30 days	\$1.0 billion	\$500 million/dealer
K.	Reverse Repurchase Agreement	1 year	\$500 million	\$250 million/broker
L.	Forwards, Futures and Options	90 days	\$100 million	\$50 million/counterpart
M.	Interest-Rate Swaps in conjunction with approved bonds and limited to highest credit rating categories.			
N.	Securities Lending Agreement	180 days	20% of base portfolio value	
O.	Investment of Bond Proceeds in accordance with Gov. Code 53601(m)	None	None	None

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2009

Debt proceeds held by trustees are governed by provisions of debt agreements. The table below identifies the investment types that are authorized for such funds:

	Authorized Investment Type	Maximum Maturity	Maximum Total Par Value	Maximum Par Value per Issuer
A.	Obligations of the U.S. government, its agencies and instrumentalities.	None	None	None
B.	Commercial Paper (CP) rated "A-1" (S&P) and "P-1" (Moody's)	270 days	None	None
C.	Investment agreements, the provider of which is rated at one of the two highest rating categories	None	None	None
D.	Money market funds	None	None	None

Interest-rate risk is the risk involved with fluctuations of interest rates that may adversely affect the fair value of the investments. The County's investment guidelines target the weighted average maturity of its portfolio to less than 18 months. As of June 30, 2009, 56.2% of district funds in the County PSI Fund does not exceed one year. In addition, variable-rate notes that comprised 3.51% 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 rest 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, 2009, 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, 2009

(6) Receivables/Payables

Receivables by Fund at June 30, 2009 consist of the following (in thousands):

	<u>General</u>	<u>District Bonds</u>	<u>County School Facilities Bonds</u>	<u>Debt Service</u>	<u>Other Governmental</u>	<u>Internal Service Funds</u>	<u>Total</u>
Taxes	\$ —	\$ —	\$ —	\$ 80,453	\$ —	\$ —	\$ 80,453
Accrued grants and entitlements	1,013,209	—	—	—	54,797	—	1,068,006
Other	11,841	7,442	—	2,227	6,260	2,005	29,775
Interest and dividend	8,114	5,012	1,678	126	2,039	4,062	21,031
Total Receivables	<u>\$ 1,033,164</u>	<u>\$ 12,454</u>	<u>\$ 1,678</u>	<u>\$ 82,806</u>	<u>\$ 63,096</u>	<u>\$ 6,067</u>	<u>\$ 1,199,265</u>

Payables by Fund at June 30, 2009 consist of the following (in thousands):

	<u>General</u>	<u>District Bonds</u>	<u>County School Facilities Bonds</u>	<u>Debt Service</u>	<u>Other Governmental</u>	<u>Internal Service Funds</u>	<u>Total</u>
Vouchers and accounts	\$ 285,906	\$ 104,580	\$ 54,723	\$ 13	\$ 23,713	\$ 20,612	\$ 489,547
Contracts	3,785	89,133	23,241	—	4,991	—	121,150
Accrued payroll	244,262	21	—	—	—	567	244,850
Other	90,051	1,800	—	21	20,613	4,799	117,284
Total payables	<u>\$ 624,004</u>	<u>\$ 195,534</u>	<u>\$ 77,964</u>	<u>\$ 34</u>	<u>\$ 49,317</u>	<u>\$ 25,978</u>	<u>\$ 972,831</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2009

(7) Capital Assets

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

	Balance, June 30, 2008	Increases	Decreases	Balance, June 30, 2009
Governmental activities:				
Capital assets, not being depreciated:				
Sites	\$ 2,700,727	\$ 268,677	\$ —	\$ 2,969,404
Construction in progress	2,547,219	1,836,929	(1,568,630)	2,815,518
Total capital assets, not being depreciated	<u>5,247,946</u>	<u>2,105,606</u>	<u>(1,568,630)</u>	<u>5,784,922</u>
Capital assets, being depreciated:				
Improvement of sites	468,039	39,924	—	507,963
Buildings and improvements	6,722,084	1,520,916	—	8,243,000
Equipment	1,143,953	38,521	(26,432)	1,156,042
Total capital assets, being depreciated	<u>8,334,076</u>	<u>1,599,361</u>	<u>(26,432)</u>	<u>9,907,005</u>
Less accumulated depreciation for:				
Improvement of sites	(277,465)	(15,078)	—	(292,543)
Buildings and improvements	(1,764,978)	(281,175)	—	(2,046,153)
Equipment	(1,021,615)	(27,639)	26,429	(1,022,825)
Total accumulated depreciation	<u>(3,064,058)</u>	<u>(323,892)</u>	<u>26,429</u>	<u>(3,361,521)</u>
Total capital assets, being depreciated, net	<u>5,270,018</u>	<u>1,275,469</u>	<u>(3)</u>	<u>6,545,484</u>
Governmental activities capital assets, net	<u>\$ 10,517,964</u>	<u>\$ 3,381,075</u>	<u>\$ (1,568,633)</u>	<u>\$ 12,330,406</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2009

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

Governmental activities:

Instruction	\$	3,439
Support services – students		138
Support services – instructional staff		4,265
Support services – general administration		236
Support services – school administration		3,341
Support services – business		1,197
Operation and maintenance of plant services		4,678
Student transportation services		609
Data processing services		2,713
Operation of noninstructional services		978
Depreciation – unallocated		302,298
Total depreciation expense – governmental activities	\$	<u>323,892</u>

(8) Retirement, Termination and Other Postemployment Benefit Plans

The District provides a number of benefits to its employees including, retirement, termination, and postemployment health care benefits.

Retirement Plans

Qualified District employees are covered under either multiple-employer defined benefit retirement plans maintained by agencies of the State of California, a multiple-employer defined contribution retirement benefit plan administered under a Trust and/or single employer retirement benefit plans maintained by the District. The retirement plans maintained by the State are 1) the California Public Employees' Retirement System (CalPERS), 2) the State Teachers' Retirement System (STRS), and 3) the Public Agency Retirement (PARS) which is administered under a Trust. A retirement plan maintained by the District, the Annuity Reserve Fund was dissolved in November 18, 2003 and fully liquidated in June 2009. In general, certificated employees are members of STRS and classified employees are members of CalPERS. Part-time, seasonal, temporary and other employees who are not members of CalPERS or STRS are members of PARS.

(a) California Public Employees' Retirement System (CalPERS)

The District contributes to the Public Employees' Retirement Fund (PERF), an agent multiple-employer defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement 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, 2009

Active plan members are required to contribute 7% (miscellaneous) or 9% (safety) of their monthly salary and the District is required to contribute based on an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rates for fiscal year 2008-2009 were 9.428% for miscellaneous and 30.066% 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, 2009, 2008, and 2007.

Schedule of Employer Contributions:

	2009		2008	2007
	Safety	Miscellaneous	Safety and Miscellaneous	Safety and Miscellaneous
District contributions:				
Regular	\$ 7,175,111	\$ 106,893,794	\$ 109,517,246	\$ 102,370,126
Annual Savings Recapture – AB 702 Credits	<u>(4,022,217)</u>	<u>28,400,177</u>	<u>25,192,277</u>	<u>23,261,694</u>
Total district contributions	<u>3,152,894</u>	<u>135,293,971</u>	<u>134,709,523</u>	<u>125,631,820</u>
Employee contributions:				
Paid by Employees	372,021	55,910,773	52,009,454	49,849,218
Paid by District	<u>1,887,337</u>	<u>23,289,534</u>	<u>25,856,150</u>	<u>24,068,359</u>
Total employee contributions	<u>2,259,358</u>	<u>79,200,307</u>	<u>77,865,604</u>	<u>73,917,577</u>
Total CalPERS contributions	<u>\$ 5,412,252</u>	<u>\$ 214,494,278</u>	<u>\$ 212,575,127</u>	<u>\$ 199,549,397</u>
Percentage of required contributions made	100%	100%	100%	100%

The District's contributions for all members for the fiscal years ended June 30, 2009, 2008, and 2007 were in accordance with the required contribution rates calculated by the CalPERS actuary for each year.

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

The District contributes to the STRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan and a tax-deferred supplemental program established and administered by the State Teachers' Retirement Law (Section 22000 et seq.) of the California Education Code. The Teachers' Retirement Fund (TRF) is a defined benefit pension plan under the STRS. At June 30, 2009, there were approximately 1,745 contributing employers (school districts, community college districts, county offices of education and regional occupational programs). The State of California is a nonemployer contributor to the TRF.

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Notes to Basic Financial Statements

Year Ended June 30, 2009

The Plan provides defined retirement benefits based on members' final compensation, age, and years of credited service. In addition, the retirement program provides benefits to members upon disability and to survivors upon the death of eligible members. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes a ten-year trend information showing the progress in accumulating sufficient assets to pay benefits when due. Copies of the STRS annual financial report may be obtained from California State Teachers' Retirement System, P.O. Box 15275, Sacramento, CA 95851-0275.

Active plan members are required to contribute 8% of their salary (6% to the Defined Benefit (DB) Program and 2% to the Defined Benefit Supplement (DBS) Program). The District is required to contribute based on an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2008-2009 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. Contributions to STRS for fiscal years ended June 30, 2009, 2008, and 2007 are as follows:

	Percentage of applicable member earnings	2009	2008	2007
District contributions	8.25%	\$ 270,178,492	\$ 264,383,052	\$ 262,974,286
Employee contributions (including adjustments)	8.00%	278,131,825	268,377,194	258,877,451
Total STRS contributions	16.25%	\$ 548,310,317	\$ 532,760,246	\$ 521,851,737

The District's contributions to STRS for the fiscal years ended June 30, 2009, 2008, and 2007 were equal to the required contributions at statutory rates.

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 will 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)*

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.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2009

On July 1, 1992, the District joined the PARS, a multiple-employer retirement trust established by a coalition of public employers. The plan covers the District's part-time, seasonal, temporary, and other employees not covered under CalPERS or STRS, but whose salaries would otherwise be subject to Social Security tax. Benefit provisions and other requirements are established by District management based on agreements with various bargaining units. PARS is a defined contribution qualified retirement plan under Section 401 (a) of the Internal Revenue Code.

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. Upon resignation, retirement, or death prior to retirement, the employee or the beneficiary will receive 100% of the amount credited to the employee account, including any share of net fund gains or losses after payment of administrative expenses. If at the time of distribution the amount in the employee's account is less than \$3,500, it will be paid in one lump sum. If the amount is \$3,500 or greater, the employee may elect to receive it in a lump sum or leave it with PARS until the normal retirement age (60) is reached and then receive it as a lump sum.

District employees covered under PARS total 53,636 as of June 30, 2009. The District's contributions to the plan for the last three fiscal years are as follows: 2008-2009 – \$6,895,868, 2007-2008 – \$8,764,699, and 2006-2007 – \$3,472,503.

The District's contributions for the fiscal years ended June 30, 2009, 2008, and 2007 were equal to the required contributions.

(d) *Annuity Reserve Fund*

The Annuity Reserve Fund is a single-employer defined contribution plan. A defined contribution plan bases benefits solely on amounts contributed to the participant's account. All contributions were made when the Fund was established in 1972. Neither the District nor the employees make any additional contributions to the Fund. All of the original 34,031 eligible employees were vested from the date of establishment of the Fund. An employee's pro rata share of the fund is the ratio of his/her contributions to the retirement system, including interest, to the total of the contributions, including interest, of all participants in the fund, calculated as of June 30, 1972.

District employees eligible to receive additional retirement benefits from the fund are those who, as of June 30, 1972 were:

- a. Members on the active and retired rolls, including deferred retirees, of the District Retirement System.
- b. Probationary or permanent certificated employees of the District, holding membership in the STRS or CalPERS and making contributions to either System on that date.

On November 18, 2003, members voted to dissolve the fund and distribute its net assets to the members. The fund was fully liquidated in June 2009.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2009

Termination Benefits

In fiscal year 2008-2009, the District offered an early retirement incentive program to the following groups of employees: certificated, school-based classified, and organizational unit or division identified classified employees. This was offered to lessen the impact of an anticipated reduction in work force in 2009-2010 school year. The retirement incentive is equal to 40% of 2008-2009 basic salary in effect on February 24, 2009 for certificated employees and May 1, 2009 for 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 of \$10.6 million over a four (4) year period starting in 2009-2010. After discounting the expected future payments to their present value, the total cost of the early retirement incentive is \$51.2 million.

In 2008-2009, the District also purchased 2 years of additional service credits for certain employees covered by the California Public Employees' Retirement System (CalPERS). The cost of this incentive is estimated at \$1.5 million and is expected to be paid in full in 2009-2010.

Postemployment Benefits – Health and Welfare for Retirees

Plan Description

The District administers a single-employer defined benefit healthcare plan. The plan provides other post-employment (health care) benefits, in accordance with collective bargaining unit agreements and Board rules. Certificated and classified employees who retire from the District receiving a STRS/CalPERS retirement allowance (for either age or disability) are eligible to continue coverage under the District-paid hospital/medical, dental and vision plans which cover both active and retired members. The following are the eligibility requirements:

- a. Those hired prior to March 11, 1984 must have served a minimum of five consecutive qualifying years immediately prior to retirement;
- b. Those hired from March 11, 1984 through June 30, 1987 must have served a minimum of ten consecutive qualifying years immediately prior to retirement;
- c. Those hired from July 1, 1987 through May 31, 1992 must have served a minimum of 15 consecutive qualifying years immediately prior to retirement, or served ten consecutive qualifying years immediately prior to retirement plus an additional previous ten years which are not consecutive.
- d. Those hired from June 1, 1992 through February 28, 2007 must have at least 80 years combined total of consecutive qualifying service and age.
- e. Those hired from March 1, 2007 through March 31, 2009 must have at least 80 years combined total of consecutive qualifying service and age. In addition, the employee must have 15 consecutive years of qualifying service immediately prior to retirement.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2009

- f. Those hired on or after April 1, 2009 must have at least 85 years combined total of consecutive qualifying service and age. In addition, the employee must have a minimum of 25 consecutive years of qualifying service immediately prior to retirement.

School Police (sworn personnel) hired on or after April 1, 2009 must have at least 80 years combined total of consecutive qualifying service and age. In addition, the employee must have a minimum of 20 consecutive years of qualifying service immediately prior to retirement. In order to maintain coverage, the retirees must continue to receive a STRS/CalPERS retirement allowance and must enroll in those parts of Medicare for which they are eligible. As of July 1, 2008, approximately 35,000 retirees now meet these eligibility requirements. The plan does not issue a separate financial report.

Funding Policy

The District's contribution obligation for the fiscal year for the health and welfare benefits of District personnel, including the cost of term life insurance coverage and employee assistance for active employees and coverage under health plans for dependents and retirees, generally is subject to an aggregate contribution limit. Determination of this fiscal year contribution obligation limit occurs through discussions with the relevant collective bargaining units and recommendation by the District-wide Health and Welfare Committee, and is subject to approval by the Board of Education.

For fiscal year 2009, the District contributed \$267,262,382 to the plan for the cost of total District expenditures for health and medical benefits for retired employees. These expenditures consist of retirees' current-year insurance premiums already paid to the Health Maintenance Organizations, retirees' claims reported to the District but not yet paid, and an estimate for claims incurred but not yet reported to the District.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan (in thousands):

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2009

Annual required contribution	\$ 1,088,523
Interest on net OPEB obligation*	—
Adjustment to annual required contribution*	—
Annual OPEB cost (expense)	<u>1,088,523</u>
Contributions made	<u>(267,262)</u>
Increase in net OPEB obligation	821,261
Net OPEB obligation – beginning of year*	<u>832,665</u>
Net OPEB obligation – end of year	<u><u>\$ 1,653,926</u></u>

* The District has elected to implement GASB Statement No. 45 prospectively. As a result, there are no interests on net OPEB obligation and adjustment to ARC, and beginning liability is set at zero at the beginning of the initial year.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2008 and 2009 were as follows (in thousands):

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2008	\$ 1,088,523	24 %	\$ 832,665
6/30/2009	1,088,523	25	821,261

The District elected for prospective implementation of GASB Statement No. 45 which became effective in fiscal year 2008. Accordingly, comparative data for prior years is not available. Three-year trend information will be presented in future years.

Funded Status and Funding Progress

As of June 30, 2007, the most recent actuarial valuation date, the plan was substantially unfunded. The actuarial accrued liability for benefits was \$10.6 billion, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$10.6 billion. The covered payroll (annual payroll of active employees covered by the plan) was \$4.6 billion, and the ratio of the UAAL to the covered payroll was 229%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about the future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information for the most recent actuarial valuation and in future years, multi-year trend information about whether the actuarial value of plan assets, if any, is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2009

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs, as applicable, between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, if any, consistent with the long-term perspective of the calculations.

In the June 30, 2007 actuarial valuation, the actuarial method used in estimating the liability is the entry age normal, level dollar cost method which is based on the assumption that the Actuarial Present Value (APV) of employees' expected postretirement benefits accrue on a level basis over their expected working careers, from hire until the date of full eligibility for postretirement medical benefits. The significant assumptions used in the computation include a 5% discount rate and a healthcare cost trend of 9% for HMOs and 11% for PPOs in 2008, ultimately declining to 5% in 2016 and 2014 respectively and remaining at that level thereafter. A healthcare cost trend rate of 5% is assumed for dental and vision. The UAAL is being amortized as a level dollar closed of projected payroll over a 30-year period. The remaining amortization period at June 30, 2009 was twenty-eight years.

(9) Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; job-related illness or injury to employees; and natural disasters. The District has established several self-insurance funds (Internal Service Funds) as follows: the Workers' Compensation Self-Insurance Fund, the Liability Self-Insurance Fund, and the Health and Welfare Benefits Fund. These funds account for the uninsured risk of loss and pay for insurance premiums, management fees, and related expenses. The District is self-insured for its Workers' Compensation Insurance Program and partially self-insured for the Health and Welfare and Liability Insurance Programs. Premium payments to Health Maintenance Organizations for medical benefits and to outside carriers for vision services, dental services, and optional life insurance are paid out of the Health and Welfare Benefits Fund.

Excess insurance has been purchased for fire loss damages, which currently provides \$1 billion coverage above a \$500,000 self-insurance retention and for general liability, which currently provides \$45 million coverage above a \$3 million self-insurance retention. No settlements exceeded insurance coverage in the last four fiscal years ended June 30, 2009.

The District has implemented an Owner Controlled Insurance Program (OCIP) covering new construction and renovation projects funded by school bonds. Under an OCIP, owners provide general liability and workers' compensation insurance coverage to construction contractors. Because contractors remove insurance costs from their bids, potential savings accrue to the owner. Under the District's program, workers' compensation coverage with statutory limits and primary general liability and excess liability coverage with limits of \$100 million have been underwritten by three major insurance carriers.

The District has also purchased environmental insurance coverage for the construction program. Two policies protect certain contractors and the District from losses resulting from environmental related

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2009

incidents occurring during construction and one policy provides optional coverage to ensure that site cleanup cost overruns are not borne by the District. The limits of coverage on the cleanup cost-cap policy are variable by specific project while the other policies have limits of \$50 million each.

Liabilities for loss and loss adjustment expenses under each program 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, 2009, the amount of the total claims liabilities recorded for medical liability and workers' compensation was \$551.8 million. During the fiscal year, the District recorded workers' compensation claims liability at reduced levels as a result of legislative changes and a reduction in open and litigated claims. The actuary used a 3% discount rate for the worker's compensation calculation. Changes in the reported liabilities since July 1, 2007 are summarized as follows:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
2008-2009				
Health and welfare benefits	\$ 46,390,000	\$ 361,681,219	\$ (355,012,219)	\$ 53,059,000
Workers' compensation	479,561,962	72,195,742	(80,588,876)	471,168,828
Liability self-insurance	22,749,679	14,665,168	(9,872,367)	27,542,480
Total	\$ 548,701,641	\$ 448,542,129	\$ (445,473,462)	\$ 551,770,308
2007-2008				
Health and welfare benefits	\$ 39,563,000	\$ 332,550,459	\$ (325,723,459)	\$ 46,390,000
Workers' compensation	509,315,896	58,143,330	(87,897,264)	479,561,962
Liability self-insurance	18,692,425	19,357,716	(15,300,462)	22,749,679
Total	\$ 567,571,321	\$ 410,051,505	\$ (428,921,185)	\$ 548,701,641

(10) Certificates of Participation, Long-Term Capital Leases, and Operating Leases

The District has entered into Certificates of Participation (COPs) for the acquisition of school sites, relocatable classroom buildings, a new administration building, furniture and equipment, and for various other construction projects as follows:

On December 9, 1997, the District issued variable rate COPs 1997 Series A in the amount of \$91,400,000. Interest is payable monthly and has ranged from 0.10% to 8.75% over the life of the COPs. The interest

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rate on June 30, 2009 was 0.16%. Principal payments are due annually through 2017. The proceeds are to fund the construction of the Vista Hermosa (formerly known as the Belmont Learning Complex).

On June 10, 1998, the District issued COPs 1998 Series A (1993 Ambassador Refunding) in the amount of \$60,805,000. Interest is due semiannually ranging from 4.00% to 5.25%. Principal payments are due annually through 2013. The proceeds from the issuance are to finance an escrow fund to prepay the District's 1993 Refunding COPs, to fund a reserve fund, and to pay the costs associated with the issuance of the certificates.

On May 23, 2000, the District issued COPs 2000 Series A (Qualified Zone Academy Bonds Project) in the amount of \$30,446,700, a first-of-its-kind bond under a federal program that offers investors tax credits rather than interest payments. Of this amount, \$3,800,000 was issued on behalf of Fenton Avenue Charter School and \$3,800,000 for Vaughn Next Century Learning Center. Scheduled payments to a sinking fund are to be made annually through maturity in 2012. The proceeds from the issuance are to pay for the rehabilitation or repair of facilities and the acquisition and installation of equipment at School to Career Academy Programs school sites and at the two charter schools. This issue was partially refunded by COPs 2004 Series B in July 2004. A portion of this issue is being repaid from Measure Y funds.

On October 4, 2000, the District issued COPs 2000 Series B (Multiple Properties Project) in the amount of \$172,715,000. Interest is payable semiannually ranging from 4.00% to 5.50% with annual principal payments through 2010. The proceeds are to pay for internet connectivity, portable classrooms, air-conditioning projects, sports facility improvements, and construction at adult schools.

On November 6, 2001, the District issued COPs 2001 Series B (Administration Building Project I) in the amount of \$68,890,000. Interest is paid semiannually at 5.00%. Principal payments are due annually beginning 2024 through 2031. The proceeds are to pay for improvements at the District's new administration building. This issue was partially refunded by COPs 2004 Series A in July 2004.

On December 19, 2002, the District issued COPs 2002 Series C (Administration Building Project II) in the amount of \$9,490,000. Interest is payable semiannually ranging from 2.00% to 5.00%. Principal payments are due annually through 2031. The proceeds are to fund tenant improvements and Heating, Ventilation and Air Conditioning (HVAC) upgrades for the 12th floor and painting and lighting upgrades of the garage of the Administration Building. This issue was partially refunded by COPs 2004 Series A in July 2004.

On June 26, 2003, the District issued COPs 2003 Series B (Capital Project I) in the amount of \$31,620,000. Interest is payable semiannually ranging from 2.00% to 5.00%. Principal payments are due annually through 2028. The proceeds are used to purchase and equip a turn-key warehouse in the City of Pico Rivera. This issue was partially refunded by COPs 2004 Series A in July 2004.

On July 28, 2004, the District issued COPs 2004 Series A (Refinancing and Refunding Project I) in the amount of \$50,700,000. Interest is payable semiannually ranging from 3.00% to 5.00%. Principal payments are due annually through 2014. Proceeds are to refinance certain prior debt service payments and to refund portions of the District COPs. This advance refunding was undertaken to reduce General Fund debt service payments in fiscal years 2004-2005 and 2005-2006 by \$45.0 million with an increase to total debt service payments of \$17.8 million over the next ten years. This issue was partially refunded by Measure Y Series D Bonds in February 2006.

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On July 28, 2004, the District issued COPs 2004 Series B (Refinancing and Refunding Project I – Federally Taxable) in the amount of \$6,925,000. Interest is payable semiannually at 4.25%. The principal payment was paid in full in October 2008. Proceeds are to refund portions of the 2000 Series A (Qualified Zone Academy Bonds) and the 2001 Series C (Beaudry I) COPs. This advance refunding was undertaken to reduce General Fund debt service payments in fiscal years 2004-2005 and 2005-2006 by \$6.5 million with an increase to total debt service payments of \$1.1 million over the next four years. This issue was partially refunded by Measure Y Series D Bonds in February 2006.

On May 24, 2005, the District issued variable rate COPs 2005 Series A (Administration Building Project) in the amount of \$86,525,000. Interest is paid monthly at a weekly rate payable on the first business day of each month commencing on June 1, 2005 through October 1, 2024. Through June 30, 2009, the interest rate has ranged from 1.95% to 10.00% over the life of the COPs. The 2005 A Certificates were used to refund the 2001C COPs in the amount of \$84.5 million, which resulted in a net present value savings of approximately \$9.4 million based on an assumed variable rate of 3.05% (15-year average of Bond Member Association (BMA)), semiannual interest payments, and 30/360 semiannual compounding. This issue was fully refunded by COPs 2008 Series A in August 2008.

On May 24, 2005, the District issued variable rate COPs 2005 Series B (Administration Building Project III) in the amount of \$21,340,000. Interest is paid monthly at a weekly rate payable on the first business day of each month commencing on June 1, 2005 through October 1, 2031. Through June 30, 2009, the interest rate has ranged from 2.00% to 7.40%. The 2005 B Certificates were to finance certain property improvements of the District and to fund capitalized interest and fees. This issue was fully refunded by COPs 2008 Series B in August 2008.

On May 24, 2005, the District issued variable rate COPs 2005 Series C (Multiple Properties Project) in the amount of \$44,225,000. The 2005 C Certificates were initially delivered in a term mode at a rate of 4.00% for a period from the date of delivery through October 1, 2006, payable on April 1 and October 1 commencing October 1, 2005. The Certificate converted to a weekly mode on October 2, 2006. While in a weekly mode, interest is payable on the first business day of each month, maturing on October 1, 2025. Through June 30, 2009, the variable interest rate has ranged from 1.00% to 7.80% over the life of the COPs. The proceeds from the issuance were used to refund the outstanding Refunded 1996 COPs (1996A COPs – ELA/King Drew Refunding) in the amount of \$41.95 million as variable bonds. This advance refunding resulted in a net present value savings of \$2.9 million based on an assumed variable rate of 3.05% (15-year average of BMA). This issue was redeemed in full in May 2009.

On December 13, 2005, the District issued COPs 2005 (2004-2005 Qualified Zone Academy Bonds) in the amount of \$10,000,000. The zero interest tax credit bonds are used for modernizing nine schools to accommodate existing or planned academy programs that address student career pathway/higher education interests. Scheduled payments to a sinking fund are to be made annually through maturity in 2020.

On November 15, 2007, the District issued COPs 2007 Series A (Information Technology Projects) in the amount of \$99,660,000. Interest is payable semiannually ranging from 4.00% to 5.00%. Principal payments are due annually through 2017. The proceeds are used to finance acquisition, development and installation of the information technology systems of the District.

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On August 6, 2008, the District issued variable rate refunding COPs 2008 Series A (Administration Building Project) in the amount of \$97,530,000. Interest is payable monthly and has ranged from 0.12% to 7.30% over the life of the COPs. The interest rate on June 30, 2009 was 0.17%. Principal payments are due annually through 2024. The proceeds are to prepay all of the outstanding Series 2005A Certificates, fund a reserve account for the Series 2008A Certificates, fund portions of reserve accounts for the 2001B and 2002C Certificates and pay cost of issuance incurred in connection with the Series 2008A Certificates.

On August 6, 2008, the District issued variable rate refunding COPs 2008 Series B (Administration Building Project III) in the amount of \$23,420,000. Interest is payable monthly and has ranged from 0.15% to 8.00% over the life of the COPs. The interest rate on June 30, 2009 was 0.25%. Principal payments are due annually through 2031. The proceeds are to prepay all of the outstanding Series 2005B Certificates, fund a reserve account for the Series 2008B Certificates, fund portions of reserve accounts for the 2001B and 2002C Certificates and pay cost of issuance incurred in connection with the Series 2008B Certificates.

Other Leasing Arrangements

The District has entered into various lease agreements ranging from three to five years to finance the acquisition of office equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The future minimum lease payments (principal plus interest) and the net present value of these minimum lease payments (principal only) are detailed in Note 11 – Long-Term Obligations.

The District's operating leases consist of various leased facilities and office equipment (primarily copiers). The leased facilities have varying terms ranging from less than a year to 36 years. Some leases are month to month and a few are year to year. The leases expire over the next 11 years subject to renewal option provisions.

The office equipment lease (primarily copiers) is also under various lease terms that range from less than a year to 5 years. The leases expire during the next 5 years.

The total expenditure for all operating leases amounted to \$27,536,570 in 2008-2009. The future minimum commitments for noncancelable operating lease of the District as of June 30, 2009 are as follows (in thousands):

	<u>Amount</u>
Fiscal year ending:	
2010	\$ 24,373
2011	26,291
2012	13,052
2013	9,159
2014	5,675
2015-2019	15,119
2020-2024	<u>2,896</u>
	<u>\$ 96,565</u>

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Year Ended June 30, 2009

(11) Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2009 (in thousands):

	Balance, July 1, 2008 (restated)	Additions	Deductions	Balance, June 30, 2009	Due Within One Year	Interest Expense
General Obligation Bonds*	\$ 7,500,552	\$ 966,644	\$ 243,621	\$ 8,223,575	\$ 259,080	\$ 347,361
Certificates of Participation (Note 10)**	501,875	123,859	183,079	442,655	30,314	14,629
Capital Lease Obligations	3,768	1,196	1,956	3,008	1,185	344
State School Building Aid Fund Payable	286	—	286	—	—	—
Children Center Facilities Revolving Loan	792	—	—	792	—	—
California Energy Commission Loan	865	1	203	663	209	33
Liability for Employee Benefits	191,297	135,353	92,064	234,586	12,898	—
Self-Insurance Claims (Note 9)	548,702	453,046	449,979	551,769	174,517	—
Other Postemployment Benefits (OPEB)	832,665	1,088,523	267,262	1,653,926	—	—
Arbitrage Payable	12,068	—	101	11,967	—	—
Legal Settlements	12,823	12,555	—	25,378	—	—
Total	\$ 9,605,693	\$ 2,781,177	\$ 1,238,551	\$ 11,148,319	\$ 478,203	\$ 362,367

* Net of unamortized premiums and discounts.

** Including unamortized premium.

Future annual payments on long-term debt obligations are as follows (in thousands):

Year Ending June 30	General Obligation Bonds			Capital Lease Obligations/ Certificates of Participation			Other Loans		Total		
	Principal	Amortization	Interest	Principal	Amortization	Interest	Principal	Interest	Principal	Amortization	Interest
2010	\$ 259,080	\$ 10,531	\$ 376,314	\$ 31,499	\$ 771	\$ 15,956	\$ 209	\$ 24	\$ 290,788	\$ 11,302	\$ 392,294
2011	228,045	11,387	371,759	29,399	761	14,913	295	16	257,739	12,148	386,688
2012	245,685	12,047	360,945	54,278	736	13,743	304	7	300,267	12,783	374,695
2013	262,045	12,781	349,048	29,800	658	12,500	89	1	291,934	13,439	361,549
2014	268,805	11,338	336,456	30,843	556	11,182	83	—	299,731	11,894	347,638
2015-2019	1,552,495	67,001	1,462,568	114,495	987	39,543	396	—	1,667,386	67,988	1,502,111
2020-2024	2,189,360	37,327	1,006,782	58,935	—	25,648	79	—	2,248,374	37,327	1,032,430
2025-2029	2,133,150	10,223	449,327	57,245	—	15,336	—	—	2,190,395	10,223	464,663
2030-2034	907,555	4,720	89,843	34,700	—	2,508	—	—	942,255	4,720	92,351
	\$ 8,046,220	\$ 177,355	\$ 4,803,042	\$ 441,194	\$ 4,469	\$ 151,329	\$ 1,455	\$ 48	\$ 8,488,869	\$ 181,824	\$ 4,954,419

The General Obligation Bonds balance of \$8,223.6 million, which includes unamortized bond premiums (net of unamortized charges) of \$177.4 million, consists of:

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(a) six issuances of Proposition BB bonds:

1. Series "A" bonds, sold in July 1997 at \$356.0 million par value, of which \$18.5 million and \$133.2 million were refunded in December 2004 and July 2005, respectively;
2. Series "B" bonds, sold in August 1998 at \$350.0 million par value, of which \$90.9 million and \$151.4 million were refunded in April 2002 and July 2005, respectively;
3. Series "C" bonds, sold in August 1999 at \$300.0 million par value, of which \$70.8 million, \$14.2 million and \$124.8 million were refunded in April 2002, December 2004 and July 2005, respectively;
4. Series "D" bonds, sold in August 2000 at \$386.7 million par value, of which \$101.0 million, \$107.2 million and \$76.6 million were refunded in April 2002, December 2004 and July 2005, respectively;
5. Series "E" bonds, sold in April 2002 at \$500.0 million par value, of which \$75.8 million, \$231.2 million, and \$25.8 million were refunded in December 2004, November 2006 and February 2007, respectively; and
6. Series "F" bonds, sold in March 2003 at \$507.3 million par value of which \$129.5 million was refunded in January 2007.

(b) four issuances of Measure K bonds:

1. Series "A" bonds, sold in February 2003 at \$2.1 billion par value, of which \$131.9 million, \$330.1 million, and \$1.12 billion were refunded in February 2006, October 2006, and January 2007, respectively;
2. Series "B" bonds sold in February 2007 at \$500.0 million par value; and
3. Series "C" bonds sold in August 2007 at \$150.0 million par value.
4. Series "D" bonds sold in February 2009 at \$250.0 million par value.

(c) nine issuances of Measure R bonds:

1. Series "A" bonds at \$72.6 million par value, Series "B" bonds at \$60.5 million par value, Series "C" bonds at \$50.0 million par value and Series "D" bonds at \$16.9 million par value, all sold in September 2004 and all of which, except for Series C, were used to partially and fully refund certain certificates of participation;
2. Series "E" bonds, sold in August 2005 at \$400.0 million par value;
3. Series "F" bonds, sold in February 2006 at \$500.0 million par value; Series "G" bonds sold in August 2006 at \$400.0 million par value; and
4. Series "H" bonds sold in August 2007 at \$550.0 million par value.

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5. Series "I" bonds sold in February 2009 at \$550.0 million par value.

(d) six issuances of Measure Y bonds:

1. four issuances of Measure Y bonds sold in February 2006: Series "A" bonds at \$56.8 million par value, Series "B" bonds at \$80.2 million par value, Series "C" bonds at \$210.0 million par value and Series "D" bonds at \$47.4 million par value, all of which, except for Series C and \$5.7 million of Series D, were used to partially or fully refund certain certificates of participation;
2. In August 2007, Measure Y bonds, Series "E" was sold for \$300.0 million;
3. In February 2009, Measure Y bonds, Series "F" was sold for \$150.0 million; and

(e) general obligation refunding bonds:

1. 2004 Series "A-1" and "A-2" sold in December 2004 at \$219.1 million par value;
2. 2005 Series "A-1" and "A-2" sold in July 2005 at \$467.7 million par value, 2006 Series "A" sold in February 2006 at \$132.3 million par value;
3. 2006 Series "B" sold in November 2006 at \$574.9 million par value;
4. 2007 Series "A-1" and "A-2" sold in January 2007 at \$1.289 billion par value; and
5. 2007 Series "B" sold in February 2007 at \$24.8 million par value, all of which were used to partially refund certain general obligation bonds as stated above.

In fiscal year 2008-2009, no refunding bond was issued by the District. The total amount of debt outstanding that is considered defeased is \$2.9 billion.

The State School Building Aid Fund payable represents loans under the State Education Code Section 16310 for the replacement or rehabilitation of pre-1933 buildings. These loans are repaid with interest at varying rates, as specified by the State Allocation Board at the time of approval of each project application, from annual tax collections received by the Tax Override Fund. Principal and interest are to be paid in 20 equal annual amounts, not to exceed the amount that would be produced by a property tax levy of 4.375 cents per \$100 of assessed value. The loan is substantially paid in full as of June 30, 2009.

The Children Center Facilities revolving loan represents loan proceeds from the State Child Development Revolving Fund for the purchase of relocatable buildings, sites and site improvements for child care facilities. The loan, which does not incur interest charges, must be repaid in ten years. Annual repayment will begin when the full amount of the loan is received.

The California Energy Commission has agreed to provide the District with State funding of up to \$8 million (at a 3.95% annual interest rate) of which \$1.32 million was received in fiscal year 2004-2005. An additional \$0.06 million was received in fiscal year 2005-2006. The principal and interest will be repaid in its entirety through energy cost avoidance that the District intends to achieve from its energy

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project. The project involves use of energy efficient equipment, certain building shell components and improved methods of lighting and lighting controls.

The Arbitrage Payable balance reflects amounts due to the United States Treasury in order to comply with Internal Revenue Code Section 148(f). When the District issues tax-exempt debt, IRS regulations limit the yield that the District can earn on the bond proceeds. If the District earns an amount in excess of the bond yield and does not qualify for a spending exception, the District must remit the excess earnings to the US Treasury. Payments equal to 90% of the calculated excess earnings are due on each fifth anniversary of a bond's issuance date. When a bond issue is retired, all of the remaining excess earnings must be remitted.

The Legal Settlements balance of \$25.378 million represents liabilities arising from legal cases that were settled in the subsequent fiscal year but not yet paid.

(12) Interfund Transactions

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

Interfund receivables/payables are eliminated on the government-wide statement of net assets but are reported on the fund financial statements. The following is a summary of interfund receivables and payables at June 30, 2009 (in thousands):

Fund Group	Fund	Interfund Receivables	Interfund Payables
General:	Unrestricted	\$ 294,981	\$ —
	Restricted	—	274,833
	Total General	294,981	274,833
Special Revenue:	Adult education	—	4,440
	Cafeteria	—	9,020
	Child development	—	6,688
	Deferred maintenance	—	—
	Total Special Revenue	—	20,148
	Total Interfund Receivables/Payables	\$ 294,981	\$ 294,981

The outstanding balances of interfund receivables and payables result mainly from timing differences between the dates that interfund exchange of services or reimbursable expenditures occur, transactions are recorded and payments between funds are made. Interfund receivables and payables also arise when transfers are 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.

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(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 from funds receiving revenue to funds through which resources are to be expended. Transfers between funds for the year ended June 30, 2009 were as follows (in thousands):

From	To	Purpose	
General	Health & Welfare	Medicare Part D subsidy	\$ 12,982
General	Deferred Maintenance	Deferred maintenance allowance 2009	30,000
General	Capital Services	Debt service	26,356
General	Cafeteria	Meals for needy	16,587
General	Special Reserve	Debt service	3
General	Capital Facilities	Capital facilities support	260
Special Reserve	Capital Services	Debt service	123,595
Special Reserve	General	Funding for new financial system	16,871
Special Reserve	General	Funding for capital expenditures	17,246
Special Reserve	Building – Measure Y	Reimbursement of capital expenditures	1
Special Reserve	Building – Measure R	Reimbursement of capital expenditures	1,383
Special Reserve	Building – Measure K	Reimbursement of capital expenditures	6,269
Special Reserve	Building – Bond Proceeds	Reimbursement of capital expenditures	1,034
Special Reserve	CSF – Prop 47	Reimbursement of capital expenditures	355
Special Reserve	CSF – Prop 55	Reimbursement of capital expenditures	3,657
Special Reserve	SSBldg Lease/Purchase	Reimbursement of capital expenditures	100
Special Reserve	Capital Facilities	Reimbursement of capital expenditures	11
Special Reserve – CRA	General	Reimbursement of major maintenance expenditures	4,069
Special Reserve – CRA	Building – Measure R	Reimbursement of capital expenditures	1,129
Special Reserve – CRA	Building – Measure K	Reimbursement of capital expenditures	3,571
Special Reserve – CRA	CSF – Prop 47	Reimbursement of capital expenditures	1,300
Capital Facilities	Capital Services	Debt service	56,461
Capital Facilities	Building – Bond Proceeds	Reimbursement of capital expenditures	2
Capital Facilities	Special Reserve	Reimbursement of capital expenditures	12
Capital Facilities	Building – Measure R	Reimbursement of capital expenditures	24
Capital Facilities	Building – Measure K	Reimbursement of capital expenditures	151
Capital Services	General	Debt service	231
SSBldg Lease/Purchase	Special Reserve	Reimbursement of capital expenditures	1
SSBldg Lease/Purchase	Building – Bond Proceeds	Reimbursement of capital expenditures	60
SSBldg Lease/Purchase	Building – Measure K	Reimbursement of capital expenditures	221
SSBldg Lease/Purchase	County School Facilities	Reimbursement of capital expenditures	8
County School Facilities	Building – Measure R	Reimbursement of capital expenditures	1,265
County School Facilities	Building – Measure K	Reimbursement of capital expenditures	1,364
County School Facilities	Building – Measure Y	Reimbursement of capital expenditures	2
County School Facilities	Building – Bond Proceeds	Reimbursement of capital expenditures	9,480
County School Facilities	CSF – Prop 47	Reimbursement of capital expenditures	360
County School Facilities	CSF – Prop 55	Reimbursement of capital expenditures	30
County School Facilities	SSBldg Lease/Purchase	Reimbursement of capital expenditures	2
CSF – Prop 47	Building – Bond Proceeds	Reimbursement of capital expenditures	5,924
CSF – Prop 47	Building – Measure K	Reimbursement of capital expenditures	1,429
CSF – Prop 47	Building – Measure R	Reimbursement of capital expenditures	62
CSF – Prop 47	Building – Measure Y	Reimbursement of capital expenditures	5
CSF – Prop 47	County School Facilities	Reimbursement of capital expenditures	59
CSF – Prop 47	CSF – Prop 55	Reimbursement of capital expenditures	2
CSF – Prop 47	SSBldg Lease/Purchase	Reimbursement of capital expenditures	40
CSF – Prop 55	Special Reserve	Reimbursement of capital expenditures	44
CSF – Prop 55	Building – Bond Proceeds	Reimbursement of capital expenditures	19,251

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Transfers between funds for the year ended June 30, 2009 continued (in thousands):

From	To	Purpose	
CSF – Prop 55	Building – Measure K	Reimbursement of capital expenditures	\$ 4,169
CSF – Prop 55	Building – Measure R	Reimbursement of capital expenditures	33,151
CSF – Prop 55	Building – Measure Y	Reimbursement of capital expenditures	26
CSF – Prop 55	County School Facilities	Reimbursement of capital expenditures	259
CSF – Prop 55	CSF – Prop 47	Reimbursement of capital expenditures	219
CSF – Prop 55	Special Reserve – FEMA	Reimbursement of capital expenditures	241
CSF – Prop 1D	Building – Bond Proceeds	Reimbursement of capital expenditures	9,291
CSF – Prop 1D	Building – Measure R	Reimbursement of capital expenditures	19,543
CSF – Prop 1D	Building – Measure K	Reimbursement of capital expenditures	642
CSF – Prop 1D	County School Facilities	Reimbursement of capital expenditures	65
CSF – Prop 1D	CSF – Prop 47	Reimbursement of capital expenditures	398
CSF – Prop 1D	CSF – Prop 55	Reimbursement of capital expenditures	16
Adult Education	General	ROC subsidy	10,600
Adult Education	Building – Measure R	Reimbursement of capital expenditures	3,197
Building	Special Reserve – FEMA	Reimbursement of capital expenditures	229
Building – Measure R	Building – Bond Proceeds	Reimbursement of capital expenditures	40
Building – Measure R	County School Facilities	Reimbursement of capital expenditures	160
Building – Measure R	CSF – Prop 55	Reimbursement of capital expenditures	957
Building – Measure R	Building – Measure K	Reimbursement of capital expenditures	3,528
Building – Measure R	Building – Measure Y	Reimbursement of capital expenditures	50
Building – Measure R	Special Reserve	Reimbursement of capital expenditures	161
Building – Measure Y	General	Reimbursement of deferred maintenance match	30,000
Building – Measure Y	Adult Education	Reimbursement of capital expenditures	3
Building – Measure Y	Capital Services	Debt service	1,904
Building – Measure Y	Building – Measure R	Reimbursement of capital expenditures	4,496
Building – Measure Y	Building – Measure K	Reimbursement of capital expenditures	500
Building – Measure Y	Building – Bond Proceeds	Reimbursement of capital expenditures	4
Building – Measure Y	Special Reserve	Reimbursement of capital expenditures	651
Building – Measure K	CSF – Prop 47	Reimbursement of capital expenditures	116
Building – Measure K	CSF – Prop 55	Reimbursement of capital expenditures	419
Building – Measure K	Special Reserve	Reimbursement of capital expenditures	15,123
Building – Measure K	Building – Measure R	Reimbursement of capital expenditures	5,433
Building – Measure K	Building – Measure Y	Reimbursement of capital expenditures	236
Building – Measure K	Building – Bond Proceeds	Reimbursement of capital expenditures	124
Building – Measure K	Adult Education	Reimbursement of capital expenditures	4
Building – Bond Proceeds	Building – Measure R	Reimbursement of capital expenditures	23,563
Building – Bond Proceeds	Building – Measure K	Reimbursement of capital expenditures	31,060
Building – Bond Proceeds	Building – Measure Y	Reimbursement of capital expenditures	64
Building – Bond Proceeds	County School Facilities	Reimbursement of capital expenditures	2,742
Building – Bond Proceeds	CSF – Prop 47	Reimbursement of capital expenditures	183
Building – Bond Proceeds	CSF – Prop 55	Reimbursement of capital expenditures	21,142
Building – Bond Proceeds	CSF – Prop 1D	Reimbursement of capital expenditures	617
Building – Bond Proceeds	SSBldg Lease/Purchase	Reimbursement of capital expenditures	84
Building – Bond Proceeds	Special Reserve	Reimbursement of capital expenditures	139
Building – Bond Proceeds	Capital Facilities	Reimbursement of capital expenditures	3
Sub-total			588,821
Adult Education	General	Transfer of support costs	7,853
Child Development	General	Transfer of support costs	753
Total			<u>\$ 597,427</u>

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Notes to Basic Financial Statements

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(13) Fund Equity

The following is a summary of reserved, designated and undesignated fund balances at June 30, 2009 (in thousands):

	General Fund	District Bonds	County School Facilities Bonds	Debt Service	Other Governmental Funds
Reserved for:					
Revolving and imprest funds	\$ 2,788	\$ 3,800	\$ —	\$ —	\$ 84
Inventories	8,665	—	—	—	6,196
General reserve	1	—	—	—	—
Medi-Cal billing option	4,937	—	—	—	—
Cops more program	35	—	—	—	—
School Mental Health-Medi-Cal Rehabilitation	4,470	—	—	—	—
English language learners, teacher training and student assistance	2,238	—	—	—	—
Special education	5,066	—	—	—	—
CAHSEE intensive instruction and services	7,630	—	—	—	—
CAHSEE individual intervention materials	672	—	—	—	—
English learner	3,940	—	—	—	—
Quality education investment act (QEIA)	87,255	—	—	—	—
State Fiscal Stabilization	358,579	—	—	—	—
Ongoing and major maintenance	670	—	—	—	—
Certificates of participation – (cost of issuance)	265	—	—	—	—
Cognitive behavioral intervention therapy	593	—	—	—	—
California energy comission loan expenditures	397	—	—	—	—
Specially funded programs	77,132	—	—	—	—
Total reserved fund balances	<u>565,333</u>	<u>3,800</u>	<u>—</u>	<u>—</u>	<u>6,280</u>
Designated for:					
Subsequent year expenditures	112,247	729,284	534,745	—	420,402
Economic uncertainties	72,382	—	—	—	—
Total designated fund balances	<u>184,629</u>	<u>729,284</u>	<u>534,745</u>	<u>—</u>	<u>420,402</u>
Undesignated fund balances	—	—	—	554,753	7,895
Total fund balances	<u>\$ 749,962</u>	<u>\$ 733,084</u>	<u>\$ 534,745</u>	<u>\$ 554,753</u>	<u>\$ 434,577</u>

Reserved fund balances represent those portions not available for expenditure or those portions legally segregated for a specific future use.

Designated fund balances represent those portions segregated to indicate tentative plans for financial resource utilization in a future period.

Undesignated fund balances represent the portion available for appropriation in the next fiscal year.

(14) Contingencies

(a) General

The District has been named as a defendant in numerous lawsuits. These seek, among other things, to require the District to reinstate terminated and laid-off employees, to remedy alleged noncompliance regarding special education schools, and to change existing instructional programs, pupil integration methods, and employment and administration procedures. In certain instances, monetary damages

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2009

are sought including claims for retroactive pay. 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 2008-2009 the District entered into approximately 307 contracts with a combined value of \$584.4 million. The durations of the contracts range from four weeks to three years.

(15) Subsequent Events

On July 28, 2009 Governor Schwarzenegger signed a package of bills amending the 2008-2009 and 2009-2010 California State budgets. The budget amendments were designed to address the State's budget gap of \$24 billion that had developed as a result of the deepening recession since the State's last budget actions in February 2009. The July budget package reduced, on a statewide basis, \$1.6 billion in 2008-2009 Proposition 98 funding through a reversion of undistributed categorical program balances. The budget language identified 51 specific programs and required the amount associated with these programs that were "unallocated, unexpended, or not liquidated as of June 30, 2009" to be reverted back to the State's General Fund. The July budget package also provided an appropriation in 2009-2010 to backfill \$1.5 billion of these cuts to repay the 2008-2009 reversion of the undistributed categorical program balances.

The District recorded the revenue and related receivable associated with its portion of the unallocated, unexpended or unliquidated categorical program balances identified in the July 2009 State Budget package prior to notification by the State that the 2009-2010 re-appropriation should not be accrued. In accordance with Governmental Accounting Standards Board Statement No. 33, an adjustment to reduce revenue and the related receivable has been included in these financial statements.

Financing Transactions

On August 13, 2009, the District issued \$750 million of Tax and Revenue Anticipation Notes that mature on August 12, 2010 that carry a coupon of 2.00%, and had an arbitrage yield of 0.62%.

On September 29, 2009, the District issued \$40,728,200 of Certificates of Participation 2009 Series A to finance equipment and capital improvements for the Cafeteria Management System and Newman Nutrition Center. The COPs mature on October 1, 2019 and had an arbitrage yield of 3.92%.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2009

On October 15, 2009, the District issued a total of \$1,974.8 million of General Obligation Bonds as follows:

- a. Qualified School Construction Bonds for \$318.8 million, Measure Y, Election of 2005, Series H
- b. Election of 2005, Measure Y Series G, Federally Taxable Bonds for \$5.6 million
- c. Series KRY, Federally Taxable Build America Bonds for \$1,369.8 million and \$205.8 million Tax Exempt General Obligation Bonds or a total of \$1,575.6 million as: \$200 million of Measure K, \$400 million of Measure R, and \$975.6 million of Measure Y, and
- d. Tax Exempt Refunding Bonds Series A for \$74.8 million

On January 27, 2010, the District issued \$69,685,000 of Refunding Certificates of Participation 2010 Series A to refinance the 1997 Series A Certificates and the 1998 Series A Certificates. The COPs mature on December 1, 2017 and had an arbitrage yield of 3.20%.

On February 18, 2010, the District completed the sale of General Obligation bonds as follows:

- a. \$491.6 million Series KRY, Tax Exempt General Obligation Bonds
- b. \$1,250.6 million Series RY, Federally Taxable Build America Bonds
- c. \$3.8 million Measure Y, Election of 2005, Series I (Taxable)
- d. \$75 million Tax Exempt Refunding Bonds Series A

This transaction is scheduled to close on March 4, 2010.



SUPPLEMENTARY SECTION

LOS ANGELES UNIFIED SCHOOL DISTRICT

District Bonds Fund

The Building Account – Bond Proceeds was established on April 4, 1997 to account for proceeds from bond issues as a result of the passage of Proposition BB in April 1997.

The Building Account – Measure K was established on February 26, 2003 to account for proceeds from bond issues as a result of the passage of Measure K in November 2002.

The Building Account – Measure R was established on July 19, 2004 to account for proceeds from bond issues as a result of the passage of Measure R in March 2004.

The Building Account – Measure Y was established on January 31, 2006 to account for proceeds from bond issues as a result of the passage of Measure Y in November 2005.

LOS ANGELES UNIFIED SCHOOL DISTRICT
District Bonds Fund
Combining Balance Sheet
June 30, 2009
(in thousands)

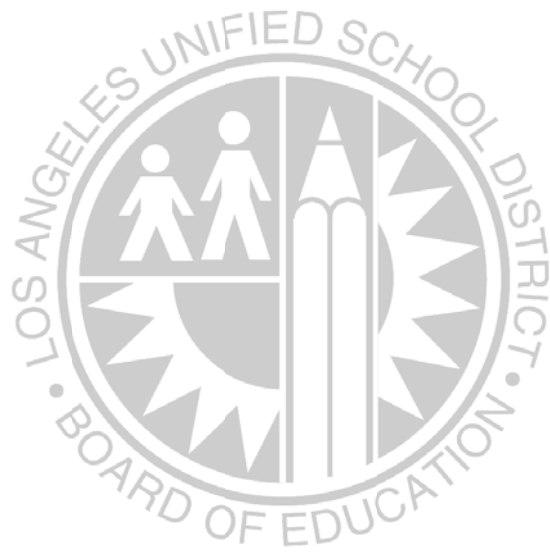
	Building Account – Bond Proceeds	Building Account – Measure K	Building Account – Measure R	Building Account – Measure Y	Total
Assets:					
Cash in county treasury, in banks, and on hand	\$ 74,237	\$ 233,815	\$ 463,584	\$ 144,228	\$ 915,864
Cash held by trustee	—	300	—	—	300
Accounts receivable – net	5,961	1,481	—	—	7,442
Accrued interest and dividends receivable	551	1,161	2,372	928	5,012
Total Assets	\$ 80,749	\$ 236,757	\$ 465,956	\$ 145,156	\$ 928,618
Liabilities and Fund Balances:					
Vouchers and accounts payable	\$ 1,245	\$ 24,125	\$ 53,818	\$ 25,392	\$ 104,580
Contracts payable	1,480	14,590	44,355	28,708	89,133
Accrued payroll	—	—	15	6	21
Other payables	1,800	—	—	—	1,800
Total Liabilities	4,525	38,715	98,188	54,106	195,534
Fund Balances:					
Reserved for:					
Revolving and imprest funds	3,000	—	300	500	3,800
Total Reserved Fund Balances	3,000	—	300	500	3,800
Unreserved:					
Designated for:					
Subsequent year expenditures	73,224	198,042	367,468	90,550	729,284
Total Designated	73,224	198,042	367,468	90,550	729,284
Total Unreserved Fund Balances	73,224	198,042	367,468	90,550	729,284
Total Fund Balances	76,224	198,042	367,768	91,050	733,084
Total Liabilities and Fund Balances	\$ 80,749	\$ 236,757	\$ 465,956	\$ 145,156	\$ 928,618

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
District Bonds Fund
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2009
(in thousands)

	Building Account – Bond Proceeds	Building Account – Measure K	Building Account – Measure R	Building Account – Measure Y	Total
Revenues:					
Other local revenues	\$ 3,142	\$ 3,589	\$ 7,380	\$ 7,211	\$ 21,322
Total Revenues	<u>3,142</u>	<u>3,589</u>	<u>7,380</u>	<u>7,211</u>	<u>21,322</u>
Expenditures:					
Current:					
Classified salaries	266	8,031	23,738	16,933	48,968
Employee benefits	103	3,042	9,755	7,064	19,964
Books and supplies	12	1,296	1,899	1,845	5,052
Services and other operating expenditures	892	4,786	21,839	12,566	40,083
Capital outlay	<u>37,073</u>	<u>242,857</u>	<u>553,820</u>	<u>295,910</u>	<u>1,129,660</u>
Total Expenditures	<u>38,346</u>	<u>260,012</u>	<u>611,051</u>	<u>334,318</u>	<u>1,243,727</u>
Deficiency of revenues under expenditures	<u>(35,204)</u>	<u>(256,423)</u>	<u>(603,671)</u>	<u>(327,107)</u>	<u>(1,222,405)</u>
Other Financing Sources (Uses):					
Transfers in	45,210	52,904	93,246	384	191,744
Transfers out	(79,597)	(21,455)	(4,896)	(37,558)	(143,506)
Issuance of bonds	<u>—</u>	<u>248,889</u>	<u>547,552</u>	<u>149,333</u>	<u>945,774</u>
Total Other Financing Sources (Uses)	<u>(34,387)</u>	<u>280,338</u>	<u>635,902</u>	<u>112,159</u>	<u>994,012</u>
Net Changes in Fund Balances	<u>(69,591)</u>	<u>23,915</u>	<u>32,231</u>	<u>(214,948)</u>	<u>(228,393)</u>
Fund Balances, July 1, 2008	<u>145,815</u>	<u>174,127</u>	<u>335,537</u>	<u>305,998</u>	<u>961,477</u>
Fund Balances, June 30, 2009	<u>\$ 76,224</u>	<u>\$ 198,042</u>	<u>\$ 367,768</u>	<u>\$ 91,050</u>	<u>\$ 733,084</u>

See accompanying independent auditor's report.



LOS ANGELES UNIFIED SCHOOL DISTRICT
District Bonds Fund
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
Year Ended June 30, 2009
(in thousands)

	Building Account – Bond Proceeds			Variance with Final Budget – Favorable (Unfavorable)
	Budget		Actual	
	Original	Final		
Revenues:				
Other local revenues	\$ 2,520	\$ 2,520	\$ 3,142	\$ 622
Total Revenues	2,520	2,520	3,142	622
Expenditures:				
Current:				
Classified salaries	74	274	266	8
Employee benefits	8	108	103	5
Books and supplies	—	20	12	8
Services and other operating expenditures	92,637	42,333	892	41,441
Capital outlay	21,836	37,309	37,073	236
Total Expenditures	114,555	80,044	38,346	41,698
Deficiency of Revenues Under Expenditures	(112,035)	(77,524)	(35,204)	42,320
Other Financing Sources (Uses):				
Transfers in	—	45,210	45,210	—
Transfers out	—	(79,721)	(79,597)	124
Issuance of bonds	—	—	—	—
Total Other Financing Sources (Uses)	—	(34,511)	(34,387)	124
Net Changes in Fund Balances	\$ (112,035)	\$ (112,035)	(69,591)	\$ 42,444
Fund Balances, July 1, 2008			145,815	
Fund Balances, June 30, 2009			\$ 76,224	

See accompanying independent auditor's report.

Building Account – Measure K				Building Account – Measure R			
Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
Original	Final			Original	Final		
\$ 4,980	\$ 4,980	\$ 3,589	\$ (1,391)	\$ 9,110	\$ 9,110	\$ 7,380	\$ (1,730)
4,980	4,980	3,589	(1,391)	9,110	9,110	7,380	(1,730)
8,226	8,121	8,031	90	38,779	38,894	23,738	15,156
3,108	3,062	3,042	20	14,087	14,024	9,755	4,269
9,820	8,798	1,296	7,502	—	2,000	1,899	101
11,210	4,790	4,786	4	3,008	23,391	21,839	1,552
515,132	554,704	242,857	311,847	875,816	942,478	553,820	388,658
547,496	579,475	260,012	319,463	931,690	1,020,787	611,051	409,736
(542,516)	(574,495)	(256,423)	318,072	(922,580)	(1,011,677)	(603,671)	408,006
—	53,756	52,904	(852)	—	93,992	93,246	(746)
—	(21,778)	(21,455)	323	—	(4,896)	(4,896)	—
621,476	621,476	248,889	(372,587)	1,594,669	1,594,669	547,552	(1,047,117)
621,476	653,454	280,338	(373,116)	1,594,669	1,683,765	635,902	(1,047,863)
\$ 78,960	\$ 78,959	23,915	\$ (55,044)	\$ 672,089	\$ 672,088	32,231	\$ (639,857)
		174,127				335,537	
		\$ 198,042				\$ 367,768	

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
District Bonds Fund
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Continued)
Year Ended June 30, 2009
(in thousands)

Building Account – Measure Y			
	Budget		Variance with Final Budget – Favorable (Unfavorable)
	Original	Final	
Revenues:			
Other local revenues	\$ 10,830	\$ 10,830	\$ 7,211
Total Revenues	10,830	10,830	7,211
Expenditures:			
Current:			
Classified salaries	38,035	36,621	16,933
Employee benefits	14,387	13,695	7,064
Books and supplies	52,865	31,109	1,845
Services and other operating expenditures	795	12,938	12,566
Capital outlay	449,046	455,375	295,910
Total Expenditures	555,128	549,738	334,318
Deficiency of Revenues Under Expenditures	(544,298)	(538,908)	(327,107)
Other Financing Sources (Uses):			
Transfers in	—	384	384
Transfers out	(1,904)	(37,678)	(37,558)
Issuance of bonds	1,043,190	1,073,190	149,333
Total Other Financing Sources (Uses)	1,041,286	1,035,896	112,159
Net Changes in Fund Balances	\$ 496,988	\$ 496,988	(214,948)
Fund Balances, July 1, 2008			305,998
Fund Balances, June 30, 2009			\$ 91,050

See accompanying independent auditor's report.

Total			
Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
Original	Final		
\$ 27,440	\$ 27,440	\$ 21,322	\$ (6,118)
27,440	27,440	21,322	(6,118)
85,114	83,910	48,968	34,942
31,590	30,889	19,964	10,925
62,685	41,927	5,052	36,875
107,650	83,452	40,083	43,369
1,861,830	1,989,866	1,129,660	860,206
2,148,869	2,230,044	1,243,727	986,317
(2,121,429)	(2,202,604)	(1,222,405)	980,199
—	193,342	191,744	(1,598)
(1,904)	(144,073)	(143,506)	567
3,259,335	3,289,335	945,774	(2,343,561)
3,257,431	3,338,604	994,012	(2,344,592)
\$ 1,136,002	\$ 1,136,000	(228,393)	\$ (1,364,393)
		961,477	
		\$ 733,084	



LOS ANGELES UNIFIED SCHOOL DISTRICT

County School Facilities Bonds Fund

The County School Facilities Fund was established on March 9, 1999 in accordance with Education Code Section 17070 and is used to account for funds received from the State's Proposition 1A bond proceeds.

The County School Facilities Fund – Proposition 47 was established on March 25, 2003 in accordance with Education Code Section 17070.43 and is used to account for apportionments received from the State School Facilities Fund. The passage of Proposition 47 in November 2002 authorizes the sale of bonds, which provides funding for new school facility construction, modernization projects, and facility hardship grants.

The County School Facilities Fund – Proposition 55 was established on July 19, 2004 to account for the matching funds received as a result of the passage of Measure R. Proposition 55 was passed by the voters in March 2004.

The County School Facilities Fund – Proposition 1D was established on December 12, 2006. The passage of Proposition 1D in November 2006 provides State bond funds to repair and renovate old and outdated classrooms and to build new schools and classrooms to relieve overcrowding. Proposition 1D provides matching State funds for locally approved school bond measures.

LOS ANGELES UNIFIED SCHOOL DISTRICT
County School Facilities Bonds Fund
Combining Balance Sheet
June 30, 2009
(in thousands)

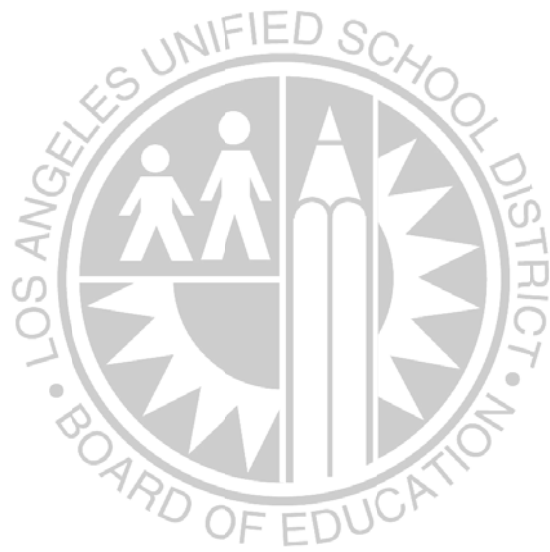
	County School Facilities	County School Facilities – Prop 47	County School Facilities – Prop 55	County School Facilities – Prop 1D	Total
Assets:					
Cash in county treasury, in banks, and on hand	\$ 18,307	\$ 220,170	\$ 326,388	\$ 46,166	\$ 611,031
Accrued interest receivable	164	159	1,316	39	1,678
Total Assets	<u>\$ 18,471</u>	<u>\$ 220,329</u>	<u>\$ 327,704</u>	<u>\$ 46,205</u>	<u>\$ 612,709</u>
Liabilities and Fund Balances:					
Vouchers and accounts payable	\$ 151	\$ 23,761	\$ 25,988	\$ 4,823	\$ 54,723
Contracts payable	187	3,127	14,261	5,666	23,241
Total Liabilities	<u>338</u>	<u>26,888</u>	<u>40,249</u>	<u>10,489</u>	<u>77,964</u>
Fund Balances:					
Unreserved:					
Designated for:					
Subsequent year expenditures	18,133	193,441	287,455	35,716	534,745
Total Fund Balances	<u>18,133</u>	<u>193,441</u>	<u>287,455</u>	<u>35,716</u>	<u>534,745</u>
Total Liabilities and Fund Balances	<u>\$ 18,471</u>	<u>\$ 220,329</u>	<u>\$ 327,704</u>	<u>\$ 46,205</u>	<u>\$ 612,709</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
County School Facilities Bonds Fund
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2009
(in thousands)

	County School Facilities	County School Facilities – Prop 47	County School Facilities – Prop 55	County School Facilities – Prop 1D	Total
Revenues:					
Other state revenues	\$ —	\$ 433,794	\$ 336,542	\$ 143,825	\$ 914,161
Other local revenues	<u>1,065</u>	<u>1,557</u>	<u>8,654</u>	<u>135</u>	<u>11,411</u>
Total Revenues	<u>1,065</u>	<u>435,351</u>	<u>345,196</u>	<u>143,960</u>	<u>925,572</u>
Expenditures:					
Current:					
Classified salaries	57	33	374	138	602
Employee benefits	27	7	217	62	313
Books and supplies	(14)	81	16	10	93
Services and other operating expenditures	44	32	90	4	170
Capital outlay	<u>18,874</u>	<u>307,913</u>	<u>435,938</u>	<u>85,545</u>	<u>848,270</u>
Total Expenditures	<u>18,988</u>	<u>308,066</u>	<u>436,635</u>	<u>85,759</u>	<u>849,448</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(17,923)</u>	<u>127,285</u>	<u>(91,439)</u>	<u>58,201</u>	<u>76,124</u>
Other Financing Sources (Uses):					
Transfers in	3,294	2,931	26,223	617	33,065
Transfers out	<u>(12,503)</u>	<u>(7,521)</u>	<u>(57,360)</u>	<u>(29,955)</u>	<u>(107,339)</u>
Total Other Financing Sources (Uses)	<u>(9,209)</u>	<u>(4,590)</u>	<u>(31,137)</u>	<u>(29,338)</u>	<u>(74,274)</u>
Net Changes in Fund Balances	<u>(27,132)</u>	<u>122,695</u>	<u>(122,576)</u>	<u>28,863</u>	<u>1,850</u>
Fund Balances, July 1, 2008	<u>45,265</u>	<u>70,746</u>	<u>410,031</u>	<u>6,853</u>	<u>532,895</u>
Fund Balances, June 30, 2009	<u>\$ 18,133</u>	<u>\$ 193,441</u>	<u>\$ 287,455</u>	<u>\$ 35,716</u>	<u>\$ 534,745</u>

See accompanying independent auditor's report.



Los Angeles Unified School District
Capital Projects Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2009
(in thousands)

	County School Facilities			Variance with Final Budget – Favorable (Unfavorable)
	Budget		Actual	
	Original	Final		
Revenues:				
Other state revenues	\$ —	\$ —	\$ —	\$ —
Other local revenues	1,080	1,080	1,065	(15)
Total Revenues	1,080	1,080	1,065	(15)
Expenditures:				
Current:				
Classified salaries	—	60	57	3
Employee benefits	—	30	27	3
Books and supplies	—	—	(14)	14
Services and other operating expenditures	—	50	44	6
Capital outlay	46,608	37,230	18,874	18,356
Total Expenditures	46,608	37,370	18,988	18,382
Excess (Deficiency) of Revenues Over (Under) Expenditures	(45,528)	(36,290)	(17,923)	18,367
Other Financing Sources (Uses):				
Transfers in	—	3,294	3,294	—
Transfers out	—	(12,532)	(12,503)	29
Total Other Financing Sources (Uses)	—	(9,238)	(9,209)	29
Net Changes in Fund Balances	\$ (45,528)	\$ (45,528)	(27,132)	\$ 18,396
Fund Balances, July 1, 2008			45,265	
Fund Balances, June 30, 2009			\$ 18,133	

See accompanying independent auditor's report.

County School Facilities – Prop 47				County School Facilities – Prop 55			
Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
Original	Final			Original	Final		
\$ 17,934	\$ 342,934	\$ 433,794	\$ 90,860	\$ 409,334	\$ 409,334	\$ 336,542	\$ (72,792)
2,530	2,530	1,557	(973)	9,260	9,260	8,654	(606)
20,464	345,464	435,351	89,887	418,594	418,594	345,196	(73,398)
—	600	33	567	—	400	374	26
—	200	7	193	—	270	217	53
—	120	81	39	—	30	16	14
—	50	32	18	—	100	90	10
22,443	341,847	307,913	33,934	217,394	462,537	435,938	26,599
22,443	342,817	308,066	34,751	217,394	463,337	436,635	26,702
(1,979)	2,647	127,285	124,638	201,200	(44,743)	(91,439)	(46,696)
—	2,931	2,931	—	—	26,223	26,223	—
—	(7,557)	(7,521)	36	—	(57,380)	(57,360)	20
—	(4,626)	(4,590)	36	—	(31,157)	(31,137)	20
\$ (1,979)	\$ (1,979)	122,695	\$ 124,674	\$ 201,200	\$ (75,900)	(122,576)	\$ (46,676)
		70,746				410,031	
		\$ 193,441				\$ 287,455	

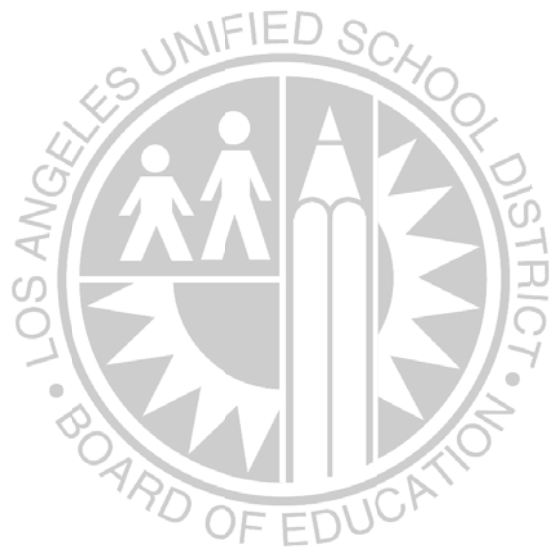
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LOS ANGELES UNIFIED SCHOOL DISTRICT
 Capital Projects Funds
 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (Continued)
 Year Ended June 30, 2009
 (in thousands)

County School Facilities – Prop 1D			
	Budget		Variance with Final Budget – Favorable (Unfavorable)
	Original	Final	
Revenues:			
Other state revenues	\$ 502,508	\$ 502,508	\$ 143,825
Other local revenues	2,340	2,340	135
Total Revenues	504,848	504,848	143,960
Expenditures:			
Current:			
Classified salaries	—	150	138
Employee benefits	—	80	62
Books and supplies	—	15	10
Services and other operating expenditures	—	10	4
Capital outlay	311,154	281,561	85,545
Total Expenditures	311,154	281,816	85,759
Excess (Deficiency) of Revenues Over (Under) Expenditures	193,694	223,032	58,201
Other Financing Sources (Uses):			
Transfers in	—	617	617
Transfers out	—	(29,955)	(29,955)
Total Other Financing Sources (Uses)	—	(29,338)	(29,338)
Net Changes in Fund Balances	\$ 193,694	\$ 193,694	28,863
Fund Balances, July 1, 2008			6,853
Fund Balances, June 30, 2009			\$ 35,716

See accompanying independent auditor's report.

Total			
Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
Original	Final		
\$ 929,776	\$ 1,254,776	\$ 914,161	\$ (340,615)
15,210	15,210	11,411	(3,799)
944,986	1,269,986	925,572	(344,414)
—	1,210	602	608
—	580	313	267
—	165	93	72
—	210	170	40
597,599	1,123,175	848,270	274,905
597,599	1,125,340	849,448	275,892
347,387	144,646	76,124	(68,522)
—	33,065	33,065	—
—	(107,424)	(107,339)	85
—	(74,359)	(74,274)	85
\$ 347,387	\$ 70,287	1,850	\$ (68,437)
		532,895	
		\$ 534,745	



LOS ANGELES UNIFIED SCHOOL DISTRICT

Debt Service Funds

The Bond Interest and Redemption Fund is used to account for the payment of the principal and interest on the Proposition BB, Measure K, Measure R, and Measure Y bond issues. Revenues are derived from ad valorem taxes levied upon all property subject to tax by the District. Such taxes, when collected, are placed and maintained by the County of Los Angeles in a Debt Service Fund under the District's name.

The Tax Override Fund is used to account for the accumulation of resources from ad valorem tax levies for the repayment of State School Building Aid Fund apportionments. The loan is substantially paid in full as of June 30, 2009.

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.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Debt Service Funds
Combining Balance Sheet
June 30, 2009
(in thousands)

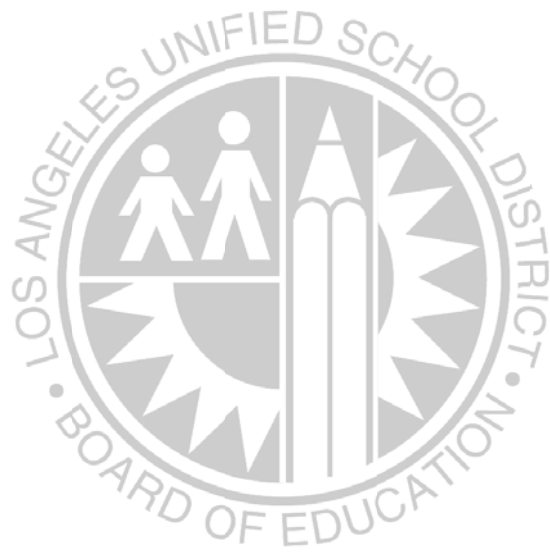
	Bond Interest and Redemption	Tax Override	Capital Services	Total
Assets:				
Cash in county treasury, in banks, and on hand	\$ 489,381	\$ 228	\$ 18,195	\$ 507,804
Cash held by trustee	—	—	26,870	26,870
Investments	—	—	17,760	17,760
Taxes receivable	80,453	—	—	80,453
Accounts receivable – net	—	—	2,227	2,227
Accrued interest receivable	—	1	125	126
Total Assets	<u>\$ 569,834</u>	<u>\$ 229</u>	<u>\$ 65,177</u>	<u>\$ 635,240</u>
Liabilities and Fund Balances:				
Vouchers and accounts payable	\$ —	\$ —	\$ 13	\$ 13
Other payables	—	—	21	21
Deferred revenue	80,453	—	—	80,453
Total Liabilities	<u>80,453</u>	<u>—</u>	<u>34</u>	<u>80,487</u>
Fund Balances:				
Undesignated	<u>489,381</u>	<u>229</u>	<u>65,143</u>	<u>554,753</u>
Total Fund Balances	<u>489,381</u>	<u>229</u>	<u>65,143</u>	<u>554,753</u>
Total Liabilities and Fund Balances	<u>\$ 569,834</u>	<u>\$ 229</u>	<u>\$ 65,177</u>	<u>\$ 635,240</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Debt Service Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2009
(in thousands)

	Bond Interest and Redemption	Tax Override	Capital Services	Total
Revenues:				
Other state revenues	\$ 3,993	\$ 168	\$ —	\$ 4,161
Other local revenues	613,694	254	2,466	616,414
Total Revenues	617,687	422	2,466	620,575
Expenditures:				
Debt service – principal	228,825	285	71,420	300,530
Debt service – bond and COPs interest	347,361	—	15,313	362,674
Total Expenditures	576,186	285	86,733	663,204
Excess (Deficiency) of Revenues Over (Under) Expenditures	41,501	137	(84,267)	(42,629)
Other Financing Sources (Uses):				
Transfers in	—	—	208,315	208,315
Transfers out	—	—	(231)	(231)
Payment to refunded COPs escrow agent	—	—	(107,795)	(107,795)
Total Other Financing Sources (Uses)	—	—	100,289	100,289
Net Changes in Fund Balances	41,501	137	16,022	57,660
Fund Balances, July 1, 2008	447,880	92	49,121	497,093
Fund Balances, June 30, 2009	\$ 489,381	\$ 229	\$ 65,143	\$ 554,753

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, 2009
(in thousands)

	Bond Interest and Redemption			Variance with Final Budget – Favorable (Unfavorable)
	Budget		Actual	
	Original	Final		
Revenues:				
Other state revenues	\$ —	\$ —	\$ 3,993	\$ 3,993
Other local revenues	542,188	542,188	613,694	71,506
Total Revenues	542,188	542,188	617,687	75,499
Expenditures:				
Debt service – principal	587,904	242,668	228,825	13,843
Debt service – bond and COPs interest	—	347,400	347,361	39
Total Expenditures	587,904	590,068	576,186	13,882
Excess (Deficiency) of Revenues Over (Under) Expenditures	(45,716)	(47,880)	41,501	89,381
Other Financing Sources (Uses):				
Transfers in	—	—	—	—
Transfers out	—	—	—	—
Payment to refunded COPs escrow agent	—	—	—	—
Total Other Financing Sources (Uses)	—	—	—	—
Net Changes in Fund Balances	\$ (45,716)	\$ (47,880)	41,501	\$ 89,381
Fund Balances, July 1, 2008			447,880	
Fund Balances, June 30, 2009			\$ 489,381	

See accompanying independent auditor's report.

Tax Override				Capital Services			
Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
Original	Final			Original	Final		
\$ —	\$ —	\$ 168	\$ 168	\$ —	\$ —	\$ —	\$ —
215	215	254	39	1,343	1,343	2,466	1,123
215	215	422	207	1,343	1,343	2,466	1,123
285	285	285	—	138,265	74,590	71,420	3,170
—	—	—	—	27,130	26,158	15,313	10,845
285	285	285	—	165,395	100,748	86,733	14,015
(70)	(70)	137	207	(164,052)	(99,405)	(84,267)	15,138
—	—	—	—	191,674	220,938	208,315	(12,623)
—	—	—	—	—	(231)	(231)	—
—	—	—	—	—	(107,900)	(107,795)	105
—	—	—	—	191,674	112,807	100,289	(12,518)
\$ (70)	\$ (70)	137	\$ 207	\$ 27,622	\$ 13,402	16,022	\$ 2,620
		92				49,121	
		\$ 229				\$ 65,143	

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT

Debt Service Funds

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Continued)

Year Ended June 30, 2009

(in thousands)

	Total			Variance with Final Budget – Favorable (Unfavorable)
	Budget		Actual	
	Original	Final		
Revenues:				
Other state revenues	\$ —	\$ —	\$ 4,161	\$ 4,161
Other local revenues	543,746	543,746	616,414	72,668
Total Revenues	543,746	543,746	620,575	76,829
Expenditures:				
Debt service – principal	726,454	317,543	300,530	17,013
Debt service – bond and COPs interest	27,130	373,558	362,674	10,884
Total Expenditures	753,584	691,101	663,204	27,897
Excess (Deficiency) of Revenues Over (Under) Expenditures	(209,838)	(147,355)	(42,629)	104,726
Other Financing Sources (Uses):				
Transfers in	191,674	220,938	208,315	(12,623)
Transfers out	—	(231)	(231)	—
Payment to refunded bonds escrow agent	—	(107,900)	(107,795)	105
Total Other Financing Sources (Uses)	191,674	112,807	100,289	(12,518)
Net Changes in Fund Balances	\$ (18,164)	\$ (34,548)	57,660	\$ 92,208
Fund Balances, July 1, 2008			497,093	
Fund Balances, June 30, 2009			\$ 554,753	

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, investment income, and operating transfers from the General Fund.

The Deferred Maintenance Fund is used to account for resources designated for the major repair or replacement of District property under the plan approved by the State Allocation Board. Revenues are derived from State apportionments, District matching funds, and investment income.

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.

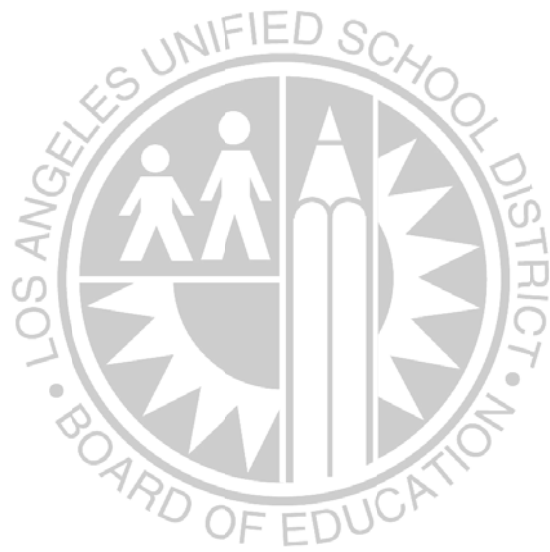
The Special Reserve Fund is used to account for District resources designated for capital outlay purposes such as land purchases, ground improvements, facilities construction and improvements, new acquisitions, and related expenditures.

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.

The Capital Facilities Account Fund was established in 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, 2009
(in thousands)

	Special		
	Adult Education	Cafeteria	Child Development
Assets:			
Cash in county treasury, in banks, and on hand	\$ 33,132	\$ 78	\$ 3,599
Cash held by trustee	—	—	—
Accounts receivable – net	23,973	19,769	9,377
Accrued interest receivable	284	—	—
Inventories	101	6,046	49
Total Assets	<u>\$ 57,490</u>	<u>\$ 25,893</u>	<u>\$ 13,025</u>
Liabilities and Fund Balances:			
Vouchers and accounts payable	\$ 1,779	\$ 9,752	\$ 1,456
Contracts payable	1	—	—
Other payables	33	1,075	1,200
Due to other funds	4,440	9,020	6,688
Deferred revenue	10,507	—	544
Total Liabilities	<u>16,760</u>	<u>19,847</u>	<u>9,888</u>
Fund Balances:			
Reserved for:			
Revolving and imprest funds	61	—	23
Inventories	101	6,046	49
Total Reserved Fund Balances	<u>162</u>	<u>6,046</u>	<u>72</u>
Unreserved:			
Designated for:			
Subsequent year expenditures	37,265	—	764
Total Designated	37,265	—	764
Undesignated	3,303	—	2,301
Total Unreserved Fund Balances	<u>40,568</u>	<u>—</u>	<u>3,065</u>
Total Fund Balances	<u>40,730</u>	<u>6,046</u>	<u>3,137</u>
Total Liabilities and Fund Balances	<u>\$ 57,490</u>	<u>\$ 25,893</u>	<u>\$ 13,025</u>

See accompanying independent auditor's report.

Revenue

	Deferred Maintenance	Total
\$	120,223	\$ 157,032
	—	—
	—	53,119
	724	1,008
	—	6,196
\$	<u>120,947</u>	<u>\$ 217,355</u>
\$	4,860	\$ 17,847
	—	1
	—	2,308
	—	20,148
	—	11,051
	<u>4,860</u>	<u>51,355</u>
	—	84
	—	6,196
	<u>—</u>	<u>6,280</u>
	<u>116,087</u>	<u>154,116</u>
	116,087	154,116
	—	5,604
	<u>116,087</u>	<u>159,720</u>
	<u>116,087</u>	<u>166,000</u>
\$	<u>120,947</u>	<u>\$ 217,355</u>

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet (Continued)
June 30, 2009
(in thousands)

	Capital			
	Building	State School Building Lease – Purchase	Special Reserve	Special Reserve – FEMA – Earthquake
Assets:				
Cash in county treasury, in banks, and on hand	\$ 2,612	\$ 11,806	\$ 148,694	\$ 255
Cash held by trustee	—	—	40,028	—
Accounts receivable – net	—	26	2,339	1,931
Accrued interest receivable	14	64	790	—
Inventories	—	—	—	—
Total Assets	\$ 2,626	\$ 11,896	\$ 191,851	\$ 2,186
Liabilities and Fund Balances:				
Vouchers and accounts payable	\$ —	\$ 241	\$ 2,205	\$ 22
Contracts payable	—	190	3,778	—
Other payables	171	11,462	2,050	1,916
Due to other funds	—	—	—	—
Deferred revenue	—	—	—	—
Total Liabilities	171	11,893	8,033	1,938
Fund Balances:				
Reserved for:				
Revolving and imprest funds	—	—	—	—
Inventories	—	—	—	—
Total Reserved Fund Balances	—	—	—	—
Unreserved:				
Designated for:				
Subsequent year expenditures	2,455	3	183,818	—
Total Designated	2,455	3	183,818	—
Undesignated	—	—	—	248
Total Unreserved Fund Balances	2,455	3	183,818	248
Total Fund Balances	2,455	3	183,818	248
Total Liabilities and Fund Balances	\$ 2,626	\$ 11,896	\$ 191,851	\$ 2,186

See accompanying independent auditor's report.

Projects				
Special Reserve – FEMA-Hazard Mitigation	Special Reserve – Community Redevelopment Agency	Capital Facilities Account	Total	Total Nonmajor Governmental Funds
\$ 3,513	\$ 8,780	\$ 73,081	\$ 248,741	\$ 405,773
—	—	—	40,028	40,028
—	—	3,642	7,938	61,057
19	144	—	1,031	2,039
—	—	—	—	6,196
<u>\$ 3,532</u>	<u>\$ 8,924</u>	<u>\$ 76,723</u>	<u>\$ 297,738</u>	<u>\$ 515,093</u>
\$ —	\$ 46	\$ 3,352	\$ 5,866	\$ 23,713
—	—	1,022	4,990	4,991
1,489	—	1,217	18,305	20,613
—	—	—	—	20,148
—	—	—	—	11,051
<u>1,489</u>	<u>46</u>	<u>5,591</u>	<u>29,161</u>	<u>80,516</u>
—	—	—	—	84
—	—	—	—	6,196
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,280</u>
<u>—</u>	<u>8,878</u>	<u>71,132</u>	<u>266,286</u>	<u>420,402</u>
—	8,878	71,132	266,286	420,402
<u>2,043</u>	<u>—</u>	<u>—</u>	<u>2,291</u>	<u>7,895</u>
<u>2,043</u>	<u>8,878</u>	<u>71,132</u>	<u>268,577</u>	<u>428,297</u>
<u>2,043</u>	<u>8,878</u>	<u>71,132</u>	<u>268,577</u>	<u>434,577</u>
<u>\$ 3,532</u>	<u>\$ 8,924</u>	<u>\$ 76,723</u>	<u>\$ 297,738</u>	<u>\$ 515,093</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2009
(in thousands)

	Special		
	Adult Education	Cafeteria	Child Development
Revenues:			
Federal revenues	\$ 16,945	\$ 248,169	\$ 14,912
Other state revenues	173,455	18,941	96,134
Other local revenues	3,523	15,270	9,303
Total Revenues	<u>193,923</u>	<u>282,380</u>	<u>120,349</u>
Expenditures:			
Current:			
Certificated salaries	109,395	—	43,587
Classified salaries	24,742	115,856	41,845
Employee benefits	35,672	66,222	30,794
Books and supplies	5,927	128,473	2,959
Services and other operating expenditures	4,916	10,749	5,860
Capital outlay	1,058	6,916	62
Total Expenditures	<u>181,710</u>	<u>328,216</u>	<u>125,107</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>12,213</u>	<u>(45,836)</u>	<u>(4,758)</u>
Other Financing Sources (Uses):			
Transfers in	7	16,587	—
Transfers – support costs	(7,853)	—	(753)
Transfers out	(13,797)	—	—
Contributions to restricted programs	—	—	—
Issuance of COPs	—	—	—
Land and building sale/lease	—	—	—
Total Other Financing Sources (Uses)	<u>(21,643)</u>	<u>16,587</u>	<u>(753)</u>
Net Changes in Fund Balances	<u>(9,430)</u>	<u>(29,249)</u>	<u>(5,511)</u>
Fund Balances, July 1, 2008	<u>50,160</u>	<u>35,295</u>	<u>8,648</u>
Fund Balances, June 30, 2009	<u>\$ 40,730</u>	<u>\$ 6,046</u>	<u>\$ 3,137</u>

See accompanying independent auditor's report.

Revenue

Deferred Maintenance	Total
\$ —	\$ 280,026
24,504	313,034
3,438	31,534
27,942	624,594
—	152,982
4,926	187,369
2,137	134,825
2,153	139,512
54,983	76,508
2,809	10,845
67,008	702,041
(39,066)	(77,447)
30,000	46,594
—	(8,606)
—	(13,797)
(24,504)	(24,504)
—	—
—	—
5,496	(313)
(33,570)	(77,760)
149,657	243,760
\$ 116,087	\$ 166,000

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Year Ended June 30, 2009
(in thousands)

	Capital			
	Building	State School Building Lease – Purchase	Special Reserve	Special Reserve – FEMA – Earthquake
Revenues:				
Federal revenues	\$ —	\$ —	\$ —	\$ 19
Other state revenues	—	(3,814)	31,409	—
Other local revenues	359	358	30,102	—
Total Revenues	359	(3,456)	61,511	19
Expenditures:				
Current:				
Certificated salaries	—	—	—	—
Classified salaries	—	3	1,369	1
Employee benefits	—	1	621	—
Books and supplies	—	(133)	542	—
Services and other operating expenditures	1	—	9,764	234
Capital outlay	3	1,137	33,993	6
Total Expenditures	4	1,008	46,289	241
Excess (Deficiency) of Revenues Over (Under) Expenditures	355	(4,464)	15,222	(222)
Other Financing Sources (Uses):				
Transfers in	—	226	16,134	470
Transfers – support costs	—	—	—	—
Transfers out	(229)	(290)	(170,522)	—
Contributions to restricted programs	—	—	—	—
Issuance of COPs	—	—	120,950	—
Land and building sale/lease	—	—	9,610	—
Total Other Financing Sources (Uses)	(229)	(64)	(23,828)	470
Net Changes in Fund Balances	126	(4,528)	(8,606)	248
Fund Balances, July 1, 2008	2,329	4,531	192,424	—
Fund Balances, June 30, 2009	\$ 2,455	\$ 3	\$ 183,818	\$ 248

See accompanying independent auditor's report.

Projects

Special Reserve – FEMA – Hazard Mitigation	Special Reserve – Community Redevelopment Agency	Capital Facilities Account	Total	Total Nonmajor Governmental Funds
\$ —	\$ —	\$ —	\$ 19	\$ 280,045
—	—	—	27,595	340,629
—	1,896	27,838	60,553	92,087
—	1,896	27,838	88,167	712,761
—	—	—	—	152,982
—	53	303	1,729	189,098
—	17	135	774	135,599
—	—	129	538	140,050
—	301	968	11,268	87,776
—	732	61,828	97,699	108,544
—	1,103	63,363	112,008	814,049
—	793	(35,525)	(23,841)	(101,288)
—	—	274	17,104	63,698
—	—	—	—	(8,606)
—	(10,069)	(56,650)	(237,760)	(251,557)
—	—	—	—	(24,504)
—	—	—	120,950	120,950
—	—	—	9,610	9,610
—	(10,069)	(56,376)	(90,096)	(90,409)
—	(9,276)	(91,901)	(113,937)	(191,697)
2,043	18,154	163,033	382,514	626,274
\$ 2,043	\$ 8,878	\$ 71,132	\$ 268,577	\$ 434,577

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, 2009
(in thousands)

	Adult Education			Variance with Final Budget – Favorable (Unfavorable)
	Budget		Actual	
	Original	Final		
Revenues:				
Federal revenues	\$ 20,147	\$ 17,519	\$ 16,945	\$ (574)
Other state revenues	205,196	216,999	173,455	(43,544)
Other local revenues	6,055	5,796	3,523	(2,273)
Total Revenues	231,398	240,314	193,923	(46,391)
Expenditures:				
Current:				
Certificated salaries	119,102	145,054	109,395	35,659
Classified salaries	24,999	25,576	24,742	834
Employee benefits	46,327	37,303	35,672	1,631
Books and supplies	18,500	17,465	5,927	11,538
Services and other operating expenditures	5,388	6,167	4,916	1,251
Capital outlay	23,925	9,057	1,058	7,999
Total Expenditures	238,241	240,622	181,710	58,912
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,843)	(308)	12,213	12,521
Other Financing Sources (Uses):				
Transfers in	—	7	7	—
Transfers – support costs	(6,798)	(10,094)	(7,853)	2,241
Transfers out	(10,600)	(13,797)	(13,797)	—
Contributions to restricted programs	—	—	—	—
Total Other Financing Sources (Uses)	(17,398)	(23,884)	(21,643)	2,241
Net Changes in Fund Balances	\$ (24,241)	\$ (24,192)	(9,430)	\$ 14,762
Fund Balances, July 1, 2008			50,160	
Fund Balances, June 30, 2009			\$ 40,730	

See accompanying independent auditor's report.

Cafeteria				Child Development			
Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
Original	Final			Original	Final		
\$ 241,642	\$ 241,642	\$ 248,169	\$ 6,527	\$ 15,607	\$ 15,203	\$ 14,912	\$ (291)
21,058	21,058	18,941	(2,117)	95,808	101,515	96,134	(5,381)
23,508	22,697	15,270	(7,427)	12,209	10,185	9,303	(882)
286,208	285,397	282,380	(3,017)	123,624	126,903	120,349	(6,554)
—	—	—	—	42,849	44,250	43,587	663
103,274	115,856	115,856	—	41,133	43,660	41,845	1,815
61,938	66,222	66,222	—	30,289	32,995	30,794	2,201
130,291	128,478	128,473	5	16,328	7,889	2,959	4,930
17,158	10,749	10,749	—	5,276	6,603	5,860	743
21,293	6,916	6,916	—	3,837	1,672	62	1,610
333,954	328,221	328,216	5	139,712	137,069	125,107	11,962
(47,746)	(42,824)	(45,836)	(3,012)	(16,088)	(10,166)	(4,758)	5,408
56,571	13,571	16,587	3,016	15,955	2,853	—	(2,853)
—	—	—	—	(1,321)	(1,014)	(753)	261
811	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
57,382	13,571	16,587	3,016	14,634	1,839	(753)	(2,592)
\$ 9,636	\$ (29,253)	(29,249)	\$ 4	\$ (1,454)	\$ (8,327)	(5,511)	\$ 2,816
		35,295				8,648	
		\$ 6,046				\$ 3,137	

(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, 2009
(in thousands)

	Deferred Maintenance			Variance with Final Budget – Favorable (Unfavorable)
	Budget		Actual	
	Original	Final		
Revenues:				
Federal revenues	\$ —	\$ —	\$ —	\$ —
Other state revenues	—	31,703	24,504	(7,199)
Other local revenues	—	—	3,438	3,438
Total Revenues	—	31,703	27,942	(3,761)
Expenditures:				
Current:				
Certificated salaries	—	—	—	—
Classified salaries	10,673	11,537	4,926	6,611
Employee benefits	3,733	3,637	2,137	1,500
Books and supplies	20,774	50,774	2,153	48,621
Services and other operating expenditures	(103,496)	93,809	54,983	38,826
Capital outlay	3,872	8,204	2,809	5,395
Total Expenditures	(64,444)	167,961	67,008	100,953
Excess (Deficiency) of Revenues Over (Under) Expenditures	64,444	(136,258)	(39,066)	97,192
Other Financing Sources (Uses):				
Transfers in	—	31,703	30,000	(1,703)
Transfers – support costs	—	—	—	—
Transfers out	—	—	—	—
Contributions to restricted programs	—	—	(24,504)	(24,504)
Total Other Financing Sources (Uses)	—	31,703	5,496	(26,207)
Net Changes in Fund Balances	\$ 64,444	\$ (104,555)	(33,570)	\$ 70,985
Fund Balances, July 1, 2008			149,657	
Fund Balances, June 30, 2009			\$ 116,087	

See accompanying independent auditor's report.

Total			
Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
Original	Final		
\$ 277,396	\$ 274,364	\$ 280,026	\$ 5,662
322,062	371,275	313,034	(58,241)
41,772	38,678	31,534	(7,144)
641,230	684,317	624,594	(59,723)
161,951	189,304	152,982	36,322
180,079	196,629	187,369	9,260
142,287	140,157	134,825	5,332
185,893	204,606	139,512	65,094
(75,674)	117,328	76,508	40,820
52,927	25,849	10,845	15,004
647,463	873,873	702,041	171,832
(6,233)	(189,556)	(77,447)	112,109
72,526	48,134	46,594	(1,540)
(8,119)	(11,108)	(8,606)	2,502
(9,789)	(13,797)	(13,797)	—
—	—	(24,504)	(24,504)
54,618	23,229	(313)	(23,542)
\$ 48,385	\$ (166,327)	(77,760)	\$ 88,567
		243,760	
		\$ 166,000	

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, 2009
(in thousands)

	Building			Variance with Final Budget – Favorable (Unfavorable)
	Budget		Actual	
	Original	Final		
Revenues:				
Federal revenues	\$ —	\$ —	\$ —	\$ —
Other state revenues	—	—	—	—
Other local revenues	100	100	359	259
Total Revenues	100	100	359	259
Expenditures:				
Current:				
Classified salaries	—	—	—	—
Employee benefits	—	—	—	—
Books and supplies	—	—	—	—
Services and other operating expenditures	76	76	1	75
Capital outlay	753	524	3	521
Total Expenditures	829	600	4	596
Excess (Deficiency) of Revenues Over (Under) Expenditures	(729)	(500)	355	855
Other Financing Sources (Uses):				
Transfers in	—	—	—	—
Transfers out	—	(229)	(229)	—
Land & building sale/lease	—	—	—	—
Issuance of COPs	—	—	—	—
Total Other Financing Sources (Uses)	—	(229)	(229)	—
Net Changes in Fund Balances	\$ (729)	\$ (729)	126	\$ 855
Fund Balances, July 1, 2008			2,329	
Fund Balances, June 30, 2009			\$ 2,455	

See accompanying independent auditor's report.

State School Building – Lease Purchase				Special Reserve			
Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
Original	Final			Original	Final		
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	(3,814)	(3,814)	10,000	10,000	31,409	21,409
350	350	358	8	31,659	31,659	30,102	(1,557)
350	350	(3,456)	(3,806)	41,659	41,659	61,511	19,852
—	4	3	1	6,418	1,523	1,369	154
—	2	1	1	2,634	956	621	335
—	—	(133)	133	899	7,536	542	6,994
1	1	—	1	462	13,394	9,764	3,630
4,832	4,763	1,137	3,626	133,835	109,972	33,993	75,979
4,833	4,770	1,008	3,762	144,248	133,381	46,289	87,092
(4,483)	(4,420)	(4,464)	(44)	(102,589)	(91,722)	15,222	106,944
—	226	226	—	—	16,134	16,134	—
—	(290)	(290)	—	(259,998)	(170,852)	(170,522)	330
—	—	—	—	17,000	17,000	9,610	(7,390)
—	—	—	—	326,311	134,419	120,950	(13,469)
—	(64)	(64)	—	83,313	(3,299)	(23,828)	(20,529)
\$ (4,483)	\$ (4,484)	(4,528)	\$ (44)	\$ (19,276)	\$ (95,021)	(8,606)	\$ 86,415
		4,531				192,424	
		\$ 3				\$ 183,818	

(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, 2009
 (in thousands)

	Special Reserve – FEMA – Earthquake			Variance with Final Budget – Favorable (Unfavorable)
	Budget		Actual	
	Original	Final		
Revenues:				
Federal revenues	\$ 6,696	\$ 6,696	\$ 19	\$ (6,677)
Other state revenues	433	433	—	(433)
Other local revenues	—	—	—	—
Total Revenues	7,129	7,129	19	(7,110)
Expenditures:				
Current:				
Classified salaries	—	1	1	—
Employee benefits	—	—	—	—
Books and supplies	10	10	—	10
Services and other operating expenditures	7,017	7,016	234	6,782
Capital outlay	102	572	6	566
Total Expenditures	7,129	7,599	241	7,358
Excess (Deficiency) of Revenues Over (Under) Expenditures	—	(470)	(222)	248
Other Financing Sources (Uses):				
Transfers in	—	470	470	—
Transfers out	—	—	—	—
Land & building sale/lease	—	—	—	—
Issuance of COPs	—	—	—	—
Total Other Financing Sources (Uses)	—	470	470	—
Net Changes in Fund Balances	\$ —	\$ —	248	\$ 248
Fund Balances, July 1, 2008			—	
Fund Balances, June 30, 2009			\$ 248	

See accompanying independent auditor's report.

Special Reserve – FEMA – Hazard Mitigation				Special Reserve – Community Redevelopment Agency			
Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
Original	Final			Original	Final		
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—	—	—
—	—	—	—	4,205	4,205	1,896	(2,309)
—	—	—	—	4,205	4,205	1,896	(2,309)
—	—	—	—	—	53	53	—
—	—	—	—	—	19	17	2
—	—	—	—	—	—	—	—
—	—	—	—	99	399	301	98
2,043	2,043	—	2,043	8,260	1,819	732	1,087
2,043	2,043	—	2,043	8,359	2,290	1,103	1,187
(2,043)	(2,043)	—	2,043	(4,154)	1,915	793	(1,122)
—	—	—	—	—	—	—	—
—	—	—	—	(4,000)	(10,069)	(10,069)	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	(4,000)	(10,069)	(10,069)	—
\$ (2,043)	\$ (2,043)	—	\$ 2,043	\$ (8,154)	\$ (8,154)	(9,276)	\$ (1,122)
		2,043				18,154	
		\$ 2,043				\$ 8,878	

(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, 2009
 (in thousands)

	Capital Facilities Account			Variance with Final Budget – Favorable (Unfavorable)
	Budget		Actual	
	Original	Final		
Revenues:				
Federal revenues	\$ —	\$ —	\$ —	\$ —
Other state revenues	—	—	—	—
Other local revenues	63,000	63,000	27,838	(35,162)
Total Revenues	63,000	63,000	27,838	(35,162)
Expenditures:				
Current:				
Classified salaries	318	318	303	15
Employee benefits	126	146	135	11
Books and supplies	27	157	129	28
Services and other operating expenditures	41,349	1,243	968	275
Capital outlay	57,224	64,773	61,828	2,945
Total Expenditures	99,044	66,637	63,363	3,274
Excess (Deficiency) of Revenues Over (Under) Expenditures	(36,044)	(3,637)	(35,525)	(31,888)
Other Financing Sources (Uses):				
Transfers in	—	14	274	260
Transfers out	(16,094)	(60,482)	(56,650)	3,832
Land & building sale/lease	—	—	—	—
Issuance of COPs	—	—	—	—
Total Other Financing Sources (Uses)	(16,094)	(60,468)	(56,376)	4,092
Net Changes in Fund Balances	\$ (52,138)	\$ (64,105)	(91,901)	\$ (27,796)
Fund Balances, July 1, 2008			163,033	
Fund Balances, June 30, 2009			\$ 71,132	

See accompanying independent auditors' report.

Total			
Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
Original	Final		
\$ 6,696	\$ 6,696	\$ 19	\$ (6,677)
10,433	10,433	27,595	17,162
99,314	99,314	60,553	(38,761)
116,443	116,443	88,167	(28,276)
6,736	1,899	1,729	170
2,760	1,123	774	349
936	7,703	538	7,165
49,004	22,129	11,268	10,861
207,049	184,466	97,699	86,767
266,485	217,320	112,008	105,312
(150,042)	(100,877)	(23,841)	77,036
—	16,844	17,104	260
(280,092)	(241,922)	(237,760)	4,162
17,000	17,000	9,610	(7,390)
326,311	134,419	120,950	(13,469)
63,219	(73,659)	(90,096)	(16,437)
\$ (86,823)	\$ (174,536)	(113,937)	\$ 60,599
		382,514	
		\$ 268,577	



LOS ANGELES UNIFIED SCHOOL DISTRICT

Internal Service Funds

The Health and Welfare Benefits Fund was established pursuant to Education Code 39602 to pay for claims, administrative costs, insurance premiums, and related expenditures for the District's Health and Welfare Benefits program. Medical and dental claims for the self-insured portion of the Fund are administered by outside claims administrators. Premium payments to health maintenance organizations for medical benefits and to outside carriers for vision services, dental services, and optional life insurance are also paid out of this Fund.

The Workers' Compensation Self-Insurance Fund was established pursuant to Education Code 39602 to pay for claims, excess insurance coverage, administrative costs, and related expenditures. Workers' compensation claims are administered for the District by an outside claims administrator.

The Liability Self-Insurance Fund was established pursuant to Education Code 39602 to pay claims, excess insurance coverage, administrative costs and related expenditures, and to provide funds for insurance deductible amounts. Liability claims are administered for the District by an outside claims administrator.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Internal Service Funds
Combining Balance Sheet
June 30, 2009
(in thousands)

	Health and Welfare Benefits	Workers' Compensation	Liability	Total
Assets:				
Cash in county treasury, in banks, and on hand	\$ 68,642	\$ 439,941	\$ 30,604	\$ 539,187
Investments	—	59,981	—	59,981
Accounts receivable – net	1,942	63	—	2,005
Accrued interest and dividends receivable	618	3,380	64	4,062
Prepaid expense	9,478	—	3,876	13,354
Total Assets	<u>\$ 80,680</u>	<u>\$ 503,365</u>	<u>\$ 34,544</u>	<u>\$ 618,589</u>
Liabilities:				
Current:				
Vouchers and accounts payable	\$ 18,130	\$ 2,072	\$ 410	\$ 20,612
Accrued payroll	135	277	155	567
Other payables	—	2,738	2,061	4,799
Estimated liability for self-insurance claims	53,059	93,916	27,542	174,517
Noncurrent:				
Estimated liability for self-insurance claims	—	377,252	—	377,252
Total Liabilities	71,324	476,255	30,168	577,747
Total Net Assets - Unrestricted	9,356	27,110	4,376	40,842
Total Liabilities and Net Assets	<u>\$ 80,680</u>	<u>\$ 503,365</u>	<u>\$ 34,544</u>	<u>\$ 618,589</u>

See accompanying independent auditor's report.

Los Angeles Unified School District
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Year Ended June 30, 2009
(in thousands)

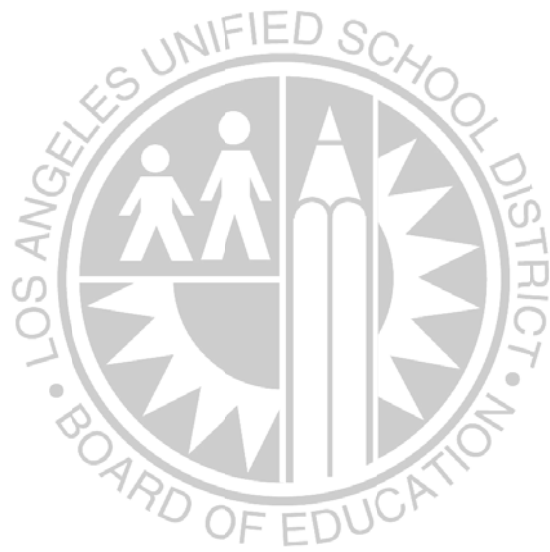
	Health and Welfare Benefits	Workers' Compensation	Liability	Total
Operating Revenues:				
In-district premiums	\$ 867,344	\$ 49	\$ 19,853	\$ 887,246
Operating Expenses:				
Salaries	1,990	4,054	1,510	7,554
Employee benefits	937	1,858	554	3,349
Supplies	282	68	52	402
Premiums and claims expenses	907,814	72,196	17,292	997,302
Claims administration	—	13,589	1,185	14,774
Other contracted services	874	581	6	1,461
Total Operating Expenses	911,897	92,346	20,599	1,024,842
Operating Loss	(44,553)	(92,297)	(746)	(137,596)
Nonoperating Revenues (Expenses):				
Investment income	5,103	16,952	359	22,414
Other local income	5,129	—	—	5,129
Transfers in	12,982	—	—	12,982
Miscellaneous expense	—	(16)	—	(16)
Total Nonoperating Revenues	23,214	16,936	359	40,509
Changes in Net Assets	(21,339)	(75,361)	(387)	(97,087)
Total Net Assets, July 1, 2008	30,695	102,471	4,763	137,929
Total Net Assets, June 30, 2009	\$ 9,356	\$ 27,110	\$ 4,376	\$ 40,842

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Internal Service Funds
Combining Statement of Cash Flows
June 30, 2009
(in thousands)

	Health and Welfare Benefits	Workers' Compensation	Liability	Total
Cash Flows from Operating Activities:				
Cash payments to employees for services	\$ (2,882)	\$ (5,647)	\$ (1,912)	\$ (10,441)
Cash payments for goods and services	(897,145)	(106,524)	(11,607)	(1,015,276)
Receipts from assessment to other funds	855,641	117	29,433	885,191
Net Cash Provided (Used) by Operating Activities	<u>(44,386)</u>	<u>(112,054)</u>	<u>15,914</u>	<u>(140,526)</u>
Cash Flows from Investing Activities:				
Earnings on investments	4,674	19,460	357	24,491
Purchase of investments	—	99,366	—	99,366
Transfers in	12,982	—	—	12,982
Other local	5,129	—	—	5,129
Net Cash Provided by Investing Activities	<u>22,785</u>	<u>118,826</u>	<u>357</u>	<u>141,968</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(21,601)	6,772	16,271	1,442
Cash and cash equivalents, July 1	<u>90,243</u>	<u>433,169</u>	<u>14,333</u>	<u>537,745</u>
Cash and cash equivalents, June 30	<u>\$ 68,642</u>	<u>\$ 439,941</u>	<u>\$ 30,604</u>	<u>\$ 539,187</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:				
Operating loss	\$ <u>(44,553)</u>	\$ <u>(92,297)</u>	\$ <u>(746)</u>	\$ <u>(137,596)</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	(1,890)	69	—	(1,821)
Decrease in prepaid expense	2,360	—	387	2,747
Decrease in due from other funds	5,050	5,533	9,842	20,425
Increase (decrease) in vouchers and accounts payable	3,050	(1,034)	(12)	2,004
Increase in accrued payroll	135	277	155	567
Increase (decrease) in other payables	(241)	717	1,757	2,233
Decrease in due to other funds	(14,966)	(16,926)	(262)	(32,154)
Increase in estimated liability for self-insurance claims – current	6,669	1	4,793	11,463
Decrease in estimated liability for self-insurance claims – noncurrent	—	(8,394)	—	(8,394)
Total Adjustments	<u>167</u>	<u>(19,757)</u>	<u>16,660</u>	<u>(2,930)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (44,386)</u>	<u>\$ (112,054)</u>	<u>\$ 15,914</u>	<u>\$ (140,526)</u>

See accompanying independent auditor's report.



LOS ANGELES UNIFIED SCHOOL DISTRICT

Fiduciary Funds

Pension Trust Funds:

The Annuity Reserve Fund was established in 1972 to account for all financial resources used to provide vested retirement benefits to certificated employees resulting from the dissolution of the District's teacher retirement system. On November 18, 2003, participants voted to dissolve the Fund and distribute its net assets to the members. The Fund was closed out in June 2009 and all remaining equity was transferred to the General Fund.

The Attendance Incentive Reserve Fund was established on November 21, 1994 to account for 50% of the salary savings from substitute teachers' accounting resulting from reduced costs of absenteeism of UTLA represented employees. The intent was to reward regular attendance of teachers in order to improve the instructional program.

Agency Fund:

The Student Body Fund was established to account for cash held by the District on behalf of the student bodies at various school sites.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Fiduciary Funds – Pension Trust Funds
Combining Balance Sheet
June 30, 2009
(in thousands)

	Annuity Reserve	Attendance Incentive Reserve	Total
Assets:			
Cash in county treasury, in banks, and on hand	\$ —	\$ 20,643	\$ 20,643
Total Assets	<u>\$ —</u>	<u>\$ 20,643</u>	<u>\$ 20,643</u>
Liabilities:			
Other payables	\$ —	\$ 20,643	\$ 20,643
Total Liabilities	—	20,643	20,643
Total Net Assets – Unrestricted	<u>—</u>	<u>—</u>	<u>—</u>
Total Liabilities and Net Assets	<u>\$ —</u>	<u>\$ 20,643</u>	<u>\$ 20,643</u>

See accompanying independent auditor's report.

Los Angeles Unified School District
Fiduciary Funds – Pension Trust Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Year Ended June 30, 2009
(in thousands)

	Annuity Reserve	Attendance Incentive Reserve	Total
Additions:			
Investment income	\$ 8	\$ 406	\$ 414
Total Additions	<u>8</u>	<u>406</u>	<u>414</u>
Deductions:			
Distributions to participants	—	(79)	(79)
Other transfers	497	—	497
Other contracted services	<u>—</u>	<u>1,850</u>	<u>1,850</u>
Total Deductions	<u>497</u>	<u>1,771</u>	<u>2,268</u>
Changes in Net Assets	(489)	(1,365)	(1,854)
Total Net Assets, July 1, 2008	<u>489</u>	<u>1,365</u>	<u>1,854</u>
Total Net Assets, June 30, 2009	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Fiduciary Funds – Agency Funds
Combining Statement of Changes in Assets and Liabilities
June 30, 2009
(in thousands)

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2009</u>
Assets:				
Cash in county treasury, in banks, and on hand	\$ 20,506	71,951	\$ 72,924	\$ 19,533
Total Assets	<u>\$ 20,506</u>	<u>71,951</u>	<u>\$ 72,924</u>	<u>\$ 19,533</u>
Liabilities:				
Other payables	\$ 20,506	71,951	\$ 72,924	\$ 19,533
Total Liabilities	<u>\$ 20,506</u>	<u>71,951</u>	<u>\$ 72,924</u>	<u>\$ 19,533</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, 2009 and 2008
(in thousands)

	<u>2008-2009</u>	<u>2007-2008</u>
Governmental Funds Capital Assets:		
Sites	\$ 2,969,404	\$ 2,700,727
Improvement of sites	507,963	468,039
Building and improvements	8,243,000	6,722,084
Equipment	1,156,042	1,143,953
Construction in progress	<u>2,815,518</u>	<u>2,547,219</u>
Total Governmental Funds Capital Assets	<u>\$ 15,691,927</u>	<u>\$ 13,582,022</u>
Investments in Governmental Funds Capital Assets by Source:		
From revenues of:		
General Fund	\$ 1,279,066	\$ 1,277,686
Special Revenue Funds:		
Adult Education Fund	45,737	41,488
Cafeteria Fund	37,149	30,233
Child Development Fund	17,409	17,347
Deferred Maintenance Fund	19,874	17,065
Capital Projects Funds:		
Building Fund	35,862	35,641
Building Fund – Bond Proceeds	1,722,966	1,647,881
Building Fund – Measure K	2,748,831	2,540,728
Building Fund – Measure R	1,959,289	1,488,313
Building Fund – Measure Y	444,661	136,538
State School Building Lease – Purchase Fund	1,027,434	1,026,354
Special Reserve Fund	1,319,058	1,274,244
Special Reserve Fund – FEMA – Earthquake	20,594	21,047
Special Reserve Fund – FEMA – Hazard Mitigation	8,129	8,129
Special Reserve Fund – CRA	7,538	807
Capital Facilities Fund	413,986	351,997
County School Facilities Fund	819,786	792,806
County School Facilities – Prop 47 Fund	726,545	413,537
County School Facilities – Prop 55 Fund	1,154,932	691,824
County School Facilities – Prop 1D Fund	142,788	28,111
Contributions from outside source - MTA	5,937	5,890
Investment in general capital assets prior to July 1, 1983*	<u>1,734,356</u>	<u>1,734,356</u>
Total Governmental Funds Capital Assets	<u>\$ 15,691,927</u>	<u>\$ 13,582,022</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, 2009
(in thousands)

	<u>Sites</u>	<u>Improvement of Sites</u>
Balances, July 1, 2008	\$ 2,700,727	\$ 468,039
Additions:		
Capital outlay from:		
General Fund	49	1,265
Adult Education Fund	40	27
Cafeteria Fund	—	—
Child Development Fund	—	23
Deferred Maintenance Fund	—	—
Building Fund	—	—
Building Fund – Bond Proceeds	10,954	—
Building Fund – Measure K	(3,336)	—
Building Fund – Measure R	48,119	—
Building Fund – Measure Y	147,590	—
State School Building Lease – Purchase Fund	(69)	—
Special Reserve Fund	17,195	—
Special Reserve Fund – FEMA – Earthquake	—	—
Special Reserve Fund – CRA	773	—
Capital Facilities Fund	3,209	—
County School Facilities Fund	728	—
County School Facilities – Prop 47 Fund	4,019	—
County School Facilities – Prop 55 Fund	39,309	—
County School Facilities – Prop 1D Fund	97	—
Completed Projects	—	38,609
Sub-totals	268,677	39,924
Contributions from outside source – MTA	—	—
	268,677	39,924
Deductions:		
Vehicle disposal	—	—
Return to salvage	—	—
Total Deductions	—	—
Net Increase	268,677	39,924
Balances, June 30, 2009	\$ 2,969,404	\$ 507,963

See accompanying independent auditor's report.

Building and Improvements	Equipment	Construction in Progress	Total
\$ 6,722,084	\$ 1,143,953	\$ 2,547,219	\$ 13,582,022
11,766	2,850	11,882	27,812
962	65	3,155	4,249
—	3,083	3,833	6,916
39	—	—	62
8	—	2,801	2,809
2	—	219	221
—	—	64,131	75,085
296	2	211,141	208,103
1,172	(7)	421,692	470,976
89	4,724	155,720	308,123
—	—	1,149	1,080
153	4,211	23,255	44,814
—	—	(453)	(453)
—	—	5,958	6,731
1	—	58,779	61,989
—	—	26,252	26,980
—	—	308,989	313,008
—	—	423,799	463,108
—	—	114,580	114,677
1,506,428	23,593	(1,568,630)	—
1,520,916	38,521	268,252	2,136,290
—	—	47	47
1,520,916	38,521	268,299	2,136,337
—	4,996	—	4,996
—	21,436	—	21,436
—	26,432	—	26,432
1,520,916	12,089	268,299	2,109,905
\$ 8,243,000	\$ 1,156,042	\$ 2,815,518	\$ 15,691,927

LOS ANGELES UNIFIED SCHOOL DISTRICT
Long-Term Obligations
Schedule of Changes in Long-Term Obligations
Year Ended June 30, 2009
(in thousands)

	General Obligation Bonds	Certificates of Participation	Capital Leases	State School Building Aid Fund Payable	Children Centers Facilities Revolving Loan	CA Energy Commission Loan
Balances, July 1, 2008	\$ 7,500,552	\$ 501,875	\$ 3,768	\$ 286	\$ 792	\$ 865
Restatement of Balances, July 1, 2008	—	—	—	—	—	—
Restated Balances, July 1, 2008	<u>\$ 7,500,552</u>	<u>\$ 501,875</u>	<u>\$ 3,768</u>	<u>\$ 286</u>	<u>\$ 792</u>	<u>\$ 865</u>
Additions:						
Debt issuance	950,000	120,950	1,196	—	—	—
Premium on debt issue	13,129	—	—	—	—	—
Refund charges amortization	3,472	—	—	—	—	—
Discount amortization	43	—	—	—	—	—
Interest accrual	—	2,909	—	—	—	1
Vacation earned	—	—	—	—	—	—
Retirement bonus	—	—	—	—	—	—
Early retirement incentive	—	—	—	—	—	—
Self-insurance claims	—	—	—	—	—	—
Annual required contribution	—	—	—	—	—	—
Legal settlements	—	—	—	—	—	—
Total Additions	<u>966,644</u>	<u>123,859</u>	<u>1,196</u>	<u>—</u>	<u>—</u>	<u>1</u>
Deductions:						
Principal repayments	228,825	178,720	1,956	286	—	203
Premium amortization	14,796	766	—	—	—	—
Payment of interest accrued	—	3,593	—	—	—	—
Vacation used	—	—	—	—	—	—
Self-insurance claims paid	—	—	—	—	—	—
OPEB contributions	—	—	—	—	—	—
Arbitrage adjustment	—	—	—	—	—	—
Arbitrage payment	—	—	—	—	—	—
Total Deductions	<u>243,621</u>	<u>183,079</u>	<u>1,956</u>	<u>286</u>	<u>—</u>	<u>203</u>
Balances, June 30, 2009	<u><u>\$ 8,223,575</u></u>	<u><u>\$ 442,655</u></u>	<u><u>\$ 3,008</u></u>	<u><u>\$ —</u></u>	<u><u>\$ 792</u></u>	<u><u>\$ 663</u></u>

See accompanying independent auditor's report.

Liability for Employee Benefits	Self-Insurance Claims	Other Postemployment Benefits (OPEB)	Arbitrage Payable	Legal Settlements	Total
\$ 88,737	\$ 548,702	\$ 832,665	\$ 12,068	\$ 12,823	\$ 9,503,133
102,560	—	—	—	—	102,560
<u>\$ 191,297</u>	<u>\$ 548,702</u>	<u>\$ 832,665</u>	<u>\$ 12,068</u>	<u>\$ 12,823</u>	<u>\$ 9,605,693</u>
—	—	—	—	—	1,072,146
—	—	—	—	—	13,129
—	—	—	—	—	3,472
—	—	—	—	—	43
—	—	—	—	—	2,910
82,501	—	—	—	—	82,501
140	—	—	—	—	140
52,712	—	—	—	—	52,712
—	453,046	—	—	—	453,046
—	—	1,088,523	—	—	1,088,523
—	—	—	—	12,555	12,555
<u>135,353</u>	<u>453,046</u>	<u>1,088,523</u>	<u>—</u>	<u>12,555</u>	<u>2,781,177</u>
—	—	—	—	—	409,990
—	—	—	—	—	15,562
—	—	—	—	—	3,593
92,064	—	—	—	—	92,064
—	449,979	—	—	—	449,979
—	—	267,262	—	—	267,262
—	—	—	42	—	42
—	—	—	59	—	59
<u>92,064</u>	<u>449,979</u>	<u>267,262</u>	<u>101</u>	<u>—</u>	<u>1,238,551</u>
<u>\$ 234,586</u>	<u>\$ 551,769</u>	<u>\$ 1,653,926</u>	<u>\$ 11,967</u>	<u>\$ 25,378</u>	<u>\$ 11,148,319</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT
Long-Term Obligations
Schedule of State School Building Aid Fund Payable
Year Ended June 30, 2009
(in thousands)

Year	Interest Rate	Balance July 1, 2008	Additions	Deductions		Balance June 30, 2009
			Interest Charges	Principal in Progress	Interest Payments	
1987-1988	4.50%	\$ 11	\$ —	\$ 11	\$ —	\$ —
	4.80	21	—	21	—	—
	5.30	212	—	201	11	—
	5.50	14	—	13	1	—
	5.60	28	—	26	2	—
Total		\$ <u>286</u>	\$ <u>—</u>	\$ <u>272</u>	\$ <u>14</u>	\$ <u>—</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Long-Term Obligations
Schedule of Certificates of Participation
Year Ended June 30, 2009
(in thousands)

Date of Issue	Interest Rate	Maturity Date	Balance Original Issue	Outstanding* July 1, 2008	Issued* This Year	Redeemed** Current Year	Accrued Interest	Outstanding* June 30, 2009
1997 Certificates of Participation (Vista Hermosa):								
12/09/97	Variable	12/01/08	\$ 4,600	\$ 4,654	\$ —	\$ 4,654	\$ —	\$ —
12/09/97	Variable	12/01/09	4,700	4,700	—	—	6	4,706
12/09/97	Variable	12/01/10	4,900	4,900	—	—	—	4,900
12/09/97	Variable	12/01/11	5,100	5,100	—	—	—	5,100
12/09/97	Variable	12/01/12	5,300	5,300	—	—	—	5,300
12/09/97	Variable	12/01/13	5,500	5,500	—	—	—	5,500
12/09/97	Variable	12/01/14	5,800	5,800	—	—	—	5,800
12/09/97	Variable	12/01/15	6,000	6,000	—	—	—	6,000
12/09/97	Variable	12/01/16	6,200	6,200	—	—	—	6,200
12/09/97	Variable	12/01/17	6,500	6,500	—	—	—	6,500
1997 Certificates of Participation			\$ 54,600	\$ 54,654	\$ —	\$ 4,654	\$ 6	\$ 50,006
1998 Refunding Certificates of Participation (Multiple Properties Project):								
06/10/98	5.250%	11/01/08	\$ 4,140	\$ 4,369	\$ —	\$ 4,369	\$ —	\$ —
06/10/98	4.650	11/01/09	4,355	4,355	—	—	193	4,548
06/10/98	4.750	11/01/10	4,560	4,560	—	—	—	4,560
06/10/98	4.850	11/01/11	4,775	4,775	—	—	—	4,775
06/10/98	5.000	11/01/12	5,010	5,010	—	—	—	5,010
06/10/98	5.000	11/01/13	5,260	5,260	—	—	—	5,260
1998 Refunding Certificates of Participation			\$ 28,100	\$ 28,329	\$ —	\$ 4,369	\$ 193	\$ 24,153
2000A Certificates of Participation (Qualified Zone Academy Bonds Project):								
05/23/00	—%	05/23/12	\$ 25,372	\$ 25,372	\$ —	\$ —	\$ —	\$ 25,372
2000A Certificates of Participation			\$ 25,372	\$ 25,372	\$ —	\$ —	\$ —	\$ 25,372
2000B Certificates of Participation (Multiple Properties Project):								
10/04/00	4.200%	10/01/08	\$ 1,020	\$ 1,053	\$ —	\$ 1,053	\$ —	\$ —
10/04/00	4.200	10/01/09	1,060	1,060	—	—	23	1,083
10/04/00	4.250	10/01/10	1,105	1,105	—	—	—	1,105
2000B Certificates of Participation			\$ 3,185	\$ 3,218	\$ —	\$ 1,053	\$ 23	\$ 2,188

* Includes Premium and Accrued Interest

** Principal Payment, Premium Amortization, and Accrued Interest

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Long-Term Obligations
Schedule of Certificates of Participation (Continued)
Year Ended June 30, 2009
(in thousands)

<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Original Issue</u>	<u>Outstanding* July 1, 2008</u>	<u>Issued* This Year</u>	<u>Redeemed** Current Year</u>	<u>Accrued Interest</u>	<u>Outstanding* June 30, 2009</u>
2001B Certificates of Participation (Administration Building Project I):								
11/06/01	5.000%	10/01/24	\$ 6,810	\$ 7,666	\$ —	\$ 856	\$ 856	\$ 7,666
11/06/01	5.000	10/01/25	7,625	7,625	—	—	—	7,625
11/06/01	5.000	10/01/26	8,005	8,005	—	—	—	8,005
11/06/01	5.000	10/01/27	8,405	8,405	—	—	—	8,405
11/06/01	5.000	10/01/28	8,825	8,825	—	—	—	8,825
11/06/01	5.000	10/01/29	9,270	9,270	—	—	—	9,270
11/06/01	5.000	10/01/30	9,730	9,730	—	—	—	9,730
11/06/01	5.000	10/01/31	10,220	10,220	—	—	—	10,220
2001B Certificates of Participation			\$ 68,890	\$ 69,746	\$ —	\$ 856	\$ 856	\$ 69,746
2002C Certificates of Participation (Administration Building Project II):								
12/19/02	3.000%	10/01/08	\$ 210	\$ 308	\$ —	\$ 308	\$ —	\$ —
12/19/02	3.300	10/01/09	220	220	—	—	97	317
12/19/02	3.750	10/01/10	225	225	—	—	—	225
12/19/02	4.000	10/01/11	235	235	—	—	—	235
12/19/02	4.000	10/01/12	245	245	—	—	—	245
12/19/02	4.000	10/01/13	255	255	—	—	—	255
12/19/02	4.125	10/01/14	265	265	—	—	—	265
12/19/02	4.250	10/01/15	275	275	—	—	—	275
12/19/02	4.380	10/01/16	285	285	—	—	—	285
12/19/02	4.500	10/01/17	300	300	—	—	—	300
12/19/02	4.500	10/01/18	310	310	—	—	—	310
12/19/02	4.750	10/01/19	325	325	—	—	—	325
12/19/02	4.750	10/01/20	340	340	—	—	—	340
12/19/02	4.750	10/01/21	360	360	—	—	—	360
12/19/02	4.750	10/01/22	375	375	—	—	—	375
12/19/02	4.750	10/01/23	395	395	—	—	—	395
12/19/02	5.000	10/01/24	410	410	—	—	—	410
12/19/02	5.000	10/01/25	430	430	—	—	—	430
12/19/02	5.000	10/01/26	455	455	—	—	—	455
12/19/02	5.000	10/01/27	475	475	—	—	—	475
12/19/02	5.000	10/01/28	500	500	—	—	—	500
12/19/02	5.000	10/01/29	525	525	—	—	—	525
12/19/02	5.000	10/01/30	550	550	—	—	—	550
12/19/02	5.000	10/01/31	580	580	—	—	—	580
2002C Certificates of Participation			\$ 8,545	\$ 8,643	\$ —	\$ 308	\$ 97	\$ 8,432

* Includes Premium and Accrued Interest

** Principal Payment, Premium Amortization, and Accrued Interest

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Long-Term Obligations
Schedule of Certificates of Participation (Continued)
Year Ended June 30, 2009
(in thousands)

Date of Issue	Interest Rate	Maturity Date	Balance Original Issue	Outstanding* July 1, 2008	Issued* This Year	Redeemed** Current Year	Accrued Interest	Outstanding* June 30, 2009
2003B Certificates of Participation (Capital Project I):								
06/26/03	2.000%	08/01/08	\$ 905	\$ 1,431	\$ —	\$ 1,431	\$ —	\$ —
06/26/03	2.250	08/01/09	920	920	—	—	517	1,437
06/26/03	3.000	08/01/10	940	940	—	—	—	940
06/26/03	3.000	08/01/11	970	970	—	—	—	970
06/26/03	3.000	08/01/12	1,000	1,000	—	—	—	1,000
06/26/03	3.125	08/01/13	1,030	1,030	—	—	—	1,030
06/26/03	3.250	08/01/14	1,060	1,060	—	—	—	1,060
06/26/03	5.000	08/01/15	1,095	1,095	—	—	—	1,095
06/26/03	5.000	08/01/16	1,150	1,150	—	—	—	1,150
06/26/03	5.000	08/01/17	1,210	1,210	—	—	—	1,210
06/26/03	5.000	08/01/18	1,270	1,270	—	—	—	1,270
06/26/03	5.000	08/01/19	1,335	1,335	—	—	—	1,335
06/26/03	5.000	08/01/20	1,400	1,400	—	—	—	1,400
06/26/03	5.000	08/01/21	1,470	1,470	—	—	—	1,470
06/26/03	5.000	08/01/22	1,540	1,540	—	—	—	1,540
06/26/03	5.000	08/01/23	1,620	1,620	—	—	—	1,620
06/26/03	5.000	08/01/24	1,700	1,700	—	—	—	1,700
06/26/03	5.000	08/01/25	1,785	1,785	—	—	—	1,785
06/26/03	5.000	08/01/26	1,875	1,875	—	—	—	1,875
06/26/03	5.000	08/01/27	1,970	1,970	—	—	—	1,970
06/26/03	5.000	08/01/28	2,065	2,065	—	—	—	2,065
2003B Certificates of Participation			\$ 28,310	\$ 28,836	\$ —	\$ 1,431	\$ 517	\$ 27,922
2004A Certificates of Participation (Refinancing Project I):								
07/28/04	3.000%	10/01/08	\$ 195	\$ 319	\$ —	\$ 319	\$ —	\$ —
07/28/04	4.000	10/01/09	1,935	1,935	—	—	123	2,058
07/28/04	3.000	10/01/10	2,000	2,000	—	—	—	2,000
07/28/04	3.125	10/01/11	2,065	2,065	—	—	—	2,065
07/28/04	5.000	10/01/12	2,150	2,150	—	—	—	2,150
07/28/04	4.000	10/01/13	2,250	2,250	—	—	—	2,250
07/28/04	4.000	10/01/14	2,340	2,340	—	—	—	2,340
2004A Certificates of Participation			\$ 12,935	\$ 13,059	\$ —	\$ 319	\$ 123	\$ 12,863
2004B Certificates of Participation (Refunding Project I):								
07/28/04	4.250%	10/01/08	\$ 1,925	\$ 1,945	\$ —	\$ 1,945	\$ —	\$ —
2004B Certificates of Participation			\$ 1,925	\$ 1,945	\$ —	\$ 1,945	\$ —	\$ —

* Includes Premium and Accrued Interest

** Principal Payment, Premium Amortization, and Accrued Interest

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Long-Term Obligations
Schedule of Certificates of Participation (Continued)
Year Ended June 30, 2009
(in thousands)

Date of Issue	Interest Rate	Maturity Date	Balance Original Issue	Outstanding* July 1, 2008	Issued* This Year	Redeemed** Current Year	Accrued Interest	Outstanding* June 30, 2009
2005A Certificates of Participation (Beaudry I-2001C Refunding):								
05/24/05	Variable	10/01/08	\$ 4,200	\$ 4,581	\$ —	\$ 4,581	\$ —	\$ —
05/24/05	Variable	10/01/09	4,330	4,330	—	4,330	—	—
05/24/05	Variable	10/01/10	4,475	4,475	—	4,475	—	—
05/24/05	Variable	10/01/11	4,620	4,620	—	4,620	—	—
05/24/05	Variable	10/01/12	4,770	4,770	—	4,770	—	—
05/24/05	Variable	10/01/13	4,925	4,925	—	4,925	—	—
05/24/05	Variable	10/01/14	5,085	5,085	—	5,085	—	—
05/24/05	Variable	10/01/15	5,250	5,250	—	5,250	—	—
05/24/05	Variable	10/01/16	5,425	5,425	—	5,425	—	—
05/24/05	Variable	10/01/17	5,600	5,600	—	5,600	—	—
05/24/05	Variable	10/01/18	5,785	5,785	—	5,785	—	—
05/24/05	Variable	10/01/19	5,970	5,970	—	5,970	—	—
05/24/05	Variable	10/01/20	6,165	6,165	—	6,165	—	—
05/24/05	Variable	10/01/21	6,365	6,365	—	6,365	—	—
05/24/05	Variable	10/01/22	6,575	6,575	—	6,575	—	—
05/24/05	Variable	10/01/23	6,785	6,785	—	6,785	—	—
05/24/05	Variable	10/01/24	200	200	—	200	—	—
2005A Certificates of Participation			\$ 86,525	\$ 86,906	\$ —	\$ 86,906	\$ —	\$ —
2005B Certificates of Participation (Beaudry III):								
05/24/05	Variable	10/01/08	\$ 585	\$ 647	\$ —	\$ 647	\$ —	\$ —
05/24/05	Variable	10/01/09	605	605	—	605	—	—
05/24/05	Variable	10/01/10	625	625	—	625	—	—
05/24/05	Variable	10/01/11	645	645	—	645	—	—
05/24/05	Variable	10/01/12	665	665	—	665	—	—
05/24/05	Variable	10/01/13	685	685	—	685	—	—
05/24/05	Variable	10/01/14	710	710	—	710	—	—
05/24/05	Variable	10/01/15	730	730	—	730	—	—
05/24/05	Variable	10/01/16	755	755	—	755	—	—
05/24/05	Variable	10/01/17	780	780	—	780	—	—
05/24/05	Variable	10/01/18	805	805	—	805	—	—
05/24/05	Variable	10/01/19	830	830	—	830	—	—
05/24/05	Variable	10/01/20	860	860	—	860	—	—
05/24/05	Variable	10/01/21	885	885	—	885	—	—
05/24/05	Variable	10/01/22	915	915	—	915	—	—
05/24/05	Variable	10/01/23	945	945	—	945	—	—
05/24/05	Variable	10/01/24	975	975	—	975	—	—
05/24/05	Variable	10/01/25	1,005	1,005	—	1,005	—	—
05/24/05	Variable	10/01/26	1,040	1,040	—	1,040	—	—
05/24/05	Variable	10/01/27	1,075	1,075	—	1,075	—	—
05/24/05	Variable	10/01/28	1,110	1,110	—	1,110	—	—
05/24/05	Variable	10/01/29	1,145	1,145	—	1,145	—	—
05/24/05	Variable	10/01/30	1,180	1,180	—	1,180	—	—
05/24/05	Variable	10/01/31	1,220	1,220	—	1,220	—	—
2005B Certificates of Participation			\$ 20,775	\$ 20,837	\$ —	\$ 20,837	\$ —	\$ —

* Includes Premium and Accrued Interest

** Principal Payment, Premium Amortization, and Accrued Interest

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Long-Term Obligations
Schedule of Certificates of Participation (Continued)
Year Ended June 30, 2009
(in thousands)

<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Original Issue</u>	<u>Outstanding* July 1, 2008</u>	<u>Issued* This Year</u>	<u>Redeemed** Current Year</u>	<u>Accrued Interest</u>	<u>Outstanding* June 30, 2009</u>
2005C Certificates of Participation (ELA/King Drew-1996A Refunding):								
05/24/05	Variable	10/01/13	\$ 2,785	\$ 2,830	\$ —	\$ 2,830	\$ —	\$ —
05/24/05	Variable	10/01/14	2,875	2,875	—	2,875	—	—
05/24/05	Variable	10/01/15	2,970	2,970	—	2,970	—	—
05/24/05	Variable	10/01/16	3,065	3,065	—	3,065	—	—
05/24/05	Variable	10/01/17	3,170	3,170	—	3,170	—	—
05/24/05	Variable	10/01/18	3,270	3,270	—	3,270	—	—
05/24/05	Variable	10/01/19	3,380	3,380	—	3,380	—	—
05/24/05	Variable	10/01/20	3,490	3,490	—	3,490	—	—
05/24/05	Variable	10/01/21	3,600	3,600	—	3,600	—	—
05/24/05	Variable	10/01/22	3,720	3,720	—	3,720	—	—
05/24/05	Variable	10/01/23	3,840	3,840	—	3,840	—	—
05/24/05	Variable	10/01/24	3,965	3,965	—	3,965	—	—
05/24/05	Variable	10/01/25	4,095	4,095	—	4,095	—	—
2005C Certificates of Participation			\$ 44,225	\$ 44,270	\$ —	\$ 44,270	\$ —	\$ —
2005 Certificates of Participation (2004-05 Qualified Zone Academy Bonds Project):								
12/13/05	—%	12/13/20	\$ 10,000	\$ 10,000	\$ —	\$ —	\$ —	\$ 10,000
2005 Certificates of Participation			\$ 10,000	\$ 10,000	\$ —	\$ —	\$ —	\$ 10,000
2007A Certificates of Participation (Information Technology Projects):								
11/15/07	4.000%	10/01/08	\$ 8,640	\$ 10,571	\$ —	\$ 10,571	\$ —	\$ —
11/15/07	4.000	10/01/09	8,415	9,186	—	—	1,079	10,265
11/15/07	4.000	10/01/10	6,775	7,536	—	—	—	7,536
11/15/07	5.000	10/01/10	1,975	1,975	—	—	—	1,975
11/15/07	4.000	10/01/11	5,995	6,731	—	—	—	6,731
11/15/07	5.000	10/01/11	3,125	3,125	—	—	—	3,125
11/15/07	5.000	10/01/12	9,515	10,173	—	—	—	10,173
11/15/07	5.000	10/01/13	9,995	10,551	—	—	—	10,551
11/15/07	5.000	10/01/14	10,495	10,939	—	—	—	10,939
11/15/07	5.000	10/01/15	11,015	11,335	—	—	—	11,335
11/15/07	5.000	10/01/16	11,570	11,755	—	—	—	11,755
11/15/07	5.000	10/01/17	12,145	12,183	—	—	—	12,183
2007A Certificates of Participation			\$ 99,660	\$ 106,060	\$ —	\$ 10,571	\$ 1,079	\$ 96,568

* Includes Premium and Accrued Interest

** Principal Payment, Premium Amortization, and Accrued Interest

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Long-Term Obligations
Schedule of Certificates of Participation (Continued)
Year Ended June 30, 2009
(in thousands)

Date of Issue	Interest Rate	Maturity Date	Balance Original Issue	Outstanding* July 1, 2008	Issued* This Year	Redeemed** Current Year	Accrued Interest	Outstanding* June 30, 2009
2008A Certificates of Participation (Beaudry-2005A Refunding):								
08/06/08	Variable	10/01/08	\$ 4,750	\$ —	\$ 4,750	\$ 4,750	\$ —	\$ —
08/06/08	Variable	10/01/09	5,085	—	5,085	—	12	5,097
08/06/08	Variable	10/01/10	5,230	—	5,230	—	—	5,230
08/06/08	Variable	10/01/11	5,370	—	5,370	—	—	5,370
08/06/08	Variable	10/01/12	5,530	—	5,530	—	—	5,530
08/06/08	Variable	10/01/13	5,680	—	5,680	—	—	5,680
08/06/08	Variable	10/01/14	5,840	—	5,840	—	—	5,840
08/06/08	Variable	10/01/15	6,000	—	6,000	—	—	6,000
08/06/08	Variable	10/01/16	6,175	—	6,175	—	—	6,175
08/06/08	Variable	10/01/17	6,345	—	6,345	—	—	6,345
08/06/08	Variable	10/01/18	6,520	—	6,520	—	—	6,520
08/06/08	Variable	10/01/19	6,705	—	6,705	—	—	6,705
08/06/08	Variable	10/01/20	6,895	—	6,895	—	—	6,895
08/06/08	Variable	10/01/21	7,085	—	7,085	—	—	7,085
08/06/08	Variable	10/01/22	7,285	—	7,285	—	—	7,285
08/06/08	Variable	10/01/23	6,835	—	6,835	—	—	6,835
08/06/08	Variable	10/01/24	200	—	200	—	—	200
2008A Certificates of Participation			\$ 97,530	\$ —	\$ 97,530	\$ 4,750	\$ 12	\$ 92,792
2008B Certificates of Participation (Beaudry III-2005B Refunding):								
08/06/08	Variable	10/01/08	\$ 810	\$ —	\$ 810	\$ 810	\$ —	\$ —
08/06/08	Variable	10/01/09	715	—	715	—	3	718
08/06/08	Variable	10/01/10	735	—	735	—	—	735
08/06/08	Variable	10/01/11	755	—	755	—	—	755
08/06/08	Variable	10/01/12	775	—	775	—	—	775
08/06/08	Variable	10/01/13	795	—	795	—	—	795
08/06/08	Variable	10/01/14	820	—	820	—	—	820
08/06/08	Variable	10/01/15	840	—	840	—	—	840
08/06/08	Variable	10/01/16	865	—	865	—	—	865
08/06/08	Variable	10/01/17	890	—	890	—	—	890
08/06/08	Variable	10/01/18	915	—	915	—	—	915
08/06/08	Variable	10/01/19	940	—	940	—	—	940
08/06/08	Variable	10/01/20	965	—	965	—	—	965
08/06/08	Variable	10/01/21	995	—	995	—	—	995
08/06/08	Variable	10/01/22	1,020	—	1,020	—	—	1,020
08/06/08	Variable	10/01/23	1,050	—	1,050	—	—	1,050
08/06/08	Variable	10/01/24	1,080	—	1,080	—	—	1,080
08/06/08	Variable	10/01/25	1,110	—	1,110	—	—	1,110
08/06/08	Variable	10/01/26	1,140	—	1,140	—	—	1,140
08/06/08	Variable	10/01/27	1,175	—	1,175	—	—	1,175
08/06/08	Variable	10/01/28	1,205	—	1,205	—	—	1,205
08/06/08	Variable	10/01/29	1,240	—	1,240	—	—	1,240
08/06/08	Variable	10/01/30	1,275	—	1,275	—	—	1,275
08/06/08	Variable	10/01/31	1,310	—	1,310	—	—	1,310
2008B Certificates of Participation			\$ 23,420	\$ —	\$ 23,420	\$ 810	\$ 3	\$ 22,613
Grand Total			\$ 613,997	\$ 501,875	\$ 120,950	\$ 183,079	\$ 2,909	\$ 442,655

* Includes Premium and Accrued Interest

** Principal Payment, Premium Amortization, and Accrued Interest

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Funding Progress for Postemployment Healthcare Benefits
Year Ended June 30, 2009
(in thousands)

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
6/30/2007	\$ —	\$ 10,563,623	\$ 10,563,623	0%	\$ 4,609,494	229 %

Note: The District elected for prospective implementation of GASB Statement No. 45 which became effective in Fiscal Year 2007-2008. Accordingly, comparative data for prior years is not available. Three-year trend information will be presented in future years.

See accompanying independent auditor's report.



LOS ANGELES UNIFIED SCHOOL DISTRICT

Supplemental Information

Financial information hereinafter is presented for purposes of additional analysis and is not a required part of the combined and combining financial statements of the Los Angeles Unified School District. Data presented are not considered necessary for fair presentation in conformity with U.S. generally accepted accounting principles.

LOS ANGELES UNIFIED SCHOOL DISTRICT
General Fund
Schedule of Principal Apportionment From the State School Fund
Year Ended June 30, 2009

Base Revenue Limit per A.D.A.					
Base revenue limit per A.D.A. (PY)				\$	5,796.56
Inflation increase					329.00
Total Base Revenue Limit per A.D.A.				\$	<u>6,125.56</u>
Revenue Limit ADA					<u>598,474.16</u>
Total State Revenue Limit					
Base revenue limit	\$	6,125.56	x	598,474.16 A.D.A	\$ 3,665,989,376
Meals for needy	\$	0.2099	x	95,312,258 <i>Meals Served</i>	20,006,043
Beginning teachers salary incentive funding					12,735,403
Class Size Penalties Adjustment					<u>(12,251)</u>
Revenue Limit Subject to Deficit					3,698,718,571
Deficit (.07884)					(290,127,485)
Unemployment insurance revenue					12,554,036
PERS reduction (including adjustment for safety members)					<u>(24,377,960)</u>
Total K-12 Revenue Limit					3,396,767,162
County office funds transfer					(578,897)
Property taxes and other local revenues					(927,440,457)
Charter schools in-lieu of taxes					72,714,652
Charter schools general purpose block grant offset					<u>(20,285,914)</u>
State Aid Portion of Revenue Limit - Current Year					2,521,176,546
Fiscally affiliated charter schools general purpose block grant					29,084,509
Fiscally affiliated charter schools in-lieu taxes					8,766,248
PERS reduction transfer					24,377,960
Prior year adjustments					<u>6,808,547</u>
Total State Aid K-12 Revenue Limit					2,590,213,810
Principal apportionments-other state revenues					
Core academic program (Supplemental instruction, grades K-12) *					
Current year					3,260,903
Prior year adjustments					(350,551)
California high school exit exam (Supplemental instruction, grades 7-12) *					
Current year					43,012,265
Prior year adjustments					(89,409)
Retained and recommended for retention (Supplemental instruction, grades 2-9) *					
Current year					14,731,579
Prior year adjustments					(1,637,261)
Apprenticeship Funding					
Current year					2,763,737
Prior year adjustments					(889,827)
Community day school additional funding *					3,234,537
Gifted and talented education (GATE)					
Current year					4,773,907
Prior year adjustments					(825)
Regional occupational center/program (ROC/P) *					
Current year					56,214,645
Prior year adjustments					5,950,824
ROC/P handicapped					
Current year					2,296,801
Prior year adjustments					(4,338)
Special education					
Current year (net of charter schools)					386,702,726
Prior year adjustments					<u>255,517</u>
Total Principal Apportionment from State School Funds				\$	<u><u>3,110,439,040</u></u>

* Pursuant to Senate Bill 4 of the 2009-10 Third Extraordinary Session (SBX3 4) (Chapter 12, Statutes of 2009), appropriations for fiscal years 2008-09 through 2012-13 for these programs which are normally ADA or hourly based, are based on the District's 2007-08 funding level.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
General Fund
Schedule of Appropriations, Expenditures and Other Uses, and Unexpended Balances
by District Defined Program
Year Ended June 30, 2009
(in thousands)

	<u>Appropriations</u>	<u>Expenditures and Other Uses</u>	<u>Unexpended Balances</u>
Regular program:			
General Program – Schools	\$ 3,229,352	\$ 3,027,477	\$ 201,875
General Program – Support Services	488,688	298,804	189,884
General Program – Hourly Intervention/ Remediation	68,699	61,576	7,123
General Program – Interfund Transfers	43,639	43,206	433
General Program – Options Programs	80,751	80,157	594
Special Education – Schools	1,345,030	1,297,829	47,201
Special Education – Support Services	87,527	85,864	1,663
Special Education – Extended Session	26,846	29,567	(2,721)
Student Integration – Schools	561,123	465,220	95,903
Student Integration – Support Services	67,570	43,218	24,352
ROC/Skill Centers – Schools	77,746	73,857	3,889
ROC/Skill Centers – Support Services	13,057	7,602	5,455
Routine Repair & Gen Maintenance – Schools	203,670	200,426	3,244
Routine Repair & Gen Maintenance – Support Services	26,379	23,255	3,124
Community Services	21,523	20,040	1,483
Reserves and Resources Allocations	89,218	17,157	72,061
Total Regular Program	<u>6,430,818</u>	<u>5,775,255</u>	<u>655,563</u>
Specialty Funded Programs	<u>1,173,187</u>	<u>887,918</u>	<u>285,269</u>
Total General Fund	<u>\$ 7,604,005</u>	<u>\$ 6,663,173</u>	<u>\$ 940,832</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, 2009
(in thousands)

Instruction	\$ 5,299,508
Support Services:	
Supervision of instruction	29,626
Library, media, technology and other instructional resources	5,824
School administration	290,030
Pupil support services	68,514
Pupil transportation	5,942
Data processing services	93,455
Plant maintenance and operations	473,511
Facilities rents and leases	20,082
Central administration	177,344
Total Support Services	<u>1,164,328</u>
Other Goals:	
Community services	28,094
Child care and development services	1,774
Food services	1,250
Total Other Goals	<u>31,118</u>
Facilities Acquisition and Construction	51,859
Other Outgo:	
Debt service	2,534
All other outgo	113,826
Total Other Outgo	<u>116,360</u>
Total Expenditures and Other Uses	<u>\$ 6,663,173</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
General Fund
Schedule of Current Expense of Education
Year Ended June 30,2009
(in thousands)

	Total Expense for the Year	Excluded Amounts*	Current Expense of Education	Current Expense of Education per Unit of A.D.A. **
Certificated salaries	\$ 3,231,930	\$ 7,122	\$ 3,224,808	\$ 5,024.38
Classified salaries	997,780	32,757	965,023	1,503.54
Employee benefits (excluding PERS reduction)	1,266,442	215,868	1,050,574	1,636.84
Books, supplies, and equipment replacement	296,698	6,125	290,573	452.72
Services & operating expense and direct support	735,835	15,225	720,610	1,122.74
Total	\$ 6,528,685	\$ 277,097	\$ 6,251,588	\$ 9,740.22

* Excluded amounts relate to:

Community Services	\$ 27,784
Facilities Acquisition & Construction	26,600
Food Services	1,213
Fringe Benefits to Retirees	201,878
Nonagency	19,622
Total	\$ 277,097

** Annual A.D.A. (Average Daily Attendance) used is 641,832.3. 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, 2009
(in thousands)

	<u>Balances</u> <u>July 1, 2008</u>	<u>Adjustments</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balances</u> <u>June 30, 2009</u>
Continuation Education	\$ —	\$ 12,056	\$ 16,388	\$ 28,444	\$ —
Community Day Schools	—	7,671	8,031	15,702	— *
State Fiscal Stabilization Fund	—	—	358,579	—	358,579
Special Education: IDEA Basic Local Assistance Entitlement	—	—	111,054	111,054	—
Special Education: IDEA Basic Local Assistance Entitlement Private School ISP	—	—	742	742	—
Medi-Cal Billing Options	3,580	—	10,767	9,410	4,937
COPS MORE Program	35	—	—	—	35
School Mental Health-Medi-Cal Rehabilitation	4,586	—	2,735	2,851	4,470
Cal-Safe Supportive Services	—	44	105	149	— *
Certificated Staff Performance Incentive Bonus	173	(173)	—	—	— *
English Language Acquisition Program, Teacher Training & Student Assistance	17,949	(10,457)	—	5,254	2,238
Calif. Public School Library Act of 1998	80	(80)	—	—	—
Lottery Instructional Material	—	—	8,749	8,749	—
ROC/P Apportionment	9,857	(3,485)	72,727	79,099	— *
Pupils with Disabilities Attending ROC/P	—	66	2,293	2,359	—
School Safety & Violence Prevention	1,477	4,644	3,664	9,785	— *
Special Education	5,707	722,316	496,268	1,219,225	5,066
Arts and Music Block Grant	12,718	(7,265)	5,652	11,105	— *
Art, Music and PE Supplies and Equipment	45,344	(30,647)	—	14,697	— *
CAHSEE Intensive Instruction and Services	11,178	(6,427)	6,428	3,549	7,630
CAHSEE Individual Intervention Materials	672	—	—	—	672
Supplemental School Counseling Grades 7-12	6,092	13,888	—	19,980	— *
Gifted & Talented Education	54	(359)	4,773	4,468	— *
Instructional Materials Block Grant	14,193	(25,331)	38,098	26,960	— *
Instructional Materials English Learner	5,146	—	16	1,222	3,940
Instructional Materials API Deciles 1 & 2	1,905	—	60	1,965	—
Transportation Home to School	—	(4,772)	45,092	40,320	—
Transportation: Special Education (Severely Disabled/Orthopedically Impaired)	—	6,888	50,077	56,965	—
California Peer Assistance & Review Program	6,838	(7,512)	2,745	2,071	— *
Staff Development Reading & Math	—	(1,290)	1,511	221	— *
Reader Services for Blind Teachers	—	—	93	93	— *
Principals' Training	1,158	(1,039)	—	119	— *
Tenth Grade Counseling	236	(236)	—	—	— *
Pupil Retention Block Grant	5,847	(6,058)	4,524	4,313	— *
Professional Development Block Grant	—	(17,936)	24,575	6,639	— *
Targeted Instructional Improvement Block Grant	53,966	(31,619)	486,091	508,438	— *
School & Library Improvement Block Grant	13,251	(17,394)	46,126	41,983	— *
Discretionary Block Grant – School Site	10,404	(4,127)	—	6,277	— *
Quality Education Investment Act	49,976	—	144,872	107,593	87,255
California Energy Commission Loan Expenditures	397	—	—	—	397
Routine Repair & General Maintenance	20,306	(20,306)	—	—	—
Ongoing & Major Maintenance Account	—	224,351	—	223,681	670
Certificates of Participation:					
(Acquisition Accounts) – Proceeds	1,947	4,254	12,172	18,108	265
Cognitive behavioral intervention therapy	—	—	600	7	593
Specialty Funded Programs	83,950	—	881,100	887,918	77,132
Totals	\$ 389,022	\$ 799,665	\$ 2,846,707	\$ 3,481,515	\$ 553,879

* For 2008-2009 through 2012-2013, Section 15 of SBX3 4 (*California Education Code (EC) Section 42605*) authorizes complete flexibility in the use of funds formerly restricted for specified categorical programs for any educational purpose.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Adult Education Fund
Schedule of Revenues and Other Sources, Expenditures, and Other Uses
by Function, and Changes in Fund Balance
Year Ended June 30, 2009
(in thousands)

Revenues and Other Sources:	
Federal revenues	\$ 16,945
Other state revenues	173,455
Other local revenues	3,523
Transfers in	<u>7</u>
Total Revenues and Other Sources	<u>193,930</u>
Expenditures and Other Uses:	
Instruction	118,471
Support Services	
Supervision of instruction	19,183
School administration	20,686
Guidance & counseling services	7,392
Other pupil services	340
General administration cost transfers	7,853
Plant maintenance and operations	12,968
Facilities acquisition & construction	1,150
Facilities rents and leases	1,520
Interfund transfers	<u>13,797</u>
Total Expenditures and Other Uses	<u>203,360</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	(9,430)
Fund Balance, July 1, 2008	<u>50,160</u>
Fund Balance, June 30, 2009	<u><u>\$ 40,730</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, 2009
(in thousands)

Revenues and Other Sources:	
Federal revenues	\$ 14,912
Other state revenues	96,134
Other local revenues	<u>9,303</u>
Total Revenues and Other Sources	<u>120,349</u>
Expenditures and Other Uses:	
Instruction	89,926
Support Services	
Supervision of instruction	11,209
School administration	13,787
Guidance & counseling services	712
Health services	134
Community services	90
Other general administration	754
Plant maintenance and operations	8,988
Facilities acquisition & construction	171
Facilities rents and leases	<u>89</u>
Total Expenditures and Other Uses	<u>125,860</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	(5,511)
Fund Balance, July 1, 2008	<u>8,648</u>
Fund Balance, June 30, 2009	<u><u>\$ 3,137</u></u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
All Funds
Schedule of Fund Equity
Year Ended June 30, 2009
(in thousands)

	General Fund	Adult Education Fund	Cafeteria Fund	Child Development Fund	Deferred Maintenance Fund	Bond Interest & Redemption Fund
Reserved for:						
Revolving and imprest funds	\$ 2,788	\$ 61	\$ —	\$ 23	\$ —	\$ —
Inventories	8,665	101	6,046	49	—	—
Prepays	—	—	—	—	—	—
General reserve	1	—	—	—	—	—
Other restricted						
balances (detail on page 133)	553,879	—	—	—	—	—
Total Reserved Fund Equity	565,333	162	6,046	72	—	—
Unreserved:						
Designated for:						
Subsequent year expenditures	112,247	37,265	—	764	116,087	—
Economic uncertainties	72,382	—	—	—	—	—
Total Designated	184,629	37,265	—	764	116,087	—
Undesignated fund equity	—	3,303	—	2,301	—	489,381
Total Unreserved Fund Equity	184,629	40,568	—	3,065	116,087	489,381
Total Fund Equity	<u>\$ 749,962</u>	<u>\$ 40,730</u>	<u>\$ 6,046</u>	<u>\$ 3,137</u>	<u>\$ 116,087</u>	<u>\$ 489,381</u>

See accompanying independent auditor's report.

Tax Override Fund	Capital Services Fund	Building Account – Bond Proceeds	Building Account – Measure K	Building Account – Measure R	Building Account – Measure Y	Building Fund	State School Building Lease – Purchase Fund
\$ —	\$ —	\$ 3,000	\$ —	\$ 300	\$ 500	\$ —	\$ —
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	3,000	—	300	500	—	—
—	—	73,224	198,042	367,468	90,550	2,455	3
—	—	—	—	—	—	—	—
—	—	73,224	198,042	367,468	90,550	2,455	3
229	65,143	—	—	—	—	—	—
229	65,143	73,224	198,042	367,468	90,550	2,455	3
<u>\$ 229</u>	<u>\$ 65,143</u>	<u>\$ 76,224</u>	<u>\$ 198,042</u>	<u>\$ 367,768</u>	<u>\$ 91,050</u>	<u>\$ 2,455</u>	<u>\$ 3</u>

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
All Funds
Schedule of Fund Equity (Continued)
Year Ended June 30, 2009
(in thousands)

	Special Reserve Fund	Special Reserve Fund – FEMA – Earthquake	Special Reserve Fund – FEMA – Hazard Mitigation	Special Reserve Fund – Community Redevelopment Agency	Capital Facilities Account Fund	County School Facilities Fund
Reserved for:						
Revolving and imprest funds	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Inventories	—	—	—	—	—	—
Prepays	—	—	—	—	—	—
General reserve	—	—	—	—	—	—
Other restricted						
balances (detail on page 133)	—	—	—	—	—	—
Total Reserved Fund Equity	—	—	—	—	—	—
Unreserved:						
Designated for:						
Subsequent year expenditures	183,818	—	—	8,878	71,132	18,133
Economic uncertainties	—	—	—	—	—	—
Total Designated	183,818	—	—	8,878	71,132	18,133
Undesignated fund equity	—	248	2,043	—	—	—
Total Unreserved Fund Equity	183,818	248	2,043	8,878	71,132	18,133
Total Fund Equity	\$ 183,818	\$ 248	\$ 2,043	\$ 8,878	\$ 71,132	\$ 18,133

See accompanying independent auditor's report.

County School Facilities Fund – Prop 47	County School Facilities Fund – Prop 55	County School Facilities Fund – Prop 1D	Health and Welfare Benefits Fund	Workers’ Compensation Self – Insurance Fund	Liability Self – Insurance Fund
\$ —	\$ —	\$ —	\$ —	\$ 2,000	\$ 500
—	—	—	—	—	—
—	—	—	9,478	—	3,876
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	9,478	2,000	4,376
193,441	287,455	35,716	121	25,110	—
—	—	—	—	—	—
193,441	287,455	35,716	121	25,110	—
—	—	—	(243)	—	—
193,441	287,455	35,716	(122)	25,110	—
<u>\$ 193,441</u>	<u>\$ 287,455</u>	<u>\$ 35,716</u>	<u>\$ 9,356</u>	<u>\$ 27,110</u>	<u>\$ 4,376</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT
All Funds
Schedule of Revenues and Other Financing Sources
Year Ended June 30, 2009
(in thousands)

	SACS Object Code	General Fund	Special Revenue		
			Adult Education	Cafeteria	Child Development
Revenue limit sources:					
Principal Apportionment:					
State Aid – current year	8011	\$ 2,521,177	\$ —	\$ —	\$ —
Charter School Gen Purpose Entitlement – State Aid	8015	29,084	—	—	—
State Aid – prior years	8019	6,808	—	—	—
Revenue Limit Transfers:					
PERS Reduction Transfer	8092	24,378	—	—	—
Transfer to Charter In Lieu Property Taxes	8096	(63,948)	—	—	—
Principal Apportionment Net of Transfers		<u>2,517,499</u>	<u>—</u>	<u>—</u>	<u>—</u>
Tax Relief Subventions:					
Homeowners' Exemptions	8021	7,420	—	—	—
Other Subventions/In-lieu of Taxes	8029	9,395	—	—	—
County & District Taxes:					
Secured Roll Taxes	8041	778,514	—	—	—
Unsecured Roll Taxes	8042	33,800	—	—	—
Prior Years' Taxes	8043	69,900	—	—	—
Supplemental Taxes	8044	18,291	—	—	—
Education Revenue Augmentation Fund (ERAF)	8045	(2,660)	—	—	—
Community Redevelopment Funds	8047	9,307	—	—	—
Penalties/Int. – Delinquent Revenue Limit Taxes	8048	3,474	—	—	—
Miscellaneous Funds (EC 41604):					
Royalties and Bonuses	8081	—	—	—	—
Local Revenue Limit Sources		<u>927,441</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Revenue Limit Sources		<u>3,444,940</u>	<u>—</u>	<u>—</u>	<u>—</u>
Federal Revenues:					
Special Education Entitlement per UDC	8181	111,796	—	—	—
Discretionary Grants	8182	19,962	—	—	—
Child Nutrition Program	8220	—	—	235,006	—
Forest Reserve Funds	8260	23	—	—	—
Flood Control Funds	8270	1	—	—	—
FEMA	8281	722	—	—	—
NCLB/IASA	8290	511,452	—	—	—
Vocational Program Post Secondary & Adult	8290	8,690	2,816	—	—
Safe and Drug Free Schools	8290	6,530	—	—	—
JTPA – Excess Authority	8290	1,189	15	—	—
American Recovery Reinvestment Act (ARRA)	8290	358,579	—	—	—
Adult Ed ESL	8290	—	11,834	—	—
Federal Child Care, Center-based	8290	—	—	—	14,860
Donated Commodities	8290	—	—	13,163	—
Other Federal Revenues	8290	58,180	2,280	—	52
Total Federal Revenues		<u>\$ 1,077,124</u>	<u>\$ 16,945</u>	<u>\$ 248,169</u>	<u>\$ 14,912</u>

<u>Funds</u>		<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>County School Facilities Funds</u>	<u>District Bond Funds</u>	<u>Internal Service Funds</u>	<u>Non Expendable Trust Funds</u>	<u>Total</u>
<u>Deferred Maintenance</u>	<u>Total</u>							
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,521,177
—	—	—	—	—	—	—	—	29,084
—	—	—	—	—	—	—	—	6,808
—	—	—	—	—	—	—	—	24,378
—	—	—	—	—	—	—	—	(63,948)
—	—	—	—	—	—	—	—	2,517,499
—	—	—	—	—	—	—	—	7,420
—	—	—	—	—	—	—	—	9,395
—	—	—	—	—	—	—	—	778,514
—	—	—	—	—	—	—	—	33,800
—	—	—	—	—	—	—	—	69,900
—	—	—	—	—	—	—	—	18,291
—	—	—	—	—	—	—	—	(2,660)
—	—	—	—	—	—	—	—	9,307
—	—	—	—	—	—	—	—	3,474
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	927,441
—	—	—	—	—	—	—	—	3,444,940
—	—	—	—	—	—	—	—	111,796
—	—	—	—	—	—	—	—	19,962
—	235,006	—	—	—	—	—	—	235,006
—	—	—	—	—	—	—	—	23
—	—	—	—	—	—	—	—	1
—	—	—	19	—	—	—	—	741
—	—	—	—	—	—	—	—	511,452
—	2,816	—	—	—	—	—	—	11,506
—	—	—	—	—	—	—	—	6,530
—	15	—	—	—	—	—	—	1,204
—	—	—	—	—	—	—	—	358,579
—	11,834	—	—	—	—	—	—	11,834
—	14,860	—	—	—	—	—	—	14,860
—	13,163	—	—	—	—	—	—	13,163
—	2,332	—	—	—	—	—	—	60,512
\$ —	\$ 280,026	\$ —	\$ 19	\$ —	\$ —	\$ —	\$ —	\$ 1,357,169

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
All Funds
Schedule of Revenues and Other Financing Sources (Continued)
Year Ended June 30, 2009
(in thousands)

	SACS Object Code	General Fund	Adult Education	Cafeteria	Special Revenue Child Development
Other State Revenues:					
Other State Apportionments:					
Supplemental Instruction Programs					
Current year	8311	\$ 59,201	\$ —	\$ —	\$ —
Prior years	8319	(2,077)	—	—	—
Community Day Schools					
Current year	8311	3,234	—	—	—
Prior years	8319	(54)	—	—	—
ROC/P Entitlement:					
Current year	8311	56,824	—	—	—
Prior years	8319	5,056	—	—	—
Spec. Ed. Master Plan:					
Current year	8311	332,431	—	—	—
Prior years	8319	256	—	—	—
Adult Education Apportionment					
Current year	8311	—	164,973	—	—
Prior years	8319	—	1,823	—	—
Gifted and Talented Pupils:	8311	4,774	—	—	—
Home-to-School Transportation	8311	45,092	—	—	—
School Improvement Program	8311	3,576	—	—	—
Economic Impact Aid	8311	158,394	—	—	—
Special Ed Transportation	8311	50,077	—	—	—
All Other State Apportionments - Prior Year	8319	(1)	—	—	—
Year Round School Incentive	8425	60,073	—	—	—
Class Size Reduction Grades K-3	8434	195,389	—	—	—
Class Size Reduction Grades 9-12	8435	5,108	—	—	—
Charter School Categorical Block Grant	8480	3,631	—	—	—
Child Nutrition Program	8520	91	—	18,941	—
Children Centers Apportionment	8530	—	—	—	87,326
Deferred Maintenance Allowance	8540	—	—	—	—
School Facilities Apportionment	8545	—	—	—	—
State Lottery Revenue	8560	86,814	—	—	—
Tax Relief Subventions – Restricted Levies:					
Homeowners' Exemptions	8571	—	—	—	—
Other subv./In lieu of Taxes	8572	—	—	—	—
Art and Music Block Grant	8590	5,653	—	—	—
Supplemental School Counseling Gr 7-12	8590	—	—	—	—
Instructional Material Block Grant (IMA)	8590	37,743	—	—	—
Staff Development	8590	1,605	—	—	—
Educational Technology Assistance Grants	8590	206	—	—	—
Drug/Alcohol/Tobacco Funds	8590	1,664	—	—	—
Healthy Start	8590	148	—	—	—
Pupil Retention Block Grant	8590	4,524	—	—	—
School Community Violence Prevention Grant	8590	512	—	—	—
Teacher Credentialing Block Grant	8590	6,889	—	—	—
Professional Development Block Grant	8590	24,574	—	—	—
Targeted Instructional Improvement Block Grant	8590	486,091	—	—	—
School & Library Improvement Block Grant	8590	46,126	—	—	—
Quality Education Investment Act	8590	144,872	—	—	—
State Preschool	8590	—	—	—	7,055
Community-Based English Tutoring	8590	—	6,653	—	—
All Other State Revenues	8590	135,754	6	—	1,753
Total Other State Revenues		\$ 1,964,250	\$ 173,455	\$ 18,941	\$ 96,134

<u>Funds</u>		<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>County School Facilities Funds</u>	<u>District Bond Funds</u>	<u>Internal Service Funds</u>	<u>Non Expendable Trust Funds</u>	<u>Total</u>
<u>Deferred Maintenance</u>	<u>Total</u>							
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 59,201
—	—	—	—	—	—	—	—	(2,077)
—	—	—	—	—	—	—	—	3,234
—	—	—	—	—	—	—	—	(54)
—	—	—	—	—	—	—	—	56,824
—	—	—	—	—	—	—	—	5,056
—	—	—	—	—	—	—	—	332,431
—	—	—	—	—	—	—	—	256
—	164,973	—	—	—	—	—	—	164,973
—	1,823	—	—	—	—	—	—	1,823
—	—	—	—	—	—	—	—	4,774
—	—	—	—	—	—	—	—	45,092
—	—	—	—	—	—	—	—	3,576
—	—	—	—	—	—	—	—	158,394
—	—	—	—	—	—	—	—	50,077
—	—	—	—	—	—	—	—	(1)
—	—	—	—	—	—	—	—	60,073
—	—	—	—	—	—	—	—	195,389
—	—	—	—	—	—	—	—	5,108
—	—	—	—	—	—	—	—	3,631
—	18,941	—	—	—	—	—	—	19,032
—	87,326	—	—	—	—	—	—	87,326
24,504	24,504	—	—	—	—	—	—	24,504
—	—	—	(3,814)	914,161	—	—	—	910,347
—	—	—	—	—	—	—	—	86,814
—	—	3,995	—	—	—	—	—	3,995
—	—	166	—	—	—	—	—	166
—	—	—	—	—	—	—	—	5,653
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	37,743
—	—	—	—	—	—	—	—	1,605
—	—	—	—	—	—	—	—	206
—	—	—	—	—	—	—	—	1,664
—	—	—	—	—	—	—	—	148
—	—	—	—	—	—	—	—	4,524
—	—	—	—	—	—	—	—	512
—	—	—	—	—	—	—	—	6,889
—	—	—	—	—	—	—	—	24,574
—	—	—	—	—	—	—	—	486,091
—	—	—	—	—	—	—	—	46,126
—	—	—	—	—	—	—	—	144,872
—	7,055	—	—	—	—	—	—	7,055
—	6,653	—	—	—	—	—	—	6,653
—	1,759	—	31,409	—	—	—	—	168,922
\$ 24,504	\$ 313,034	\$ 4,161	\$ 27,595	\$ 914,161	\$ —	\$ —	\$ —	\$ 3,223,201

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
All Funds
Schedule of Revenues and Other Financing Sources (Continued)
Year Ended June 30, 2009
(in thousands)

	SACS Object Code	General Fund	Adult Education	Cafeteria	Special Revenue Child Development
Other Local Revenues:					
County and District Taxes:					
Other Restricted & Voted Indebtedness Levies:					
Secured Roll	8611	\$ —	\$ —	\$ —	\$ —
Unsecured Roll	8612	—	—	—	—
Prior Years' Taxes	8613	—	—	—	—
Supplemental Taxes	8614	—	—	—	—
Community Redevelopment Funds not Subject to Revenue Limit Deduction	8625	—	—	—	—
Penalty & Interest on Delinquent Non Revenue Taxes	8629	—	—	—	—
Sales:					
Sale of Equipment/Supplies	8631	309	—	—	—
Food Service Sales	8634	—	—	15,043	—
Leases and Rentals	8650	5,856	—	—	—
Interest on Deposit	8660	41,240	1,328	194	—
Net Increase (Decrease) on the Fair Value of Investments	8662	—	—	—	—
Fees and Contracts:					
Adult Education Fees	8671	—	768	—	—
Nonresident Students	8672	63	—	—	—
Child Development Parent Fees	8673	—	—	—	2,557
In-District Premiums/Contributions	8674	—	—	—	—
Interagency Services Bet Lease	8677	—	—	—	—
Mitigation/Developer Fees	8681	—	—	—	—
All Other Fees and Contracts	8689	9,943	—	—	—
All Other Local Revenues	8699	105,648	1,427	33	6,746
Other Local Tuition	8710	370	—	—	—
Total Other Local Revenues		<u>163,429</u>	<u>3,523</u>	<u>15,270</u>	<u>9,303</u>
Subtotal – Revenues		<u>6,649,743</u>	<u>193,923</u>	<u>282,380</u>	<u>120,349</u>
Other Financing Sources:					
Interfund Transfers In:					
From Special Reserve Fund	8912	38,417	—	—	—
From General, Special Reserve, & Building Funds	8915	—	—	—	—
From General – In Cafeteria Fund	8916	—	—	16,587	—
Other Authorized Interfund Transfers In	8919	40,600	7	—	—
Subtotal, Interfund Transfers In		<u>79,017</u>	<u>7</u>	<u>16,587</u>	<u>—</u>
Other Sources:					
Issuance of bonds	8951	—	—	—	—
Premium on Bonds Issued	8979	—	—	—	—
Proceeds from Sale/Lease Purchase of Land & Bldgs.	8953	—	—	—	—
Proceeds from Certificate of Participation	8971	—	—	—	—
Proceeds from Capital Leases	8972	1,196	—	—	—
Categorical Flexibility Transfer	8998	24,504	—	—	—
All Other Financing Sources	8979	1,439	—	—	—
Subtotal, Other Sources		<u>27,139</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Other Financing Sources		<u>106,156</u>	<u>7</u>	<u>16,587</u>	<u>—</u>
Total Revenues and Other Financing Sources		<u>\$ 6,755,899</u>	<u>\$ 193,930</u>	<u>\$ 298,967</u>	<u>\$ 120,349</u>

See accompanying independent auditor's report.

Funds		Debt Service Funds	Capital Projects Funds	County School Facilities Funds	District Bond Funds	Internal Service Funds	Non Expendable Trust Funds	Total
Deferred Maintenance	Total							
\$ —	\$ —	\$ 502,524	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 502,524
—	—	26,222	—	—	—	—	—	26,222
—	—	44,392	—	—	—	—	—	44,392
—	—	15,387	—	—	—	—	—	15,387
—	—	—	1,296	—	—	—	—	1,296
—	—	6,295	—	—	—	—	—	6,295
—	—	—	—	—	—	—	—	309
—	15,043	—	—	—	—	—	—	15,043
—	—	—	650	—	—	—	—	6,506
3,438	4,960	8,389	8,223	11,411	20,795	22,414	414	117,846
—	—	—	—	—	—	—	—	—
—	768	—	—	—	—	—	—	768
—	—	—	—	—	—	—	—	63
—	2,557	—	—	—	—	—	—	2,557
—	—	—	—	—	—	887,246	—	887,246
—	—	—	—	—	—	—	—	—
—	—	—	24,259	—	—	—	—	24,259
—	—	—	—	—	—	—	—	9,943
—	8,206	13,205	26,125	—	527	5,129	—	158,840
—	—	—	—	—	—	—	—	370
3,438	31,534	616,414	60,553	11,411	21,322	914,789	414	1,819,866
27,942	624,594	620,575	88,167	925,572	21,322	914,789	414	9,845,176
—	—	—	3	—	—	—	—	38,420
30,000	30,000	—	—	—	—	—	—	30,000
—	16,587	—	—	—	—	—	—	16,587
—	7	208,315	17,101	33,065	191,744	12,982	—	503,814
30,000	46,594	208,315	17,104	33,065	191,744	12,982	—	588,821
—	—	—	—	—	945,774	—	—	945,774
—	—	—	—	—	—	—	—	—
—	—	—	9,610	—	—	—	—	9,610
—	—	—	120,950	—	—	—	—	120,950
—	—	—	—	—	—	—	—	1,196
(24,504)	(24,504)	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	1,439
(24,504)	(24,504)	—	130,560	—	945,774	—	—	1,078,969
5,496	22,090	208,315	147,664	33,065	1,137,518	12,982	—	1,667,790
\$ 33,438	\$ 646,684	\$ 828,890	\$ 235,831	\$ 958,637	\$ 1,158,840	\$ 927,771	\$ 414	\$ 11,512,966

LOS ANGELES UNIFIED SCHOOL DISTRICT

Charter Schools

Year Ended June 30, 2009

		CDS Code	Approval/ Renewal* Date	Fiscally Dependent	Fiscally Independent	Included in the District Audit
1	Canyon Elementary	19 64733 6016323	06/27/00 *	x		Yes
2	Colfax Charter Elementary	19 64733 6016582	07/08/08	x		Yes
3	Community Magnet Charter Elementary School	19 64733 6094726	08/28/07	x		Yes
4	Dr. T. Alexander Jr. Science Center School	19 64733 0102491	10/28/03	x		Yes
5	Kenter Canyon Elementary	19 64733 6017701	03/27/01 *	x		Yes
6	Marquez Elementary	19 64733 6018063	01/09/01 *	x		Yes
7	Open Magnet Charter School	19 64733 6097927	06/24/08 *	x		Yes
8	Palisades Elementary	19 64733 6018634	06/27/00 *	x		Yes
9	Revere Middle School	19 64733 6058267	06/27/00 *	x		Yes
10	Topanga Elementary	19 64733 6019525	06/27/00 *	x		Yes
11	Westwood Elementary	19 64733 6019939	07/08/08 *	x		Yes
12	Academia Avance	19 64733 0109926	05/24/05		x	No
13	Academia Semillas del Pueblo	19 64733 6119929	12/11/01		x	No
14	Accelerated Charter	19 64733 6112536	07/13/04 *		x	No
15	Accelerated Elementary	19 64733 0100743	03/25/03		x	No
16	Alain Leroy Locke Charter High School	19 64733 1935154	09/11/07		x	No
17	Anahuacelmecac University Prep. High School	19 64733 0118158	06/24/08		x	No
18	Animo Film & Theater Arts	19 64733 0111609	03/07/06		x	No
19	Animo Jackie Robinson	19 64733 0111583	03/07/06		x	No
20	Animo Justice Charter High School	19 64733 0111591	03/07/06		x	No
21	Animo Locke #1	19 64733 0118588	09/08/08		x	No
22	Animo Locke #2	19 64733 0118596	09/08/08		x	No
23	Animo Locke #3	19 64733 0118570	09/08/08		x	No
24	Animo Locke Technology High School (Animo Watts #1)	19 64733 0111617	03/07/06		x	No
25	Animo Pat Brown	19 64733 0106849	04/13/04		x	No
26	Animo Ralph Bunche Charter High School	19 64733 0111575	03/07/06		x	No
27	Animo South Los Angeles Senior High	19 64733 0102434	10/28/03		x	No
28	Animo Venice Charter High School	19 64733 0106831	04/13/04		x	No
29	Animo Watts #2 (Fluornoy Elementary School)	19 64733 0111625	03/07/06		x	No
30	Aspire Los Angeles Elementary (Antonio Maria Lugo Academy)	19 64733 0109660	06/17/03		x	No
31	Aspire Huntington Park Charter	19 64733 0117960	07/08/08		x	No
32	Bert Corona Charter School	19 64733 0106872	05/11/04		x	No
33	Bright Star Secondary Academy	19 64733 0112508	06/13/06		x	No
34	California Academy for Liberal Studies Early College High School	19 64733 0109553	01/25/05		x	No
35	California Academy for Liberal Studies Middle School	19 64733 6118194	06/27/00		x	No
36	Camino Nuevo Charter Academy	19 64733 6117667	06/05/01		x	No
37	Camino Nuevo Charter High School	19 64733 0106435	03/23/04		x	No
38	Celerity Dyad Charter School	19 64733 0115766	08/28/07		x	No
39	Celerity Nascent Charter School	19 64733 0108910	04/12/05		x	No
40	Celerity Troika Charter School	19 64733 0115782	08/28/07		x	No
41	Centennial College Prep. Academy	19 64733 0112128	06/17/03		x	No
42	Center For Advanced Learning	19 64733 0115139	06/12/07		x	No
43	Central City Value High School	19 64733 0100800	06/10/08 *		x	No
44	Charter High School of Arts Multimedia/ Performing Arts High School (CHAMPS)	19 64733 0108878	02/22/05		x	No
45	Chime Charter Middle School	19 64733 0101634	07/08/08 *		x	No
46	Chime Charter School	19 64733 6119531	07/24/01		x	No
47	College Ready Academy High School #4	19 64733 0111500	03/07/06		x	No
48	College Ready Academy High School #5	19 64733 0111492	03/07/06		x	No

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Charter Schools (Continued)
Year Ended June 30, 2009

		CDS Code	Approval/ Renewal* Date	Fiscally Dependent	Fiscally Independent	Included in the District Audit
49	College Ready Academy High School #6 (William & Carol Ouchi High School)	19 64733 0111641	03/07/06		x	No
50	College Ready Academy High School #7	19 64733 0114942	05/22/07		x	No
51	College Ready Middle Academy #3	19 64733 0116533	09/25/07		x	No
52	Community Charter Early College High School	19 64733 0109876	04/26/05		x	No
53	Community Charter Middle School	19 64733 6116750	07/13/04 *		x	No
54	Community Harvest Charter	19 64733 1996636	05/14/02		x	No
55	Cornerstone Prep Charter School	19 64733 0100297	07/08/08 *		x	No
56	Crenshaw Arts-Technology High School	19 64733 0101659	05/27/08 *		x	No
57	Crescendo Charter Academy	19 64733 0112219	05/09/06		x	No
58	Crescendo Charter Elementary School	19 64733 0109959	05/27/08 *		x	No
59	Crescendo Charter Prep. Central	19 64733 0115774	08/28/07		x	No
60	Crescendo Charter Prep. South	19 64733 0115790	08/28/07		x	No
61	Crescendo Charter Prep. West	19 64733 0015758	08/28/07		x	No
62	Crescendo Conservatory	19 64733 0112342	05/09/06		x	No
63	Culture & Language Academy of Success	19 64733 0100768	07/31/08 *		x	No
64	Design High School	19 64733 0115121	06/12/07		x	No
65	Discovery Charter Prep. #2	19 64733 1995253	06/26/07		x	No
66	Dosan Leadership Academy	19 64733 0117838	05/27/08		x	No
67	Downtown Value School	19 64733 6119903	12/11/01		x	No
68	Excel Academy	19 64733 0112201	03/21/06		x	No
69	Fenton Avenue School	19 64733 6017016	03/25/08 *		x	No
70	Fenton Primary Center	19 64733 0115048	03/13/07 *		x	No
71	Frederick Douglass Academy Elementary School	19 64733 0117952	07/08/08		x	No
72	Frederick Douglass Academy High School	19 64733 0112557	06/27/06		x	No
73	Frederick Douglass Academy Middle School	19 64733 0112433	05/09/06		x	No
74	Full Circle Learning Center	19 64733 0115311	06/26/07		x	No
75	Gabriella Charter School	19 64733 0108886	05/27/08 *		x	No
76	Garr Academy of Mathematics and Entrepreneurial Studies (GAMES)	19 64733 0112334	06/13/06		x	No
77	Gertz-Ressler Academy High School	19 64733 0106864	04/27/04		x	No
78	Giraffe Charter Elementary School	19 64733 0109967	06/14/05		x	No
79	Global Education Academy	19 64733 0114967	05/22/07		x	No
80	Granada Hills Charter High School	19 64733 1933746	04/27/04 *		x	No
81	Heritage College Ready Charter High School	19 64733 0108894	04/12/05		x	No
82	High Tech Los Angeles	19 64733 0100677	04/08/08 *		x	No
83	Huntington Park College-Ready Academy Charter School	19 64733 0108936	01/11/05		x	No
84	ICEF Vista Elementary Academy	19 64733 0117937	07/08/08		x	No
85	ICEF Vista Middle Academy	19 64733 0115287	07/10/07		x	No
86	Ivy Academia	19 64733 0106351	06/10/08 *		x	No
87	Ivy Bound Math Science & Technology	19 64733 0115113	06/12/07		x	No
88	Jack H. Skirball Middle School	19 64733 0111518	03/07/06		x	No
89	James Jordan Charter Middle School	19 64733 0109884	05/10/05		x	No
90	Jardin de la Infancia	19 64733 0106880	05/25/04		x	No
91	KIPP Academy of Opportunity	19 64733 0101444	06/24/08 *		x	No
92	KIPP LA College Prep	19 64733 0100867	06/24/08 *		x	No
93	KIPP Raices	19 64733 0117903	05/27/08 *		x	No
94	LA Academy of Art & Enterprise	19 64733 0110304	08/24/04		x	No
95	LA International Charter	19 64733 0109942	06/14/05		x	No
96	LA Leadership Academy	19 64733 1996610	03/12/02		x	No
97	Lakeview Charter Academy	19 64733 0102442	10/28/03		x	No
98	Larchmont Charter School	19 64733 0108928	02/08/05		x	No

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Charter Schools (Continued)
Year Ended June 30, 2009

		CDS Code	Approval/ Renewal* Date	Fiscally Dependent	Fiscally Independent	Included in the District Audit
99	Larchmont CS, West Hollywood	19 64733 0117929	07/08/08		x	No
100	Los Feliz Charter Schools for the Arts	19 64733 0112235	06/13/06		x	No
101	Lou Dantzler Prep. Charter Elementary School	19 64733 0117945	07/08/08		x	No
102	Lou Dantzler Prep. Charter High School	19 64733 0112540	06/27/06		x	No
103	Lou Dantzler Prep. Charter Middle School	19 64733 0112227	05/09/06		x	No
104	Magnolia Science Academy	19 64733 6119945	11/13/01		x	No
105	Magnolia Science Academy 2	19 64733 0115212	05/08/07		x	No
106	Magnolia Science Academy 3	19 64733 0115030	05/08/07		x	No
107	Magnolia Science Academy 4	19 64733 0117622	02/26/08		x	No
108	Magnolia Science Academy 5	19 64733 0117630	02/26/08		x	No
109	Marc & Eva Stern Math & Science	19 64733 0111658	03/07/06		x	No
110	Milagro Charter Elementary	19 64733 0102426	10/23/03		x	No
111	Monsenor Oscar Romero	19 64733 0114959	05/22/07		x	No
112	Montague Street School	19 64733 6018204	06/11/02	*	x	No
113	Multicultural Learning Center	19 64733 6119044	04/17/01		x	No
114	N.E.W. Academy of Science & Arts	19 64733 0100289	07/08/08	*	x	No
115	N.E.W. Canoga Park Elementary School	19 64733 0102483	07/08/08	*	x	No
116	New Designs	19 64733 0102541	10/28/03		x	No
117	New Heights	19 64733 0111211	02/21/06		x	No
118	New Los Angeles Charter School	19 64733 0117614	04/22/08		x	No
119	New Millennium Secondary	19 64733 0117911	06/10/08		x	No
120	New Village Charter School	19 64733 0111484	03/28/06		x	No
121	North Valley Charter Academy	19 64733 0100776	06/24/08		x	No
122	Ocean School Charter	19 64733 0102335	06/24/08	*	x	No
123	Opportunities Unlimited	19 64733 0109918	05/24/05		x	No
124	Oscar De La Hoya Animo Senior High	19 64733 0101675	05/13/08	*	x	No
125	Our Community School	19 64733 0109934	05/24/05		x	No
126	Pacifica Community Charter #2	19 64733 6115246	06/26/07		x	No
127	Pacoima Elementary	19 64733 6018642	03/25/08	*	x	No
128	Palisades Senior High	19 64733 1995836	06/27/00	*	x	No
129	Para Los Ninos Charter	19 64733 6120489	05/14/02		x	No
130	Para Los Ninos Middle School	19 64733 0117846	05/13/08		x	No
131	Port of Los Angeles Senior High	19 64733 0107755	07/08/08	*	x	No
132	Puente Charter	19 64733 6120471	05/14/02		x	No
133	Renaissance Arts Academy	19 64733 0101683	05/27/08	*	x	No
134	Richard Merkin Middle Academy	19 64733 0108902	03/08/05		x	No
135	Santa Monica Community Charter School	19 64733 6019079	12/11/01		x	No
136	Stella Middle Charter Academy	19 64733 0100669	06/24/08	*	x	No
137	Synergy Charter Academy	19 64733 0106427	03/23/04		x	No
138	Synergy Kinetic Academy	19 64733 0117895	05/27/08		x	No
139	Thurgood Marshall Charter Middle School	19 64733 0125261	07/10/07		x	No
140	Thurgood Marshall Charter High School	19 64733 0115279	07/10/07		x	No
141	Triump Academy	19 64733 0112193	03/21/06		x	No
142	Vaughn Next Century Learning Center	19 64733 6019715	03/25/08	*	x	No
143	View Park Prep Accelerated Charter High School	19 64733 0101196	07/08/08	*	x	No
144	View Park Prep Accelerated Charter School	19 64733 6117048	07/13/04	*	x	No
145	View Park Prep Accelerated Middle School Charter	19 64733 6121081	08/13/02		x	No
146	Wallis Annenberg High School	19 64733 0100750	07/08/08	*	x	No
147	Watts Learning Center Charter School	19 64733 6114912	01/14/03	*	x	No
148	Wisdom Academy for Young	19 64733 0112730	07/11/06		x	No

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Supplementary Information

Year Ended June 30, 2009

(1) Excess Sick Leave

Audit Guide Section 19833.5(a)(3) disclosure

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



STATISTICAL SECTION

LOS ANGELES UNIFIED SCHOOL DISTRICT

Statistical Information

The Statistical Section of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the District's overall financial health.

Contents

Financial trends

These schedules contain information to help the reader understand how the District's financial performance and well-being have changed over time.

Revenue capacity

These schedules contain information to help the reader assess the District's most significant local revenue sources.

Debt capacity

These schedules contain information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

Demographic and economic information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

Operating information

These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and activities it performs.

Source: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The District implemented GASB Statement No. 34 in 2002; schedules presenting government-wide information include information beginning in that year.



LOS ANGELES UNIFIED SCHOOL DISTRICT

Net Assets by Components

Last Eight Fiscal Years

(in thousands)

(Unaudited)

	<u>2001-2002</u>	<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>
Governmental Activities:					
Invested in capital assets, net of related debt	\$ 1,815,366	\$ 2,601,459	\$ 2,682,203	\$ 2,704,302	\$ 2,866,293
Restricted	1,804,397	895,935	1,034,896	701,779	1,089,165
Unrestricted	<u>317,112</u>	<u>303,991</u>	<u>73,611</u>	<u>310,003</u>	<u>222,743</u>
Total Governmental Activities					
Net Assets	<u>\$ 3,936,875</u>	<u>\$ 3,801,385</u>	<u>\$ 3,790,710</u>	<u>\$ 3,716,084</u>	<u>\$ 4,178,201</u>

Trend data is available only with the implementation of GASB 34 in Fiscal Year 2001-2002.

See accompanying independent auditor's report.

<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>
\$ 3,267,458	\$ 3,694,054	\$ 4,584,300
1,540,422	1,893,302	1,811,830
<u>396,529</u>	<u>(605,517)</u>	<u>(1,492,505)</u>
<u>\$ 5,204,409</u>	<u>\$ 4,981,839</u>	<u>\$ 4,903,625</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Changes in Net Assets

Last Eight Fiscal Years

(in thousands)

(Unaudited)

	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Expenses:					
Governmental Activities:					
Instruction	\$ 3,576,824	\$ 3,673,900	\$ 3,762,124	\$ 3,996,454	\$ 4,032,673
Support services – students	283,613	303,961	292,578	311,449	298,911
Support services – instructional staff	561,321	725,684	725,187	647,207	650,551
Support services – general administration	54,854	50,147	48,074	46,195	46,913
Support services – school administration	407,163	408,278	418,022	444,656	466,862
Support services – business	308,375	178,623	156,713	138,800	106,523
Operation and maintenance of plant services	596,729	598,680	631,941	588,588	599,899
Student transportation services	160,391	165,658	177,416	161,845	161,395
Data processing services	214,216	229,931	251,850	230,434	115,311
Operation of noninstructional services	281,764	270,570	254,493	273,236	282,992
Facilities acquisition and construction services	106,590	191,848	243,099	160,224	135,827
Other uses	6,505	460	661	778	799
Interest expense	115,280	92,250	233,585	256,372	285,051
Interagency disbursements	—	—	32,996	28,927	33,678
Depreciation – unallocated	70,078	53,054	101,156	105,026	130,561
Unfunded OPEB Expense - unallocated	—	—	—	—	—
Total Governmental Activities	6,743,703	6,943,044	7,329,895	7,390,191	7,347,946
Program Revenues:					
Charges for services					
Instruction	2,318	2,413	2,603	2,611	2,968
Support services – instructional staff	249	386	350	449	290
Support services – school administration	65	61	—	—	—
Support services – business	408	651	323	2,754	5,769
Operation and maintenance of plant services	2,961	4,306	12,051	4,336	4,154
Operation of noninstructional services	36,144	32,921	25,106	21,251	21,024
Facilities acquisition and construction services	37,175	43,217	69,723	77,480	85,122
Total Charges for Services	79,320	83,955	110,156	108,881	119,327
Operating grants and contributions					
Instruction	1,172,207	1,131,218	1,128,068	1,393,191	1,473,164
Support services – students	125,070	160,893	149,282	160,625	178,438
Support services – instructional staff	342,755	561,732	578,661	507,369	526,379
Support services – general administration	2,783	1,526	26	32	23
Support services – school administration	93,865	95,732	105,859	102,449	143,761
Support services – business	90,761	105,572	114,992	115,938	99,041
Operation and maintenance of plant services	93,567	71,839	77,355	117,736	131,411
Student transportation services	136,590	150,701	163,879	158,174	170,604
Data processing services	873	2,607	2,832	5,973	7,404
Operation of noninstructional services	190,044	199,193	205,688	227,186	236,391
Facilities acquisition and construction services	519	11,714	30,753	6,619	5,220
Other uses	15,414	240	249	273	—
Interest expense	—	—	—	—	—
Total Operating Grants and Contributions	2,264,448	2,492,967	2,557,644	2,795,565	2,971,836
Capital grants and contributions					
Support services – instructional staff	126	268	—	—	—
Operation and maintenance of plant services	47,930	64,494	26,636	5,454	7,719
Facilities acquisition and construction services	58,302	187,777	593,818	88,246	366,473
Total Capital Grants and Contributions	106,358	252,539	620,454	93,700	374,192
Total Program Revenues	2,450,126	2,829,461	3,288,254	2,998,146	3,465,355
Net Expenses	(4,293,577)	(4,113,583)	(4,041,641)	(4,392,045)	(3,882,591)
General Revenues:					
Taxes:					
Property taxes, levied for general purposes	1,038,777	1,098,628	1,199,891	850,516	644,637
Property taxes, levied for debt service	138,144	112,310	236,121	308,537	331,097
Property taxes, levied for community redevelopment	—	—	3,756	3,394	1,713
State aid – formula grants	2,189,402	2,196,960	2,094,751	2,582,322	2,781,133
Grants, entitlements and contributions not restricted to specific programs	502,878	514,667	415,325	489,060	441,396
Unrestricted investment earnings	74,023	28,378	60,898	70,589	138,346
Miscellaneous	8,336	96,542	8,519	13,001	6,386
Special item – gain on sales of capital assets	—	—	11,705	—	—
Total General Revenues	3,951,560	4,047,485	4,030,966	4,317,419	4,344,708
Change in Net Assets	\$ (342,017)	\$ (66,098)	\$ (10,675)	\$ (74,626)	\$ 462,117

Trend data is available only with the implementation of GASB 34 in FY 2001-2002.

See accompanying independent auditor's report.

	2006-2007	2007-2008	2008-2009
\$	4,142,927	\$ 4,416,790	\$ 4,291,864
	310,786	366,514	359,087
	589,566	731,016	623,621
	56,323	51,873	60,395
	477,168	502,506	518,838
	123,791	136,540	134,008
	638,201	727,090	758,813
	168,121	173,167	168,837
	114,630	108,451	98,013
	288,736	324,348	370,016
	92,799	89,029	119,137
	418	882	240
	278,053	350,420	379,295
	39,371	—	—
	180,328	217,052	302,298
	—	832,665	821,261
	<u>7,501,218</u>	<u>9,028,343</u>	<u>9,005,723</u>
	3,357	5,482	6,497
	184	251	183
	—	—	—
	10,592	8,337	8,694
	4,496	5,206	6,999
	18,886	16,979	15,777
	<u>95,222</u>	<u>65,426</u>	<u>24,259</u>
	<u>132,737</u>	<u>101,681</u>	<u>62,409</u>
	1,707,841	1,662,599	1,538,356
	205,621	223,250	243,391
	472,633	532,258	641,554
	1	87	133
	145,581	139,550	131,204
	85,947	72,513	121,542
	150,877	151,932	162,386
	163,325	170,100	156,509
	10,135	7,326	10,986
	236,113	249,817	269,543
	893	14,609	1,287
	—	—	—
	—	559	1,591
	<u>3,178,967</u>	<u>3,224,600</u>	<u>3,278,482</u>
	—	—	—
	137,763	11,216	48,382
	<u>298,645</u>	<u>653,191</u>	<u>876,570</u>
	<u>436,408</u>	<u>664,407</u>	<u>924,952</u>
	<u>3,748,112</u>	<u>3,990,688</u>	<u>4,265,843</u>
	<u>(3,753,106)</u>	<u>(5,037,655)</u>	<u>(4,739,880)</u>
	811,282	806,413	927,441
	444,951	539,735	598,980
	4,479	5,775	1,295
	2,901,720	2,817,720	2,517,499
	531,067	505,638	453,643
	149,311	156,817	74,859
	12,456	85,547	87,949
	—	—	—
	<u>4,855,266</u>	<u>4,917,645</u>	<u>4,661,666</u>
\$	<u>1,102,160</u>	<u>(120,010)</u>	<u>(78,214)</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT
Governmental Activities Tax Revenues by Source
Last Eight Fiscal Years
(in thousands)
(Unaudited)

	<u>2001-2002</u>	<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>
Property Taxes, Levied for:					
General purposes	\$ 1,038,777	\$ 1,098,628	\$ 1,199,891	\$ 850,516	\$ 644,637
Debt service	138,144	112,310	236,121	308,537	331,097
Community redevelopment	<u>—</u>	<u>—</u>	<u>3,756</u>	<u>3,394</u>	<u>1,713</u>
Total	<u>\$ 1,176,921</u>	<u>\$ 1,210,938</u>	<u>\$ 1,439,768</u>	<u>\$ 1,162,447</u>	<u>\$ 977,447</u>

Trend data is available only with the implementation of GASB 34 in FY 2001-2002.

See accompanying independent auditor's report.

<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>
\$ 811,282	\$ 806,413	\$ 927,441
444,951	539,735	598,980
<u>4,479</u>	<u>5,775</u>	<u>1,295</u>
<u>\$ 1,260,712</u>	<u>\$ 1,351,923</u>	<u>\$ 1,527,716</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(in thousands)
(Unaudited)

	<u>1999-2000</u>	<u>2000-2001</u>	<u>2001-2002</u>	<u>2002-2003</u>
General Fund:				
Reserved	\$ 210,896	\$ 363,905	\$ 202,674	\$ 236,766
Unreserved	<u>395,614</u>	<u>368,420</u>	<u>379,690</u>	<u>342,273</u>
Total General Fund	<u>\$ 606,510</u>	<u>\$ 732,325</u>	<u>\$ 582,364</u>	<u>\$ 579,039</u>
District Bonds:				
Reserved	\$ 22,571	\$ 25,763	\$ 20,404	\$ 17,545
Unreserved	<u>244,336</u>	<u>537,506</u>	<u>667,432</u>	<u>2,917,720</u>
Total District Bonds	<u>\$ 266,907</u>	<u>\$ 563,269</u>	<u>\$ 687,836</u>	<u>\$ 2,935,265</u>
County School Facilities Bonds:				
Reserved	\$ —	\$ —	\$ —	\$ —
Unreserved	<u>17,209</u>	<u>50,252</u>	<u>46,756</u>	<u>57,117</u>
Total County School Facilities Bonds	<u>\$ 17,209</u>	<u>\$ 50,252</u>	<u>\$ 46,756</u>	<u>\$ 57,117</u>
Debt Service				
Reserved	\$ 81,746	\$ 117,859	\$ 158,029	\$ 209,652
Unreserved	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Debt Service	<u>\$ 81,746</u>	<u>\$ 117,859</u>	<u>\$ 158,029</u>	<u>\$ 209,652</u>
All Other Governmental Funds:				
Reserved	\$ 15,572	\$ 17,739	\$ 19,318	\$ 18,246
Unreserved, reported in:				
Special revenue funds	141,783	113,294	129,544	98,068
Capital projects funds	<u>526,775</u>	<u>697,365</u>	<u>568,952</u>	<u>529,112</u>
Total All Other Governmental Funds	<u>\$ 684,130</u>	<u>\$ 828,398</u>	<u>\$ 717,814</u>	<u>\$ 645,426</u>

See accompanying independent auditor's report.

<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>
\$ 171,216	\$ 96,540	\$ 144,673	\$ 333,103	\$ 403,518	\$ 565,333
152,766	253,029	289,839	362,132	253,718	184,629
<u>\$ 323,982</u>	<u>\$ 349,569</u>	<u>\$ 434,512</u>	<u>\$ 695,235</u>	<u>\$ 657,236</u>	<u>\$ 749,962</u>
\$ —	\$ 7,328	\$ 3,300	\$ 3,300	\$ 3,800	\$ 3,800
1,676,001	1,123,595	1,096,859	949,738	957,677	729,284
<u>\$ 1,676,001</u>	<u>\$ 1,130,923</u>	<u>\$ 1,100,159</u>	<u>\$ 953,038</u>	<u>\$ 961,477</u>	<u>\$ 733,084</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
406,191	246,432	344,922	435,541	532,895	534,745
<u>\$ 406,191</u>	<u>\$ 246,432</u>	<u>\$ 344,922</u>	<u>\$ 435,541</u>	<u>\$ 532,895</u>	<u>\$ 534,745</u>
\$ 205,819	\$ 224,398	\$ 302,482	\$ 383,275	\$ —	\$ —
—	—	—	—	497,093	554,753
<u>\$ 205,819</u>	<u>\$ 224,398</u>	<u>\$ 302,482</u>	<u>\$ 383,275</u>	<u>\$ 497,093</u>	<u>\$ 554,753</u>
\$ 21,397	\$ 7,871	\$ 7,867	\$ 7,871	\$ 7,391	\$ 6,280
44,013	101,059	187,178	245,129	236,369	159,720
924,768	489,976	428,119	369,299	382,514	268,577
<u>\$ 990,178</u>	<u>\$ 598,906</u>	<u>\$ 623,164</u>	<u>\$ 622,299</u>	<u>\$ 626,274</u>	<u>\$ 434,577</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(in thousands)
(Unaudited)

	<u>1999-2000</u>	<u>2000-2001</u>	<u>2001-2002</u>
Revenues:			
Revenue limit sources	\$ 2,819,422	\$ 3,181,588	\$ 3,407,354
Federal revenues	592,508	601,388	691,622
Other state revenues	1,939,748	2,057,373	1,936,512
Other local revenues	286,464	366,511	349,889
Total Revenues	<u>5,638,142</u>	<u>6,206,860</u>	<u>6,385,377</u>
Expenditures:			
Current:			
Certificated salaries	2,523,725	2,872,065	2,969,537
Classified salaries	882,109	986,491	1,050,980
Employee benefits	766,455	920,801	1,061,783
Books and supplies	395,193	477,507	496,524
Services and other operating expenditures	590,074	634,840	657,540
Capital outlay	362,680	412,427	760,784
Debt service – principal	40,169	39,399	105,321
Debt service – bond, COPs, and capital leases interest	46,530	78,882	91,526
Debt service – refunding bond issuance cost	—	—	—
Debt service – TRANS interest	7,958	14,664	20,231
Other outgo	—	—	—
Total Expenditures	<u>5,614,893</u>	<u>6,437,076</u>	<u>7,214,226</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>23,249</u>	<u>(230,216)</u>	<u>(828,849)</u>
Other Financing Sources (Uses):			
Transfers in	422,092	295,058	360,338
Transfers out	(422,092)	(295,058)	(360,338)
Issuance of bonds	300,000	386,655	500,000
Premium on bonds issued	—	—	—
Refunding bonds issued	—	—	—
Premium on refunding bonds issued	—	—	—
Issuance of COPs	34,606	205,261	222,391
Discount on issuance of refunding bonds	—	—	—
Payment to refunded bonds escrow agent	—	—	—
Payment to refunded COPs escrow agent	—	—	—
CA Energy Commission loan	—	—	—
State school facilities apportionments	68,014	153,739	—
Special item - proceeds from Sullivan Canyon sale	—	—	—
Insurance proceeds - fire damage	—	—	—
Capital leases	—	—	5,975
Land and building sale/lease	—	—	—
Children center facilities revolving fund	—	—	441
Other financing sources	—	—	—
Other financing uses	—	—	—
Total Other Financing Sources	<u>402,620</u>	<u>745,655</u>	<u>728,807</u>
Net Change in Fund Balances	<u>\$ 425,869</u>	<u>\$ 515,439</u>	<u>\$ (100,042)</u>
Debt Service as A Percentage of Noncapital Expenditures	1.8%	2.2%	3.4%

See accompanying independent auditor's report.

	<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>
\$	3,483,050	\$ 3,436,839	\$ 3,575,257	\$ 3,724,599	\$ 3,892,689	\$ 3,624,134	\$ 3,444,940
	824,684	984,482	1,071,628	1,150,060	1,023,992	1,016,465	1,357,169
	2,137,919	2,434,073	2,109,674	2,419,412	2,853,979	3,307,609	3,223,201
	419,927	451,220	549,264	637,941	835,529	925,869	904,663
	<u>6,865,580</u>	<u>7,306,614</u>	<u>7,305,823</u>	<u>7,932,012</u>	<u>8,606,189</u>	<u>8,874,077</u>	<u>8,929,973</u>
	3,066,319	3,055,482	3,110,756	3,187,441	3,362,475	3,469,214	3,384,912
	1,066,527	1,065,409	1,069,595	1,098,558	1,180,482	1,269,680	1,236,448
	1,214,906	1,312,887	1,349,301	1,418,575	1,440,468	1,464,061	1,440,404
	495,117	468,036	499,411	567,167	507,486	574,902	441,855
	766,443	822,234	647,151	691,388	785,742	880,455	872,470
	704,931	1,003,568	1,398,243	1,532,862	1,494,934	1,644,450	2,113,952
	93,608	114,150	110,501	94,843	153,258	200,514	302,688
	105,687	225,574	232,333	241,131	285,315	334,525	363,050
	—	—	1,337	2,732	9,665	6,020	—
	2,487	6,472	—	—	—	—	—
	(50)	40,529	33,748	41,695	46,865	882	240
	<u>7,515,975</u>	<u>8,114,341</u>	<u>8,452,376</u>	<u>8,876,392</u>	<u>9,266,690</u>	<u>9,844,703</u>	<u>10,156,019</u>
	<u>(650,395)</u>	<u>(807,727)</u>	<u>(1,146,553)</u>	<u>(944,380)</u>	<u>(660,501)</u>	<u>(970,626)</u>	<u>(1,226,046)</u>
	264,190	172,148	598,061	381,658	362,932	499,947	575,839
	(263,998)	(171,934)	(598,061)	(381,658)	(366,926)	(512,061)	(588,821)
	2,607,345	—	200,000	1,115,712	900,000	1,000,000	945,774
	—	—	4,124	64,283	33,649	42,258	—
	—	—	219,125	778,673	1,889,000	—	—
	—	—	16,338	64,058	49,073	—	—
	272,303	—	219,790	10,000	—	105,374	120,950
	—	—	—	—	(1,324)	—	—
	—	—	(234,126)	(656,098)	(1,927,084)	—	—
	—	—	(333,958)	(178,618)	—	—	(107,795)
	—	—	1,318	63	—	—	—
	—	—	—	—	—	—	—
	—	11,918	—	—	—	—	—
	—	—	—	—	2,935	5,332	1,439
	3,888	7,630	1,999	1,318	2,394	1,253	1,196
	—	—	—	—	—	14,110	9,610
	518	—	—	—	—	—	—
	2,159	—	—	—	—	—	—
	(2,210)	—	—	—	—	—	—
	<u>2,884,195</u>	<u>19,762</u>	<u>94,610</u>	<u>1,199,391</u>	<u>944,649</u>	<u>1,156,213</u>	<u>958,192</u>
\$	<u>2,233,800</u>	\$ <u>(787,965)</u>	\$ <u>(1,051,943)</u>	\$ <u>255,011</u>	\$ <u>284,148</u>	\$ <u>185,587</u>	\$ <u>(267,854)</u>
	3.0%	4.9%	4.9%	4.6%	5.8%	6.6%	8.3%

LOS ANGELES UNIFIED SCHOOL DISTRICT
Governmental Fund Types
Expenditures and Other Uses by State-Defined Object
Last Ten Fiscal Years
(in thousands)
(Unaudited)

Fiscal year	Certificated Salaries	Classified Salaries	Employee Benefits	Books and Supplies	Services and Other Oper. Exp.
1999-2000	\$ 2,512,041	\$ 878,749	\$ 763,856	\$ 393,713	\$ 587,450
2000-2001	2,856,783	981,602	845,340	475,529	629,724
2001-2002	2,949,992	1,044,050	1,056,848 ⁽²⁾	492,982	650,543
2002-2003	3,036,964	1,056,274	1,207,073	490,211	757,868
2003-2004	3,055,482	1,065,409	1,312,887	468,036	821,490
2004-2005	3,110,756	1,069,595	1,349,301	499,411	646,373
2005-2006	3,187,441	1,098,558	1,418,575	567,167	691,388
2006-2007	3,362,475	1,180,482	1,440,468	507,486	785,742
2007-2008	3,469,214	1,269,680	1,464,061	574,902	880,455
2008-2009	3,384,912	1,236,448	1,440,404	441,855	872,470

Notes:

⁽¹⁾ "Other Outgo" includes Tuition for Handicapped Pupils and Transfer to Charter Schools of funding in-lieu of property taxes.

⁽²⁾ Beginning in fiscal year 2001-2002, PERS Reduction is reflected under "Employee Benefits".
Prior to 2001-2002, PERS Reduction was reflected under "Other Outgo".

See accompanying independent auditor's report.

Capital Outlay	Debt Service	Other Outgo ⁽¹⁾	Operating Transfers Out	Total Expenditures and Other Uses
\$ 359,124	\$ 51,662	\$ 42,582	\$ 422,092	\$ 6,011,269
409,618	132,517	71,389	295,058	6,697,560
756,064	217,078	(387) ⁽²⁾	360,338	7,527,508
691,793	201,782	(145)	263,998	7,705,818
1,003,568	346,196	41,273	171,934	8,286,275
1,398,243	344,171	602,610	598,061	9,618,521
1,532,862	338,706	876,411	381,658	10,092,766
1,494,934	448,238	1,975,273	366,926	11,562,024
1,644,450	541,059	882	512,061	10,356,764
2,113,952	665,738	108,035	588,821	10,852,635

LOS ANGELES UNIFIED SCHOOL DISTRICT
Governmental Fund Types
Expenditures and Other Uses by Goal and Function
Last Seven Fiscal Years
(in thousands)
(Unaudited)

	<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>
Instructional Goals:							
General education	\$ 3,673,054	\$ 3,741,979	\$ 3,935,655	\$ 4,145,863	\$ 4,270,273	\$ 4,462,660	\$ 4,124,621
Special education	1,166,539	1,214,874	1,195,855	1,252,592	1,333,134	1,395,418	1,376,082
Others	97,706	99,995	94,496	93,176	94,206	100,135	101,223
	<u>4,937,299</u>	<u>5,056,848</u>	<u>5,226,006</u>	<u>5,491,631</u>	<u>5,697,613</u>	<u>5,958,213</u>	<u>5,601,926</u>
Noninstructional Goals:							
Community services	25,371	24,258	26,423	27,165	30,269	24,762	28,094
Child care services	6,920	5,234	7,887	3,656	4,408	4,663	4,847
	<u>32,291</u>	<u>29,492</u>	<u>34,310</u>	<u>30,821</u>	<u>34,677</u>	<u>29,425</u>	<u>32,941</u>
Support Services	1,195,756	1,207,134	1,058,764	1,083,003	1,182,086	1,273,056	1,270,702
Facilities Acquisition	853,255	1,219,838	1,522,494	1,635,060	1,581,955	1,734,161	2,234,066
Food Services	220,978	212,280	222,640	241,888	253,798	286,769	323,009
Other Outgo:							
Debt service	201,782	346,196	344,171	517,324	2,386,554	541,059	773,533
All other outgo	264,457	214,487	1,210,136	1,093,039	425,341	534,081	616,458
	<u>466,239</u>	<u>560,683</u>	<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>\$ 7,705,818</u>	<u>\$ 8,286,275</u>	<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>

Trend data is available only with the District's implementation of SACS in Fiscal Year 2002-2003.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Governmental Fund Types
Revenues by Source (SACS Report Categories)
Last Ten Fiscal Years
(in thousands)
(Unaudited)

Fiscal Year	Revenue Limit Sources	Federal	Other State	Other Local	Other Financing Sources	Total
1999-2000	\$ 2,803,911	\$ 590,308	\$ 1,931,649	\$ 282,503	\$ 817,112	\$ 6,425,483
2000-2001	3,166,947	598,540	2,044,908	357,231	1,040,713	7,208,339
2001-2002	3,388,475	686,278	1,922,377	325,743	1,067,900	7,390,773
2002-2003	3,456,958	814,681	2,118,662	401,287	3,148,244	9,939,832
2003-2004	3,436,839	984,482	2,434,073	451,220	191,696	7,498,310
2004-2005	3,575,257	1,071,628	2,109,674	549,264	1,260,755	8,566,578
2005-2006	3,724,599	1,150,060	2,419,412	637,941	2,415,765	10,347,777
2006-2007	3,892,689	1,023,992	2,853,979	835,529	3,239,983	11,846,172
2007-2008	3,624,134	1,016,465	3,307,609	925,869	1,668,274	10,542,351
2008-2009	3,444,940	1,357,169	3,223,201	904,663	1,654,808	10,584,781

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Assessed Value of Taxable Property
Last Ten Fiscal Years
(in thousands)
(Unaudited)

Fiscal Year	Secured*	Unsecured*	Total	Increase (Decrease) Over Preceding Year			Total A.D.A.**	Assessed Value per Unit of A.D.A.
				Amount	Rate			
1999-2000	\$ 218,916,146	\$ 18,927,746	\$ 237,843,892	\$ 14,481,456	6.48	%	732,409	\$ 325
2000-2001	233,797,971	20,142,603	253,940,574	16,096,682	6.77		740,293 ***	343
2001-2002	249,496,423	22,018,503	271,514,926	17,574,352	6.92		762,688 ***	356
2002-2003	266,383,265	21,142,670	287,525,935	16,011,009	5.90		766,137 ***	375
2003-2004	287,673,344	20,855,436	308,528,780	21,002,845	7.30		758,605 ***	407
2004-2005	311,419,822	20,505,315	331,925,137	23,396,357	7.58		746,605	445
2005-2006	343,302,944	20,566,535	363,869,479	31,944,342	9.62		722,564	504
2006-2007	382,212,502	20,396,335	402,608,837	38,739,358	10.65		710,770	566
2007-2008	419,052,509	21,861,881	440,914,390	38,305,553	9.51		700,073	630
2008-2009	451,191,875	23,597,923	474,789,798	33,875,408	7.68		693,633	684

* Source: 2008-2009 Los Angeles County Auditor-Controller "Taxpayers' Guide"

** Source: A.D.A. – Average Daily Attendance, Annual Report

*** Adjusted to exclude fiscally independent charter schools

See accompanying independent auditor's report.



LOS ANGELES UNIFIED SCHOOL DISTRICT
Property Tax Rates – All Direct and Overlapping Governments
(Per \$100 of assessed value)
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Unified General	Unified Bonds	Total Schools Tax	State-Wide for All Agencies
1999-2000	0.000373	0.031155	0.031528	1.000000
2000-2001	0.000363	0.040402	0.040765	1.000000
2001-2002	—	0.048129	0.048129	1.000000
2002-2003	0.000107	0.036866	0.036973	1.000000
2003-2004	0.000160	0.076985	0.077145	1.000000
2004-2005	0.000143	0.088696	0.088839	1.000000
2005-2006	0.000107	0.084239	0.084346	1.000000
2006-2007	0.000079	0.106735	0.106814	1.000000
2007-2008	0.000040	0.123302	0.123342	1.000000
2008-2009	0.000058	0.124724	0.124782	1.000000

Source: 2008-2009 Los Angeles County Auditor-Controller “Taxpayers’ Guide”

See accompanying independent auditor's report.

Total District Tax	Metropolitan Water District	Los Angeles County General	City of Los Angeles District No.1	County Flood Control District
1.031528	0.008900	0.001422	0.031113	0.001765
1.040765	0.008800	0.001314	0.026391	0.001552
1.048129	0.007700	0.001128	0.040051	0.001073
1.036973	0.006700	0.001033	0.042312	0.000881
1.077145	0.006100	0.000992	0.050574	0.000462
1.088839	0.005800	0.000923	0.055733	0.000245
1.084346	0.005200	0.000795	0.051289	0.000049
1.106814	0.004700	0.000663	0.045354	0.000052
1.123342	0.004500	—	0.038051	—
1.124782	0.004300	—	0.038541	—

LOS ANGELES UNIFIED SCHOOL DISTRICT
Largest Local Secured Taxpayers
Year Ended June 30, 2009
(in thousands)
(Unaudited)

	Property Owner ⁽¹⁾	Primary Land Use	2008-2009 Assessed Valuation	% of Total ⁽¹⁾
1	Douglas Emmett Realty Funds	Office Building	\$ 2,167,212	0.48%
2	Universal Studios LLC	Motion Picture Studio	1,399,114	0.31
3	Anheuser Busch Inc.	Industrial	947,307	0.21
4	One Hundred Towers LLC	Office Building	566,061	0.13
5	Duesenberg Investment Company	Office Building	486,057	0.11
6	Casden Park La Brea A LLC	Apartments	461,752	0.10
7	Donald T. Sterling	Apartments	455,918	0.10
8	Taubman-Beverly Center	Shopping Center/Mall	447,467	0.10
9	Trizec 333 LA LLC	Office Building	437,580	0.10
10	Century City Mall LLC	Shopping Center/Mall	431,294	0.10
11	Topanga Plaza LP	Shopping Center/Mall	430,593	0.10
12	Paramount Pictures Corp.	Industrial	416,124	0.09
13	Maguire Properties Two Cal Plaza	Office Building	383,520	0.09
14	Arden Realty LP	Office Building	374,558	0.08
15	Rreef America REIT II Corp.	Office Building	371,423	0.08
16	Trizec 501 Figueroa LLC	Office Building	369,240	0.08
17	Twentieth Century Fox Film Corp.	Industrial	361,388	0.08
18	2121 Avenue of the Stars	Office Building	359,000	0.08
19	BP West Coast Products LLC	Industrial	339,265	0.08
20	AP Properties Ltd.	Office Building	325,284	0.07
			<u>\$ 11,530,157</u>	<u>2.56%</u>

⁽¹⁾ Excludes taxpayers with values derived from mineral rights and/or possessory interest.

⁽²⁾ 2008-2009 Assessed Valuation: \$451,111,344

Source: California Municipal Statistics, Inc.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Property Tax Levies and Collections
Last Ten Fiscal Years
(in thousands)
(Unaudited)

Fiscal Year	Total Tax Levy	ERAF Funds ⁽²⁾	Current Tax Collections	Delinquent & Other Unpaid Tax Levies ⁽¹⁾	Current Delinquency Rate ⁽³⁾
1999-2000	532,436	434,175	941,023	19,589	2.08%
2000-2001	583,508	465,002	1,037,958	29,973	2.89
2001-2002	652,455	493,649	1,125,788	29,264	2.60
2002-2003	656,436	536,530	1,190,192	13,881	1.17
2003-2004	821,820	576,038	1,386,560	34,987	2.52
2004-2005	929,248	171,052	1,091,325	34,128	3.13
2005-2006	991,275	76,068	1,026,351	30,963	3.02
2006-2007	1,173,752	—	1,134,757	101,640	8.96
2007-2008	1,345,503	(42,753)	1,241,733	76,816	6.19
2008-2009	1,481,739	(2,660)	1,372,078	114,292	8.33

⁽¹⁾ Includes prior years' delinquencies.

⁽²⁾ Educational Revenue Augmentation Funds (ERAF) are added to tax levies received by the District.

⁽³⁾ Delinquent and Other Unpaid Tax Levies divided by Current Tax Collections.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Revenue Limit Per Unit of Average Daily Attendance
Last Ten Fiscal Years
(Unaudited)

Fiscal Year		K-12 Base Revenue Limit		Adult Base Revenue Limit	
1999-2000	\$	4,342.13	\$	2,022.90	
2000-2001		4,480.13		2,101.66	
2001-2002		4,654.13		2,196.82	
2002-2003		4,747.13		2,242.12	
2003-2004		4,835.13		2,242.12	
2004-2005		4,968.66		2,292.26	
2005-2006		5,179.66		2,389.22	
2006-2007		5,544.56		2,530.66	
2007-2008		5,796.56		2,645.30	*
2008-2009		5,645.07		N/A	**

* Beginning with fiscal year 2007-08, the principal apportionment for Adult is no longer a revenue limit item. It was determined by the State to be more appropriately classified as other state apportionments.

** Per SBX3 4 (Chapter 12, Statutes of 2009), funding for fiscal years 2008-2009 through 2012-2013 is based on the District's 2007-2008 proportionate share of funding to the State's total available funding for the program. CDE will revert back to the usual funding formula for this program in fiscal year 2013-2014.

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)

	1999-2000		2000-2001	
	Amount	Percent	Amount	Percent
Revenues and other sources				
Revenue limit sources	\$ 2,819,422	43.50%	\$ 3,181,588	43.90%
Federal revenues	592,508	9.14	601,388	8.30
Other state revenues	1,958,982	30.22	2,057,373	28.39
Other local revenues	286,464	4.42	366,511	5.06
Operating transfers in	422,092	6.51	295,058	4.07
Proceeds from issuance of bonds	300,000	4.63	386,655	5.33
Premium on bonds issued	—	—	—	—
Proceeds from refunding bonds issued	—	—	—	—
Premium on refunding bonds issued	—	—	—	—
State school facilities apportionments	68,014	1.05	153,739	2.12
Proceeds from Refunding Cert. of Participation ⁽¹⁾	—	—	—	—
Proceeds from Certif. of Participation/Long-term Capital Lease ⁽¹⁾	34,606	0.53	205,261	2.83
Proceeds from CA Energy Commission loan	—	—	—	—
Proceeds from Sullivan Canyon sale	—	—	—	—
Proceeds from Ramona HS	—	—	—	—
Insurance proceeds - fire damage	—	—	—	—
Children Center facilities fund	—	—	—	—
Total Revenues and Other Sources	<u>\$ 6,482,088</u>	<u>100.00%</u>	<u>\$ 7,247,573</u>	<u>100.00%</u>
Expenditures and other uses				
Current:				
Certificated salaries	\$ 2,523,725	41.80%	\$ 2,872,065	42.67%
Classified salaries	882,109	14.61	986,491	14.65
Employee benefits ^{(2) (3)}	766,455	12.70	849,113	12.61
Books and supplies	395,193	6.55	477,507	7.09
Services and other operating expenditures ⁽²⁾	590,074	9.77	634,680	9.43
Capital outlay	362,680	6.01	412,427	6.13
Debt service	51,696	0.86	132,945	1.97
Other outgo ^{(2) (3)}	42,961	0.71	71,848	1.07
Operating transfers out ⁽⁴⁾	422,092	6.99	295,058	4.38
Discount on issuance of refunding bonds	—	—	—	—
Payment to refunded bonds escrow agent	—	—	—	—
Payment to refunded COPs escrow agent	—	—	—	—
Total Expenditures and Other Uses	<u>\$ 6,036,985</u>	<u>100.00%</u>	<u>\$ 6,732,134</u>	<u>100.00%</u>

⁽¹⁾ The 2001-2002 COPs proceeds were used to acquire and improve real properties, including the new Administration Building and the former Ambassador Hotel site, and the refunding of the 1991 COPs that refunded the 1988 COPS for the Bravo Medical Magnet Senior High School Project. The 2002-2003 COPs proceeds were used for information technology systems, warehouse acquisition, administration building improvements and multiple school projects such as: air-conditioning, relocatable classrooms, gymnasium improvements, computer and telephone equipment, school police vehicles, sports and parking facilities, school museum and other projects. The 2004-2005 COPs proceeds were used to refund a portion of prior year issuances and make administration building improvements. The 2005-2006 COPs proceeds were used to modernize nine schools to accommodate existing or planned academy programs that address student career pathway/higher education interests. The 2007-2008 COPs proceeds were used to finance certain acquisition, development and installation of information technology systems of the District.

See accompanying independent auditor's report.

2001-2002			2002-2003			2003-2004		
Amount		Percent	Amount		Percent	Amount		Percent
\$	3,388,475	45.84%	\$	3,456,958	34.77%	\$	3,436,839	45.83%
	686,278	9.28		814,681	8.20		984,482	13.13
	1,922,377	26.01		2,118,662	21.31		2,434,073	32.46
	325,743	4.41		401,287	4.04		451,220	6.02
	339,093	4.59		264,190	2.66		172,148	2.30
	500,000	6.77		2,607,345	26.23		—	—
	—	—		—	—		—	—
	—	—		—	—		—	—
	—	—		—	—		—	—
	—	—		—	—		—	—
	—	—		—	—		—	—
	228,366	3.09		276,191	2.78		7,630	0.10
	—	—		—	—		—	—
	—	—		—	—		11,918	0.16
	—	—		—	—		—	—
	441	0.01		518	0.01		—	—
\$	<u>7,390,773</u>	<u>100.00%</u>	\$	<u>9,939,832</u>	<u>100.00%</u>	\$	<u>7,498,310</u>	<u>100.00%</u>
\$	2,949,992	39.20%	\$	3,036,964	39.41%	\$	3,055,482	36.88%
	1,044,050	13.87		1,056,274	13.71		1,065,409	12.86
	1,056,848	14.04		1,207,073	15.66		1,312,887	15.84
	492,982	6.55		490,211	6.36		468,036	5.65
	650,543	8.64		757,868	9.83		821,490	9.91
	756,064	10.04		691,793	8.98		1,003,568	12.11
	217,078	2.88		201,782	2.62		346,196	4.18
	(387)	(0.01)		(145)	—		41,273	0.50
	360,338	4.79		263,998	3.43		171,934	2.07
	—	—		—	—		—	—
	—	—		—	—		—	—
	—	—		—	—		—	—
\$	<u>7,527,508</u>	<u>100.00%</u>	\$	<u>7,705,818</u>	<u>100.00%</u>	\$	<u>8,286,275</u>	<u>100.00%</u>

⁽²⁾ "Other outgo" includes Tuition for Handicapped Pupils. From fiscal year 2003-2004 to fiscal year 2006-2007, Charter Schools In-lieu of Taxes was included in total expenditures under object 7280 as Other transfers out. Starting with fiscal year 2007-2008, this is presented as reduction of the revenues, like it was presented prior to 2003-2004.

⁽³⁾ Starting from fiscal year 2001-2002, PERS Reduction is included under "Employee benefits". Prior to 2001-2002, PERS Reduction was included under "Other outgo".

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Governmental Fund Types
Schedule of Revenues and Other Sources, Expenditures and Other Uses
by State-Defined Object (Continued)
Last Ten Fiscal Years
(in thousands)
(Unaudited)

	2004-2005		2005-2006	
	Amount	Percent	Amount	Percent
Revenues and other sources				
Revenue limit 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
State school facilities apportionments	—	—	—	—
Proceeds from Refunding Cert. of Participation ⁽¹⁾	—	—	—	—
Proceeds from Certif. of Participation/Long-term Capital Lease ⁽¹⁾	221,789	2.59	11,318	0.11
Proceeds from CA Energy Commission loan	1,318	0.02	63	—
Proceeds from Sullivan Canyon sale	—	—	—	—
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 ^{(2) (3)}	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 ⁽²⁾	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 ^{(2) (3)}	34,526	0.36	41,695	0.41
Operating transfers out ⁽⁴⁾	598,061	6.22	381,658	3.78
Discount on issuance of refunding bonds	—	—	—	—
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>

⁽¹⁾ The 2001-2002 COPs proceeds were used to acquire and improve real properties, including the new Administration Building and the former Ambassador Hotel site, and the refunding of the 1991 COPs that refunded the 1988 COPS for the Bravo Medical Magnet Senior High School Project. The 2002-2003 COPs proceeds were used for information technology systems, warehouse acquisition, administration building improvements and multiple school projects such as: air-conditioning, relocatable classrooms, gymnasium improvements, computer and telephone equipment, school police vehicles, sports and parking facilities, school museum and other projects. The 2004-2005 COPs proceeds were used to refund a portion of prior year issuances and make administration building improvements. The 2005-2006 COPs proceeds were used to modernize nine schools to accommodate existing or planned academy programs that address student career pathway/higher education interests. The 2007-2008 COPs proceeds were used to finance certain acquisition, development and installation of information technology systems of the District.

See accompanying independent auditors' 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>

⁽²⁾ "Other outgo" includes Tuition for Handicapped Pupils. From fiscal year 2003-2004 to fiscal year 2006-2007, Charter Schools In-lieu of Taxes was included in total expenditures under object 7280 as Other transfers out. Starting with fiscal year 2007-2008, this is presented as reduction of the revenues, like it was presented prior to 2003-2004.

⁽³⁾ Starting from fiscal year 2001-2002, PERS Reduction is included under "Employee benefits". Prior to 2001-2002, PERS Reduction was included under "Other outgo".

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Governmental Fund Types
Schedule of Revenues and Other Sources, Expenditures and Other Uses
by State-Defined Object (Continued)
Last Ten Fiscal Years (in thousands)
(Unaudited)

⁽⁴⁾ Table below shows Detail of Operating transfers out (in thousands):

From	To	1999-2000	2000-2001
General	Charter	\$ —	\$ —
General	Child Development	5,504	7,569
General	Special Reserve	354,958	186,927
General	Special Reserve – Community Redevelopment Agency	—	—
General	Special Reserve – FEMA – Earthquake	5,883	7,539
General	Special Reserve – FEMA – Hazard Mitigation	12,560	15,860
General	Health & Welfare	—	—
General	Deferred Maintenance	9,557	22,335
General	Adult Education	—	—
General	Capital Services	31,380	31,562
General	Building – Measure R	—	—
General	Cafeteria	—	—
General	Capital Facilities	—	—
Capital Services	Building – Measure Y	—	—
Special Reserve	Capital Services	(38)	834
Special Reserve	General	—	—
Special Reserve	Building – Bond Proceeds	—	—
Special Reserve	Building – Measure K	—	—
Special Reserve	Building – Measure R	—	—
Special Reserve	Building – Measure Y	—	—
Special Reserve	County School Facilities – Prop 47	—	—
Special Reserve	County School Facilities – Prop 55	—	—
Special Reserve	State School Building Lease – Purchase	—	—
Special Reserve	Capital Facilities	—	—
Special Reserve – CRA	General	—	—
Special Reserve – CRA	Building – Measure K	—	—
Special Reserve – CRA	Building – Measure R	—	—
Special Reserve – CRA	County School Facilities – Prop 47	—	—
Capital Facilities	Capital Services	—	14,351
Capital Facilities	State School Building Lease – Purchase	2,043	8,081
Capital Facilities	Special Reserve	—	—
Capital Facilities	Building – Bond Proceeds	—	—
Capital Facilities	Building – Measure R	—	—
Capital Facilities	Building – Measure K	—	—
State School Building Lease – Purchase	Capital Services	—	—
State School Building Lease – Purchase	Special Reserve	—	—
State School Building Lease – Purchase	Capital Facilities	—	—
State School Building Lease – Purchase	Building – Bond Proceeds	—	—
State School Building Lease – Purchase	Building – Measure K	—	—
State School Building Lease – Purchase	County School Facilities	—	—
County School Facilities	Capital Services	—	—
County School Facilities	Special Reserve	—	—
County School Facilities	Building – Measure R	—	—
County School Facilities	Building – Measure K	—	—
County School Facilities	Building – Measure Y	—	—
County School Facilities	Building – Bond Proceeds	—	—
County School Facilities	County School Facilities – Prop 47	—	—
County School Facilities	County School Facilities – Prop 55	—	—
County School Facilities	State School Building Lease – Purchase	—	—
County School Facilities – Prop 47	Building – Bond Proceeds	—	—
County School Facilities – Prop 47	Building – Measure K	—	—
County School Facilities – Prop 47	Building – Measure R	—	—
County School Facilities – Prop 47	Building – Measure Y	—	—
County School Facilities – Prop 47	County School Facilities	—	—
County School Facilities – Prop 47	County School Facilities – Prop 55	—	—
County School Facilities – Prop 47	State School Building Lease – Purchase	—	—
County School Facilities – Prop 47	Special Reserve	—	—
County School Facilities – Prop 47	Capital Facilities	—	—
County School Facilities – Prop 55	Special Reserve	—	—
County School Facilities – Prop 55	Special Reserve – FEMA	—	—
County School Facilities – Prop 55	Building – Bond Proceeds	—	—
County School Facilities – Prop 55	Building – Measure K	—	—
County School Facilities – Prop 55	Building – Measure R	—	—

2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
\$ 20,240	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
8,947	8,475	8,412	8,065	8,764	7,133	—	—
170,845	168,805	12,970	110,540	27,403	109	—	3
1,662	1,419	3,757	—	—	—	—	—
26,555	9,167	3,806	—	2,225	—	—	—
9,109	9,613	25,681	2,225	—	—	—	—
—	—	—	—	—	3,994	12,114	12,982
24,191	2,134	8,140	23,300	30,000	30,188	31,048	30,000
—	—	—	—	—	4,199	—	—
76,132	37,655	51,430	198,026	4,169	9,758	12,514	26,356
—	—	—	59	—	—	—	—
—	—	—	—	11,140	288	8,214	16,587
—	—	—	—	—	—	—	260
—	—	—	—	1	—	—	—
—	(5,866)	20,633	28,800	—	1,265	23,484	123,595
—	—	—	17,155	57,312	28,900	88,200	34,117
—	—	—	—	—	—	—	1,034
—	—	—	—	—	61,228	47,288	6,269
—	—	—	—	—	2	—	1,383
—	—	—	—	—	—	—	1
—	—	—	—	—	—	—	355
—	—	—	—	—	—	169	3,657
—	—	—	—	—	—	260	100
—	—	—	—	—	—	—	11
—	—	—	—	—	—	4,293	4,069
—	—	—	—	—	—	—	3,571
—	—	—	—	—	—	—	1,129
—	—	—	—	—	—	—	1,300
18,034	17,928	23,260	24,045	21,606	22,215	20,537	56,461
1,303	6,070	5,714	7,613	—	2,601	90	—
—	—	—	—	—	—	219	12
—	—	—	—	—	—	—	2
—	—	—	—	—	—	3	24
—	—	—	—	—	—	11,409	151
—	—	—	—	2,629	—	—	—
—	—	—	—	—	—	259	1
—	—	—	—	—	—	90	—
—	—	—	—	—	—	11,944	60
—	—	—	—	—	—	8,651	221
—	—	—	—	—	—	—	8
—	—	—	—	3,046	—	—	—
—	—	—	—	—	3	—	—
—	—	—	—	—	—	24	1,265
—	—	—	—	—	1	106	1,364
—	—	—	—	—	—	—	2
—	—	—	—	—	—	—	9,480
—	—	—	—	—	—	—	360
—	—	—	—	—	—	—	30
—	—	—	—	—	—	—	2
—	—	—	—	—	1,006	7,375	5,924
—	—	—	—	—	15	2,471	1,429
—	—	—	—	—	—	4,089	62
—	—	—	—	—	—	—	5
—	—	—	—	—	—	734	59
—	—	—	—	—	—	1,170	2
—	—	—	—	—	—	—	40
—	—	—	—	—	—	47	—
—	—	—	—	—	—	1,801	—
—	—	—	—	—	42,457	13,610	44
—	—	—	—	—	—	618	241
—	—	—	—	—	—	21,358	19,251
—	—	—	—	—	68,910	8,055	4,169
—	—	—	—	—	2,387	17,077	33,151

(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	1999-2000	2000-2001
County School Facilities – Prop 55	Building – Measure Y	\$ —	\$ —
County School Facilities – Prop 55	County School Facilities	—	—
County School Facilities – Prop 55	County School Facilities – Prop 47	—	—
County School Facilities – Prop 55	Capital Facilities	—	—
County School Facilities – Prop 55	State School Building Lease – Purchase	—	—
County School Facilities – Prop 1D	Building – Bond Proceeds	—	—
County School Facilities – Prop 1D	Building – Measure R	—	—
County School Facilities – Prop 1D	Building – Measure K	—	—
County School Facilities – Prop 1D	County School Facilities	—	—
County School Facilities – Prop 1D	County School Facilities – Prop 47	—	—
County School Facilities – Prop 1D	County School Facilities – Prop 55	—	—
Adult Education	Special Reserve	245	—
Adult Education	General	—	—
Adult Education	Building – Measure R	—	—
Child Development	General	—	—
Special Reserve – FEMA – Earthquake	General	—	—
Special Reserve – FEMA – Earthquake	County School Facilities – Prop 55	—	—
Special Reserve – FEMA – Hazard Mitigation	General	—	—
Annuity	General	—	—
Attendance Incentive	General	—	—
Cafeteria	General	—	—
Cafeteria	Charter	—	—
Building – Measure R	Building – Bond Proceeds	—	—
Building – Measure R	County School Facilities	—	—
Building – Measure R	County School Facilities – Prop 47	—	—
Building – Measure R	County School Facilities – Prop 55	—	—
Building – Measure R	Building – Measure K	—	—
Building – Measure R	Building – Measure Y	—	—
Building – Measure R	Special Reserve	—	—
Building – Measure R	State School Building Lease – Purchase	—	—
Building – Measure R	Capital Facilities	—	—
Building – Measure Y	General	—	—
Building – Measure Y	Adult Education	—	—
Building – Measure Y	Capital Services	—	—
Building – Measure Y	Building – Measure R	—	—
Building – Measure Y	Building – Measure K	—	—
Building – Measure Y	Building – Bond Proceeds	—	—
Building – Measure Y	Special Reserve	—	—
Building – Measure K	County School Facilities	—	—
Building – Measure K	County School Facilities – Prop 47	—	—
Building – Measure K	County School Facilities – Prop 55	—	—
Building – Measure K	Special Reserve	—	—
Building – Measure K	Building – Measure R	—	—
Building – Measure K	Building – Measure Y	—	—
Building – Measure K	Building – Bond Proceeds	—	—
Building – Measure K	State School Building Lease – Purchase	—	—
Building – Measure K	Capital Facilities	—	—
Building – Measure K	Adult Education	—	—
Building – Bond Proceeds	Building – Measure R	—	—
Building – Bond Proceeds	Building – Measure K	—	—
Building – Bond Proceeds	Building – Measure Y	—	—
Building – Bond Proceeds	County School Facilities	—	—
Building – Bond Proceeds	County School Facilities – Prop 47	—	—
Building – Bond Proceeds	County School Facilities – Prop 55	—	—
Building – Bond Proceeds	County School Facilities – Prop 1D	—	—
Building – Bond Proceeds	Capital Facilities	—	—
Building – Bond Proceeds	State School Building Lease – Purchase	—	—
Building – Bond Proceeds	Special Reserve	—	—
Building	Special Reserve – FEMA	—	—
Capital Services	General	—	—
Capital Services	Special Reserve	—	—
		\$ 422,092	\$ 295,058

See accompanying independent auditor's report.

2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 26
—	—	—	—	—	—	1,987	259
—	—	—	—	—	—	—	219
—	—	—	—	—	—	90	—
—	—	—	—	—	—	15,084	—
—	—	—	—	—	—	1,721	9,291
—	—	—	—	—	—	1,791	19,543
—	—	—	—	—	—	1,045	642
—	—	—	—	—	—	—	65
—	—	—	—	—	—	—	398
—	—	—	—	—	—	1,072	16
—	—	—	—	—	—	—	—
—	2,421	2,583	—	—	—	10,600	10,600
—	—	—	—	—	—	—	3,197
—	2,068	1,980	2,100	2,000	2,000	—	—
—	854	628	213	520	—	—	—
—	—	—	—	—	120	—	—
—	725	298	149	2,225	—	—	—
—	154	—	—	—	—	—	—
—	38	—	—	—	—	—	—
2,315	2,530	2,642	1,251	—	—	—	—
1,005	—	—	—	—	—	—	—
—	—	—	149,995	—	1	15,368	40
—	—	—	—	—	1,475	666	160
—	—	—	—	—	—	94	—
—	—	—	—	—	—	1,767	957
—	—	—	—	—	1,563	22,560	3,528
—	—	—	—	—	—	8,901	50
—	—	—	—	—	—	1,151	161
—	—	—	—	—	—	2,970	—
—	—	—	—	—	—	33	—
—	—	—	—	30,000	30,000	30,000	30,000
—	—	—	—	—	—	—	3
—	—	—	—	178,618	1,904	1,904	1,904
—	—	—	—	—	—	—	4,446
—	—	—	—	—	8,864	364	550
—	—	—	—	—	—	—	4
—	—	—	—	—	—	61	651
—	—	—	—	—	6,105	658	—
—	—	—	—	—	—	—	116
—	—	—	—	—	—	1,562	419
—	—	—	—	—	27,907	7,819	15,123
—	—	—	—	—	173	9,956	5,433
—	—	—	—	—	—	8	236
—	—	—	—	—	146	839	124
—	—	—	—	—	—	1	—
—	—	—	—	—	—	71	—
—	—	—	—	—	—	—	4
—	—	—	—	—	9	3,795	23,563
—	—	—	—	—	—	943	31,010
—	—	—	—	—	—	—	114
—	—	—	—	—	—	13	2,742
—	—	—	—	—	—	1,252	183
—	—	—	—	—	—	3,287	21,142
—	—	—	—	—	—	—	617
—	—	—	—	—	—	—	3
—	—	—	—	—	—	3,307	84
—	—	—	—	—	—	—	139
—	—	—	—	—	—	—	229
—	—	—	7,370	—	—	—	231
—	—	—	17,155	—	—	—	—
\$ 360,338	\$ 264,190	\$ 171,934	\$ 598,061	\$ 381,658	\$ 366,926	\$ 512,061	\$ 588,821

LOS ANGELES UNIFIED SCHOOL DISTRICT
Ratio of Annual Debt Service for General Bonded Debt and Certificates of
Participation (COPs) to Total General Governmental Expenditures
Last Ten Fiscal Years
(in thousands)
(Unaudited)

Fiscal Year	Principal	Interest	Total Debt Service ⁽¹⁾	Total General Governmental Expenditures	Ratio of Debt service to Total General Governmental Expenditures
1999-2000	\$ 39,055	\$ 46,294	\$ 85,349	\$ 6,011,269	1.42%
2000-2001	38,265	78,704	116,969	6,697,560	1.75
2001-2002	97,935	91,386	189,321	7,527,508	2.52
2002-2003	86,400	89,292	175,692	7,705,818	2.28
2003-2004	107,370	231,349	338,719	8,286,275	4.09
2004-2005	248,025	248,661	496,686	9,618,521	5.16
2005-2006	89,885	237,622	327,507	10,092,766	3.24
2006-2007	149,230	284,196	433,426	11,562,024	3.75
2007-2008	197,285	334,967	532,252	10,356,764	5.14
2008-2009	300,245	361,990	662,235	10,852,635	6.10

Notes:

⁽¹⁾ Payments for General Obligation Bonds and COPs, excluding fees paid in other cities, bond issuance, and other costs.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Ratio of Net General Bonded Debt and Certificates of Participation (COPs) to
Assessed Value and Net Debt Per Capita
Last Ten Fiscal Years
(Dollars in thousands except Net Debt per Capita)
(Unaudited)

Fiscal Year	Population Los Angeles Unified *	Total Assessed Value	Gross Debt ⁽¹⁾	Debt Service Monies Available	Net Debt ⁽¹⁾	Ratio of Net Debt to Assessed Value	Net Debt per Capita
1999-2000	4,675,227	\$ 237,843,892	\$ 1,234,287	\$ 81,529	\$ 1,152,758	0.4847	% \$ 247
2000-2001	4,636,724	253,940,575	1,790,392	117,148	1,673,244	0.6589	361
2001-2002	4,502,647	271,514,926	2,395,127	159,062	2,236,065	0.8236	497
2002-2003	4,660,473	287,525,935	5,191,382	211,507	4,979,875	1.7320	1,069
2003-2004	4,718,101	308,528,780	5,085,570	208,215	4,877,355	1.5808	1,034
2004-2005	4,775,778	331,925,137	5,095,029	224,306	4,870,723	1.4674	1,020
2005-2006	4,784,682	363,869,479	6,233,663	302,401	5,931,262	1.6301	1,240
2006-2007	4,825,016	402,608,837	7,058,754	383,068	6,675,686	1.6581	1,384
2007-2008	4,839,918	440,914,390	8,002,427	497,001	7,505,426	1.7022	1,551
2008-2009	4,853,617	474,789,798	8,666,230	554,524	8,111,706	1.7085	1,671

* Estimate

⁽¹⁾ Includes bonded debts (General Obligation Bonds) and COPs.

Sources: 2008-2009 Los Angeles County Auditor-Controller "Taxpayers' Guide"
Los Angeles County Department of Regional Research Section

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Direct and Overlapping Bonded Debt
Year Ended June 30, 2009
(Dollars in thousands)
(Unaudited)

Government	Percentage Applicable	Amount Applicable
Direct:		
Los Angeles Unified School District		
General Obligation Bonds	100.000%	\$ 8,223,575
Certificates of Participation	100.000	442,655
		<u>8,666,230</u>
Overlapping:		
Los Angeles County General Fund Obligations	46.028	427,573
Los Angeles County Pension Obligations	46.028	108,484
Los Angeles County Superintendent of Schools Certificates of Participation	46.028	7,320
Los Angeles County Flood Control District	46.744	39,595
Metropolitan Water District	23.218	68,127
Los Angeles Community College District	81.907	1,972,816
City of Los Angeles	99.922	1,297,072
City of Los Angeles General Fund and Judgment Obligations	99.922	1,914,600
Other City General Fund and Pension Obligations	various	164,424
Los Angeles County Sanitation Districts		
Nos. 1, 2, 3, 4, 5, 8, 9, 16 and 23 Authorities	various	52,503
Los Angeles County Regional Park & Open Space Assessment District	46.028	113,632
Los Angeles Metropolitan Transportation Agency Benefit Assessment Districts	100.000	22,170
City Community Facilities Districts	100.000	137,135
City of Los Angeles Assessment District #1	100.000	5,890
City of Los Angeles Landscaping and Special Tax Assessment District	99.922	98,198
Other City and Special District 1915 Act Bonds	100.000	26,195
Other Cities	various	46,541
Palos Verdes Library District	4.970	411
		<u>6,502,686</u>
Total Overlapping		6,502,686
Total Gross Direct and Overlapping Bonded Debt		15,168,916 ⁽¹⁾
Less:		
Los Angeles Unified School District (amount set-aside in Building Fund to make payments on 2000 Series A Qualified Zone Academic Bonds)		22,835
Los Angeles Unified School District (economic defeasance of 2005 Qualified Zone Academic Bonds resulting from investment agreement)		4,650
City self-supporting bonds		11,996
Total Net Direct and Overlapping Bonded Debt		<u>\$ 15,129,435</u>
State School Building Aid Repayable as of 6/30/09	\$ 245	

⁽¹⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds, and nonbonded capital lease obligations.

Source: California Municipal Statistics, Inc. and District records.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Legal Debt Margin Information
Last Ten Fiscal Years
(in thousands)
(Unaudited)

Fiscal Year	Debt Limit	Total Amount of Debt Applicable to Debt Limit	Legal Debt Margin	Total Amount of Debt Applicable to Debt Limit as a Percentage of Debt Limit
1999-2000	\$ 5,946,097	\$ 1,160,358	\$ 4,785,739 ⁽¹⁾	19.51 %
2000-2001	6,348,514	1,680,844	4,667,670 ⁽¹⁾	26.48
2001-2002	6,787,873	2,243,665	4,544,208 ⁽¹⁾	33.05
2002-2003	7,188,148	4,199,512	2,988,636	58.42
2003-2004	7,713,219	4,162,372	3,550,847	53.96
2004-2005	8,298,128	4,268,184	4,029,944	51.44
2005-2006	9,096,737	5,520,705	3,576,032	60.69
2006-2007	10,065,221	6,285,189	3,780,032	62.44
2007-2008	11,022,860	7,052,672	3,970,188	63.98
2008-2009	11,869,745	7,734,195	4,135,550	65.16

Computation of Legal Debt Margin for Fiscal Year Ended June 30, 2009

Assessed valuation (net taxable)	\$ 471,636,034
Plus exempt property	<u>3,153,764</u>
Total Assessed Valuation	\$ 474,789,798
Debt limit – 2.5% of Assessed Valuation per Education Code Section 15106 ⁽²⁾	\$ 11,869,745
Bonded Debt:	
General Obligation Bonds	8,223,575
Assets available for payment of principal:	
Bond Interest & Redemption Fund	<u>(489,380)</u>
Total Amount of Debt Applicable to Debt Limit	<u>7,734,195</u>
Legal Debt Margin (bonded debt) ⁽¹⁾	<u><u>\$ 4,135,550</u></u>

⁽¹⁾ The computation of legal debt margin prior to fiscal year 2002-2003 includes Certificates of Participation.

⁽²⁾ Converted rate from 10% of 25% of full cash value (2.5%) to 2.5% of 100% of full cash value (2.5%).

Source: Los Angeles County Auditor-Controller "Taxpayers' Guide"

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Demographic Statistics
Last Ten Fiscal Years
(in thousands)
(Unaudited)

Fiscal Year	Population City of Los Angeles	Population Los Angeles Unified*	Population County of Los Angeles	School Enrollment County of Los Angeles	School Enrollment Los Angeles Unified	Unemployment Rate County of Los Angeles
1999-2000	3,823	4,675	9,884	1,651	875	5.7%
2000-2001	3,803	4,637	9,803	1,682	889	5.8
2001-2002	3,695	4,503	9,519	1,711	907	6.8
2002-2003	3,864	4,660	9,980	1,736	905	6.8
2003-2004	3,912	4,718	10,103	1,743	911	** 6.2
2004-2005	3,958	4,776	10,227	1,734	879	** 5.2
2005-2006	3,976	4,785	10,246	1,708	847	** 4.5
2006-2007	4,018	4,825	10,332	1,673	830	** 4.8
2007-2008	4,046	4,840	10,364	1,648	813	7.5
2008-2009	4,066	4,854	10,393	1,632	795	11.9

* Estimate

** Revised

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)

2009				2000			
Employer	Employees ⁽¹⁾	Rank	Percentage of Total County Employment ⁽²⁾	Employer	Employees ⁽¹⁾	Rank	Percentage of Total County Employment ⁽³⁾
Kaiser Permanente	36,500	1	0.80%	Kaiser Permanente	26,000	1	0.58%
Northrop Grumman Corp.	20,500	2	0.45	The Boeing Co.	17,881	2	0.40
Bank of America Corp.	17,442	3	0.38	Ralph's Grocery Co.	16,967	3	0.38
Boeing Co.	15,250	4	0.33	Pacific Bell	13,000	4	0.29
Kroger Co.	14,000	5	0.31	Kelly Services	12,500	5	0.28
Target Corp.	12,600	6	0.28	Bank of America	12,100	6	0.27
University of Southern California	12,498	7	0.27	Walt Disney Co.	11,152	7	0.25
Vons	10,981	8	0.24	ABM Industries Inc.	8,900	8	0.20
The Home Depot	10,450	9	0.23	University of Southern California	8,861	9	0.20
Cedars-Sinai Medical Center	9,878	10	0.22	Cedars-Sinai Medical Center	8,791	10	0.20
Total	<u>160,099</u>		<u>3.51%</u>	Total	<u>136,152</u>		<u>3.05%</u>

⁽¹⁾ Los Angeles Business Journal estimate

⁽²⁾ Based on Los Angeles County Employment of 4,577,100

⁽³⁾ Based on Los Angeles County Employment of 4,489,100

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>1999-2000</u>	<u>2000-2001</u>	<u>2001-2002</u>	<u>2002-2003</u>
Elementary:				
Kindergarten	55,675	52,649	52,071	50,741
Grades 1-3	180,409	172,706	176,474	173,178
Grades 4-6	156,334	156,021	156,347	156,944
Grades 7-8	86,023	87,223	90,474	93,818
Special Education	22,680	22,327	23,130	23,302
County Special Education*	—	—	4	6
Opportunity Schools	60	92	97	13
Home or Hospital	210	203	203	164
Community Day Schools	148	159	141	190
County Community Schools**	—	7	12	17
Total Elementary	<u>501,539</u>	<u>491,387</u>	<u>498,953</u>	<u>498,373</u>
Secondary:				
Regular Classes	140,440	137,439	142,870	148,631
Special Education	8,700	9,634	10,219	10,393
County Special Education*	—	—	17	17
Compulsory Continuation Education	2,769	2,785	2,858	2,866
Opportunity Schools	820	875	912	430
Home or Hospital	99	94	90	88
Community Day Schools	297	255	238	674
County Community Schools**	—	244	149	143
Total Secondary	<u>153,125</u>	<u>151,326</u>	<u>157,353</u>	<u>163,242</u>
Block grant funded fiscally affiliated charters**	<u>—</u>	<u>19,952</u>	<u>20,010</u>	<u>17,681</u>
Total Block Grant Funded Fiscally Affiliated Charters	<u>—</u>	<u>19,952</u>	<u>20,010</u>	<u>17,681</u>
Adult program:				
ROC/P Mandated	18,813	18,865	19,846	19,233
Classes for Adults - Mandated	56,408	55,781	63,355	63,590
Concurrently Enrolled Adults	2,524	2,982	3,170	4,015
Full-time Independent Study***	—	—	1	3
Total Adult Program	<u>77,745</u>	<u>77,628</u>	<u>86,372</u>	<u>86,841</u>
Total Average Daily Attendance	<u>732,409</u>	<u>740,293</u>	<u>762,688</u>	<u>766,137</u>
Summer School Hours of Attendance				
Elementary	7,140,461	5,990,462	6,978,428	7,645,522
Secondary	4,988,748	4,305,605	5,237,002	5,486,137
Dependent Charter	—	378,575	408,580	195,142
Total Hours	<u>12,129,209</u>	<u>10,674,642</u>	<u>12,624,010</u>	<u>13,326,801</u>

* Starting 2001-2002, these classifications are being presented separately to conform with state reports.

** Starting 2000-2001, these classifications are being presented separately to conform with state reports.

*** Students 21 years or older and students 19 or older not continuously enrolled since their 18th birthday, participating in full-time independent study.

**** Included with Elementary and Secondary hours.

See accompanying independent auditor's report.

2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
49,775	48,806	47,876	46,131	44,705	44,393
169,239	160,224	151,592	145,181	141,266	138,384
159,617	159,615	152,341	143,384	136,245	131,692
97,978	94,396	91,576	92,832	90,769	86,871
23,585	22,107	20,435	19,740	19,427	19,897
8	—	—	—	—	—
8	14	10	12	11	10
152	158	159	159	170	123
196	190	172	148	122	122
10	19	16	19	26	22
500,568	485,529	464,177	447,606	432,741	421,514
150,239	152,901	152,848	151,323	151,852	151,451
11,026	11,274	11,350	11,253	11,030	10,905
21	1	—	—	—	—
3,031	3,171	3,198	2,972	2,837	3,085
328	400	407	399	433	455
96	121	120	125	130	109
733	736	757	716	692	772
127	175	156	93	84	81
165,601	168,779	168,836	166,881	167,058	166,858
5,143	5,990	5,958	5,936	6,482	6,655
5,143	5,990	5,958	5,936	6,482	6,655
20,125	19,110	14,395	18,857	20,309	23,379
62,570	61,748	63,305	64,867	65,684	66,905
4,592	5,446	5,886	6,594	7,756	8,297
6	3	7	29	43	25
87,293	86,307	83,593	90,347	93,792	98,606
758,605	746,605	722,564	710,770	700,073	693,633
8,855,212	12,526,699	12,061,970	9,974,314	10,195,908	8,567,366
5,941,513	6,350,873	8,929,199	8,357,150	8,336,362	7,203,657
****	****	****	****	****	****
14,796,725	18,877,572	20,991,169	18,331,464	18,532,270	15,771,023

LOS ANGELES UNIFIED SCHOOL DISTRICT
Full-Time Equivalent District Employees by Function
Last Seven Fiscal Years
(Unaudited)

	<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>
Governmental Activities:							
Instruction	53,905	54,151	53,601	52,608	52,769	51,839	52,317
Support services – students	3,043	2,954	3,074	3,091	3,060	3,459	3,455
Support services – instructional staff	5,290	5,079	5,327	5,560	5,280	5,883	5,332
Support services – general administration	204	173	193	209	222	220	219
Support services – school administration	5,685	5,720	5,780	5,870	6,045	6,097	6,047
Support services – business	1,605	1,748	1,441	1,119	1,154	1,217	1,121
Operation and maintenance of plant services	7,195	7,591	7,398	7,537	7,835	7,830	8,016
Student transportation services	1,314	1,279	1,229	1,174	1,236	1,346	1,354
Data processing services	476	515	519	557	722	680	571
Operation of noninstructional services	3,935	3,449	3,389	3,232	3,394	3,685	3,976
Facilities acquisition and construction services	538	545	884	937	994	1,093	1,090
Total Governmental Activities	<u>83,190</u>	<u>83,204</u>	<u>82,835</u>	<u>81,894</u>	<u>82,711</u>	<u>83,349</u>	<u>83,498</u>

Trend data is available only with the District's implementation of SACS in fiscal year 2002-2003.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Capital Assets by Function
Last Seven Fiscal Years
(in thousands)
(Unaudited)

	<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>
Governmental Activities:							
Instruction	\$ 546,694	\$ 528,679	\$ 513,717	\$ 497,404	\$ 478,190	\$ 462,230	\$ 445,482
Support services – students	2,264	2,662	2,795	2,823	2,850	2,902	2,902
Support services – instructional staff	28,251	44,718	55,793	109,660	64,517	63,334	111,596
Support services – general administration	3,489	4,037	4,077	4,076	4,125	4,124	4,125
Support services – school administration	60,293	60,410	60,447	60,447	71,013	71,875	72,027
Support services – business	27,488	31,371	31,397	30,818	32,499	39,700	46,924
Operation and maintenance of plant services	129,770	140,029	165,668	177,094	139,831	198,985	201,531
Student transportation services	49,205	49,201	49,235	49,357	49,153	46,317	45,033
Data processing services	367,824	373,820	401,997	388,367	438,732	445,150	398,032
Operation of noninstructional services	9,475	9,712	9,750	9,977	11,806	15,574	22,463
Facilities acquisition and construction services	<u>5,403,186</u>	<u>6,328,779</u>	<u>7,656,251</u>	<u>9,131,797</u>	<u>10,651,910</u>	<u>12,231,831</u>	<u>14,341,812</u>
Total Governmental Activities	<u>\$ 6,627,939</u>	<u>\$ 7,573,418</u>	<u>\$ 8,951,127</u>	<u>\$ 10,461,820</u>	<u>\$ 11,944,626</u>	<u>\$ 13,582,022</u>	<u>\$ 15,691,927</u>

Trend data is available only with the District's implementation of SACS in Fiscal Year 2002-2003.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Miscellaneous Statistical Data
Last Three Fiscal Years
(Unaudited)

Fiscal Year:	July 1 – June 30	2006-2007	2007-2008	2008-2009
Enrollment by Level: (As of October)	Elementary Schools	307,692	295,260	289,969
	Middle/Junior High Schools	141,745	136,315	128,528
	Senior High Schools	167,113	165,459	161,689
	Magnet Schools/Centers	53,277	52,525	53,261
	Special Education Schools	3,673	3,656	3,604
	Total K-12 Enrollment	673,500	653,215	637,051
	Community Adult Schools	108,096	105,668	103,440
	Occupational Centers and Skills Centers	37,672	42,955	43,966
	Total Adult/ROC Enrollment	145,768	148,623	147,406
	Total Enrollment	819,268	801,838	784,457
	Early Education Centers	11,052	11,013	10,787
	Independent Charter Schools	34,961	41,073	51,087
Student-Teacher Ratio & Cost Per Student:	Student Enrollment	830,320	812,851	795,244
	Teaching Staff	34,929	35,785	35,464
	Student-Teacher Ratio	23.77 : 1	22.71 : 1	22.42 : 1
	Total Primary Government Expense	\$ 7,577,170	\$ 9,028,343	\$ 9,005,723
	Cost Per Student	\$ 9,126	\$ 11,107	\$ 11,324
Percent of Free & Reduced Students in Lunch Program:	Elementary	86.97 %	85.48 %	86.12 %
	Secondary	89.70	90.23	91.23
	Total	87.77	86.94	87.82
Number of Teachers by Education Level:	Bachelor's Degree	2,239	1,862	807
	Bachelor's Degree + 14 semester units	1,173	894	533
	Bachelor's Degree + 28 semester units	3,280	2,988	1,881
	Bachelor's Degree + 42 semester units	3,901	3,657	2,732
	Bachelor's Degree + 56 semester units	3,420	3,490	2,908
	Bachelor's Degree + 70 semester units	3,124	3,327	2,986
	Bachelor's Degree + 84 semester units	2,850	3,310	3,085
	Bachelor's Degree + 98 semester units	7,147	10,108	10,426
	Bachelor's Degree + 98 semester units + 15-19 years of service	2,398	3,079	4,384
	Bachelor's Degree + 98 semester units + 20-24 years of service	1,351	1,548	1,554
	Bachelor's Degree + 98 semester units + 25-29 years of service	1,215	1,307	1,081
	Bachelor's Degree + 98 semester units + 30 or more years of service	825	994	789
	Master's Degree	9,816	12,869	12,845
	Doctorate	505	599	581
	Total	43,244	50,032	46,592
Average Teacher Pay by Education Level:	Bachelor's Degree	\$ 43,352	\$ 43,757	\$ 45,474
	Bachelor's Degree + 14 semester units	46,896	47,301	48,926
	Bachelor's Degree + 28 semester units	50,047	50,035	52,293
	Bachelor's Degree + 42 semester units	53,558	53,524	55,817
	Bachelor's Degree + 56 semester units	56,982	57,067	59,095
	Bachelor's Degree + 70 semester units	61,323	61,182	62,779
	Bachelor's Degree + 84 semester units	64,959	64,605	66,136
	Bachelor's Degree + 98 semester units	69,891	69,688	70,396
	Bachelor's Degree + 98 semester units + 15-19 years of service	75,024	75,024	75,024
	Bachelor's Degree + 98 semester units + 20-24 years of service	75,597	75,597	75,597
	Bachelor's Degree + 98 semester units + 25-29 years of service	77,598	77,598	77,598
	Bachelor's Degree + 98 semester units + 30 or more years of service	78,906	78,906	78,906
	Master's Degree*	+655	+655	+655
	Doctorate*	+1,309	+1,309	+1,309

* Amount in addition to Bachelor's Degree pay.

Sources: California Department of Education
District's Records

Note: Data prior to Fiscal Year 2006-2007 were not required by Governmental Accounting, Auditing, and Financial Reporting.

See accompanying independent auditor's report.

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT

Miscellaneous Other Data

Year Ended June 30, 2009

(Unaudited)

Geographical Location: The Los Angeles Unified School District is a political subdivision of the State of California. It is located in the western section of Los Angeles County and includes virtually all the city of Los Angeles and all or significant portions of the cities of Bell Carson, Commerce, Cudahy, Gardena, Hawthorne, Huntington Park, Lomita, Maywood, Rancho Palos Verdes, San Fernando, South Gate, Vernon, and West Hollywood, in addition to considerable unincorporated territories devoted to homes and industry.

Geographical Area: 710 square miles

Administrative Offices: 333 South Beaudry Avenue, Los Angeles, CA 90017

Form of Government: The District is governed by a seven-member Board of Education elected by district to serve alternating four-year terms.

Name	Expiration of Term
Mónica García, President	June 30, 2013
Marguerite Poindexter LaMotte	June 30, 2011
Tamar Galatzan	June 30, 2011
Steve Zimmer	June 30, 2013
Yolie Flores	June 30, 2011
Nury Martinez	June 30, 2013
Richard Vladovic	June 30, 2011

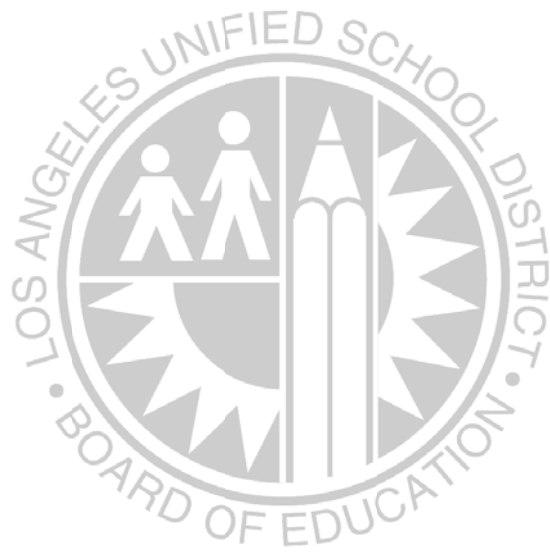
Name	Title
David L. Brewer III (11/13/06 - 12/31/08)	Superintendent of Schools
Ramon Cortines (effective 1/1/09)	Superintendent of Schools
Jean Brown	Superintendent, Local District 1
Alma Pena-Sanchez	Superintendent, Local District 2
Michelle King	Superintendent, Local District 3
Byron Maltez	Interim Superintendent, Local District 4
Robert A. Martinez	Interim Superintendent, Local District 5
Martin Galindo	Superintendent, Local District 6
George McKenna	Interim Superintendent, Local District 7
Linda Del Cueto	Superintendent, Local District 8
Judy Elliot	Chief Academic Officer
Megan Reilly	Chief Financial Officer
Rene Gonzalez	Assistant Superintendent, Student Health & Human Services
Whitcomb Hayslip	Assistant Superintendent, Early Childhood Education
Earl Perkins	Assistant Superintendent, School Operations

Date of Establishment: 1854 as the Common Schools for the City of Los Angeles and became a unified school district in 1960.

Fiscal Year: July 1 – June 30

Number of Schools:	(As of October)	2006-2007	2007-2008	2008-2009
Elementary Schools		437	436	437
Middle/Junior High Schools		74	75	76
Senior High Schools		61	64	68
Options Schools		59	59	60
Special Education Schools		17	17	17
Magnet Schools		22	22	22
Magnet Centers		138	138	138
Community Adult Schools		24	24	24
Regional Occupational Centers		5	5	5
Skills Centers		5	5	5
Regional Occupational Program		1	1	1
Early Education Centers		100	100	100
Infant Centers		4	4	4
Primary School Centers		27	27	28
Newcomer Schools		1	1	—
Multi-level Schools		10	11	11
Total Schools and Centers		985	989	996
Independent Charter Schools		93	114	137

See accompanying independent auditor's report.



STATE AND FEDERAL
COMPLIANCE
INFORMATION
SECTION

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance/Hours of Attendance
Year Ended June 30, 2009

	Second Period Report	Annual Report
Elementary:		
General Education:		
Kindergarten	44,313	44,393
Grades 1-3	138,694	138,384
Grades 4-8	219,482	218,563
Opportunity Schools	10	10
Home or Hospital	99	123
Community Day Schools	102	122
County Community Schools	22	22
Special Education	19,664	19,897
Total Elementary	422,386	421,514
Secondary:		
General Education:		
Regular Classes	154,701	151,451
Continuation Education	3,021	3,085
Opportunity Schools	444	455
Home or Hospital	90	109
Community Day Schools	736	772
County Community Schools	81	81
Special Education	10,899	10,905
Total Secondary	169,972	166,858
Block Grant Funded Fiscally Affiliated Charter	6,679	6,655
Adult Program:		
Regional Occupational Centers & Programs	22,976	23,379
Classes for Adults – Mandated	66,200	66,905
Concurrently Enrolled Adults	8,015	8,297
Full-time Independent Study*	24	25
Total Adult Program	97,215	98,606
Total Average Daily Attendance	696,252	693,633
	Hours of Attendance	
Summer School:		
Elementary	7,120,493	8,567,366
Secondary	6,770,020	7,203,657
Total Hours	13,890,513	15,771,023

* Students 21 years or older and students 19 or older not continuously enrolled since their 18th birthday, participating in full-time independent study.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2009

Canyon Elementary School – 6016323

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	54.69	55.12
Kindergarten ADA – Classroom-based	54.69	54.84
Grades 1-3 ADA – Total	163.61	164.02
Grades 1-3 ADA – Classroom-based	163.61	163.13
Grades 4-6 ADA – Total	114.10	113.71
Grades 4-6 ADA – Classroom-based	114.10	113.35
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	<u>332.40</u>	<u>332.85</u>
Classroom-based ADA	<u>332.40</u>	<u>331.32</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2009

Colfax Charter Elementary School – 6016582

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	99.96	99.82
Kindergarten ADA – Classroom-based	99.69	99.57
Grades 1-3 ADA – Total	234.71	235.63
Grades 1-3 ADA – Classroom-based	234.63	235.57
Grades 4-6 ADA – Total	172.83	172.54
Grades 4-6 ADA – Classroom-based	172.42	172.11
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>507.50</u>	<u>507.99</u>
Classroom-based ADA	<u>506.74</u>	<u>507.25</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2009

Community Magnet Charter Elementary School – 6094726

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	77.03	77.10
Kindergarten ADA – Classroom-based	77.03	77.10
Grades 1-3 ADA – Total	175.45	174.99
Grades 1-3 ADA – Classroom-based	175.45	174.99
Grades 4-6 ADA – Total	171.65	170.72
Grades 4-6 ADA – Classroom-based	171.65	170.72
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	<u>424.13</u>	<u>422.81</u>
Classroom-based ADA	<u>424.13</u>	<u>422.81</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2009

Dr. T. Alexander Jr. Science Center School – 0102491

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	73.31	72.63
Kindergarten ADA – Classroom-based	73.31	72.63
Grades 1-3 ADA – Total	290.85	288.79
Grades 1-3 ADA – Classroom-based	290.85	288.79
Grades 4-6 ADA – Total	205.92	204.49
Grades 4-6 ADA – Classroom-based	205.92	204.49
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	<u>570.08</u>	<u>565.91</u>
Classroom-based ADA	<u>570.08</u>	<u>565.91</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2009

Kenter Canyon Elementary School – 6017701

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	77.75	77.24
Kindergarten ADA – Classroom-based	77.75	77.24
Grades 1-3 ADA – Total	248.30	247.04
Grades 1-3 ADA – Classroom-based	248.30	247.04
Grades 4-6 ADA – Total	146.98	146.93
Grades 4-6 ADA – Classroom-based	146.98	146.93
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	<u>473.03</u>	<u>471.21</u>
Classroom-based ADA	<u>473.03</u>	<u>471.21</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2009

Marquez Avenue Elementary School – 6018063

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	101.58	101.99
Kindergarten ADA – Classroom-based	101.58	101.99
Grades 1-3 ADA – Total	274.49	274.50
Grades 1-3 ADA – Classroom-based	274.49	274.50
Grades 4-6 ADA – Total	213.25	212.57
Grades 4-6 ADA – Classroom-based	213.25	212.57
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	<u>589.32</u>	<u>589.06</u>
Classroom-based ADA	<u>589.32</u>	<u>589.06</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2009

Open Magnet Charter School – 6097927

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	35.02	35.08
Kindergarten ADA – Classroom-based	35.02	35.08
Grades 1-3 ADA – Total	184.13	183.34
Grades 1-3 ADA – Classroom-based	184.13	183.34
Grades 4-6 ADA – Total	133.18	133.39
Grades 4-6 ADA – Classroom-based	133.18	133.39
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>352.33</u>	<u>351.81</u>
Classroom-based ADA	<u>352.33</u>	<u>351.81</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2009

Pacific Palisades Elementary School – 6018634

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	76.57	76.96
Kindergarten ADA – Classroom-based	76.57	76.96
Grades 1-3 ADA – Total	221.00	220.43
Grades 1-3 ADA – Classroom-based	221.00	220.43
Grades 4-6 ADA – Total	116.74	116.74
Grades 4-6 ADA – Classroom-based	116.74	116.74
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>414.31</u>	<u>414.13</u>
Classroom-based ADA	<u>414.31</u>	<u>414.13</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2009

Revere (Paul) Middle School – 6058267

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	0.00	0.00
Kindergarten ADA – Classroom-based	0.00	0.00
Grades 1-3 ADA – Total	0.00	0.00
Grades 1-3 ADA – Classroom-based	0.00	0.00
Grades 4-6 ADA – Total	602.62	598.62
Grades 4-6 ADA – Classroom-based	602.62	598.62
Grades 7-8 ADA – Total	1,355.84	1,343.86
Grades 7-8 ADA – Classroom-based	1,355.84	1,343.86
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>1,958.46</u>	<u>1,942.48</u>
Classroom-based ADA	<u>1,958.46</u>	<u>1,942.48</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2009

Topanga Elementary School – 6019525

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	87.20	86.97
Kindergarten ADA – Classroom-based	87.20	86.97
Grades 1-3 ADA – Total	111.72	112.22
Grades 1-3 ADA – Classroom-based	111.72	112.22
Grades 4-6 ADA – Total	107.59	107.84
Grades 4-6 ADA – Classroom-based	107.59	107.84
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>306.51</u>	<u>307.03</u>
Classroom-based ADA	<u>306.51</u>	<u>307.03</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2009

Westwood Elementary School – 6019939

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	148.98	149.12
Kindergarten ADA – Classroom-based	148.98	149.12
Grades 1-3 ADA – Total	389.81	389.76
Grades 1-3 ADA – Classroom-based	389.81	289.76
Grades 4-6 ADA – Total	211.83	211.16
Grades 4-6 ADA – Classroom-based	211.83	211.16
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>750.62</u>	<u>750.04</u>
Classroom-based ADA	<u>750.62</u>	<u>750.04</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Instructional Time Offered
Year Ended June 30, 2009

Grade Level	1982-1983 Actual Minutes Offered	1986-1987 Minutes Requirements	2008-2009 Actual minutes offered	Number of Days Traditional Calendar	Number of Days Multi-track Calendar	Complied with Instructional Minutes and Days Provisions
Kindergarten	31,680	36,000	36,000	180	163	Yes
Grades 1 to 3	48,800	50,400	55,100	180	163	Yes
Grades 4 to 6 ⁽¹⁾	48,800	54,000	55,100	180	163	Yes
Grades 7 to 8 ⁽²⁾	62,160	54,000	62,160 or 65,300	180	163	Yes
Grades 9 to 12 ⁽³⁾	62,160	64,800	65,300	180	163	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) In 2008-2009, one high school's Small Learning Community offered at least 64,835 instructional minutes

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, 2009
(Dollars in thousands)
(Unaudited)

	<u>2009-2010 Budgeted</u>	<u>2008-2009 Actual</u>	<u>2007-2008 Actual</u>	<u>2006-2007 Actual</u>	<u>2005-2006 Actual</u>
General Fund:					
Revenues	\$ 6,488,099	\$ 6,649,743	\$ 6,808,664	\$ 6,921,612	\$ 6,472,011
Other Financing Sources	<u>43,836</u>	<u>106,156</u>	<u>139,678</u>	<u>66,229</u>	<u>93,438</u>
Total Revenues and Other Financing Sources	<u>6,531,935</u>	<u>6,755,899</u>	<u>6,948,342</u>	<u>6,987,841</u>	<u>6,565,449</u>
Expenditures	6,496,123	6,585,591	6,928,396	6,677,691	6,404,053
Other Financing Uses	<u>43,934</u>	<u>77,582</u>	<u>57,945</u>	<u>49,427</u>	<u>76,453</u>
Total Expenditures and Other Financing Uses	<u>6,540,057</u>	<u>6,663,173</u>	<u>6,986,341</u>	<u>6,727,118</u>	<u>6,480,506</u>
Change in Fund Balance	(8,122)	92,726	(37,999)	260,723	84,943
Beginning Fund Balance*	<u>199,556</u>	<u>657,236</u>	<u>695,235</u>	<u>434,512</u>	<u>349,569</u>
Ending Fund Balance	<u>\$ 191,434</u>	<u>\$ 749,962</u>	<u>\$ 657,236</u>	<u>\$ 695,235</u>	<u>\$ 434,512</u>
Available Reserves**	<u>\$ 65,476</u>	<u>\$ 72,382</u>	<u>\$ 153,224</u>	<u>\$ 155,129</u>	<u>\$ 148,748</u>
Designated for Economic Uncertainties	<u>\$ 65,376</u>	<u>\$ 72,382</u>	<u>\$ 72,382</u>	<u>\$ 71,538</u>	<u>\$ 67,638</u>
Undesignated Fund Balance	<u>\$ 100</u>	<u>\$ —</u>	<u>\$ 80,842</u>	<u>\$ 83,591</u>	<u>\$ 81,110</u>
Available Reserves as a Percentage of Total Expenditures and Other Financing Uses	1.00%	1.09%	2.19%	2.31%	2.30%
Total Long-Term Debt	\$ 11,651,738	\$ 11,148,319	\$ 9,439,128	\$ 7,650,753	\$ 7,053,182
Average Daily Attendance (ADA) at P-2 excluding regional occupational centers programs and adult programs	572,960	599,037	609,410	624,490	643,874

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

* Budgeted beginning fund balance includes other restatements.

** Available reserves consist of all undesignated fund balances and funds designated for economic uncertainties.

See accompanying notes to state compliance information.

Schedule to Reconcile the Annual Financial Budget Report (SACS)
with Audited Financial Statements
Year Ended June 30, 2009
(in thousands)
(Unaudited)

	<u>All Fund Types</u>
June 30, 2009 Unaudited Actual Financial Reports Fund Balances	\$ 3,082,426
Adjustment:	
Reversal of revenue accrual re: un-appropriated categorical funding	(105,617)
Adjustment of overaccrual of progress payments on construction contracts	<u>71,154</u>
June 30, 2009 Audited Financial Statement Fund Balances	\$ <u><u>3,047,963</u></u>

See accompanying notes to state compliance information.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to State Compliance Information

Year Ended June 30, 2009

(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, 2009

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Grantor or Pass-Through Entity ID Number	Program Cluster Expenditures	Total Federal Expenditures
U.S. Department of Agriculture:				
Passed through California Department of Health Services				
Child Nutrition Network	10.561	07-65328-1	\$ 1,023,698	
Child Nutrition Network	10.561	07-65328-2	3,620,486	
Subtotal expenditures – Child Nutrition Network				\$ 4,644,184
Passed through California Department of Education:				
Child Nutrition School Programs Breakfast	10.553	PCA 13390, 13525, 13526	56,680,586	
Child Nutrition School Programs Lunch	10.555	PCA 13396, 13391	159,236,466	
Child Nutrition School Programs Snack	10.555	PCA 13396, 13391	8,461,769	
Donated Food Commodities	10.555	19-64733	13,162,672	
Reimbursement for Westland Beef Recall	10.555	PCA 02288	116,799	
Child Nutrition Summer Food Services Program Operations	10.559	PCA 13004	1,343,939	
Child Nutrition Summer Food Services Program Sponsor Administration	10.559	PCA 13006	139,365	
Subtotal expenditures – Child Nutrition Cluster				239,141,597
Child Nutrition Child Care Food Program Claims	10.558	19-2016-3A_19-2016-3C	8,558,529	
Child Nutrition Child Care Food Program – Cash in Lieu of Commodities	10.558	19-2016-3A_19-2016-3C	468,910	
Subtotal expenditures – Child Care Food Program				9,027,439
Child Nutrition School Wellness	10.574	07-14863-6473-01		17,428
Forest Reserve	10.665	Not available		22,877
Subtotal Pass-Through Programs				252,853,525
Total U.S. Department of Agriculture				252,853,525
U.S. Department of Commerce:				
Passed through Corporation for Public Broadcast Public Broadcasting Programs	11.550	1714		786,820
Subtotal Pass-Through Programs				786,820
Total U.S. Department of Commerce				786,820
U.S. Department of Defense:				
Flood Control Projects	12.106	Not Available	1,531	
Reserve Officer Training Corps Vitalization Act	12.400	Not Available	2,340,847	
Subtotal Direct Programs				2,342,378
Total U.S. Department of Defense				2,342,378
U.S. Department of Housing & Urban Development:				
Passed through County of Los Angeles Community Development Block Grant	14.218	200486	13,815	
Passed through City of Carson Carson Guidance	14.218	N/A	12,384	
Subtotal expenditures – Comm. Develop. Block Grants				26,199
Passed through Children's Collective, Inc Children Collective Youth Program	14.227	C114058/C040107		122,987
Subtotal Pass-Through Programs				149,186
Total U.S. Department of of Housing and Urban Development				149,186
U.S. Department of Justice:				
LA's BEST	16.541	MOU		179,553
Community Oriented Policing Services in Schools Award	16.710	2004SHWX0121		53,611
Watts Anti Gang	16.744	ULO06011250/P06AGIS		93,357
Subtotal Direct Program				326,521
Total U.S. Department of Justice				326,521

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Grantor or Pass-Through Entity ID Number	Program Cluster Expenditures	Total Federal Expenditures
U.S. Department of Labor:				
Passed through California Department of Education:				
Employment Development Department Trade Act				
East Los Angeles Skill Center	17.245	Contract # 990098	\$ 61,594	
Employment Development Department Trade Act				
Los Angeles Occupational Center	17.245	Contract # 200344	123,956	
Employment Development Department Trade Act				
Harbor Occupational Center	17.245	Contract # 200348	63,669	
West Valley Occupational Center	17.245	Contract # 990066	17,628	
A Friedman Occupational Center	17.245	Contract # 200462	10,411	
Subtotal expenditures – Trade Adjustment Assistance				\$ 277,258
US Department of labor Youth Build	17.274	YB14846-08-60-A-6		153,219
Passed through City of Los Angeles:				
Workforce Investment Act – Youth Program-Harbor	17.259	114628	461,501	
Workforce Investment Act – Youth Program-Harbor (ARRA)	17.259	1146.28	155,633	
Workforce Investment Act – Adult/City Work	17.258	114752	3,798	
Passed through City of Long Beach:				
Workforce Investment Act – Youth	17.259	30816/31224	101,149	
Workforce Investment Act – Adult-Ref & Mfg Train Prog	17.258	N/A	9,133	
Passed through Goodwill Industries of Southern California:				
Workforce Investment Act – Youth	17.259	200446	28,118	
Passed through Para Los Ninos				
Workforce Investment Act – Youth	17.259	T4120-C	116,767	
Passed through Watts Labor Community Action Committee:				
Workforce Investment Act – One Stop WorkSource - Adult	17.258	C0537683	84,792	
Workforce Investment Act – One Stop WorkSource - Dislocated Worker	17.260	C0537683	25,328	
Workforce Investment Act – Youth	17.259	C2005-139	80,910	
Passed through Archdiocesan Youth Employment Services:				
Workforce Investment Act – Youth	17.259	C-Y080902	75,844	
Passed through Hub Cities Consortium:				
Workforce Investment Act – Adult	17.258	N/A	26,956	
Workforce Investment Act – Dislocated Worker	17.260	N/A	14,665	
Passed through Wilshire-Metro WorkSource Center				
Workforce Investment Act – Adult	17.258	N/A	17,780	
Passed through South Bay WorkSource Center				
Workforce Investment Act – Adult - I Train	17.258	N/A	2,354	
Passed through Homecare Workers Training Center				
Workforce Investment Act – Adult	17.258	N/A	67,112	
Subtotal expenditures – Workforce Investment Act Cluster				1,271,840
Subtotal Pass-Through Programs				1,702,317
Total U.S. Department of Labor				1,702,317
U.S. Department of Transportation:				
Passed through City of Long Beach:				
Pacific Gateway Workforce Investment Network-Construction Job Prog.	20.205	N/A	75,823	
Subtotal Pass-Through Programs				75,823
Total U.S. Department of Transportation				75,823
National Science Foundation:				
Wide Chge. Experimental Study	47.076	0554566/X260470		102,890
Subtotal Direct Programs				102,890
Total National Science Foundation				102,890
U.S. Environmental Protection Agency:				
Environmental Protection Agency – Indoor Air Quality	66.034	XA97970801-2/XA-00T03601-0		17,884
Total U.S. Environmental Protection Agency				17,884

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Grantor or Pass-Through Entity ID Number	Program Cluster Expenditures	Total Federal Expenditures
U.S. Department of Education:				
Indian Education	84.060	S060A060283		\$ 155,493
LA'S BEST	84.215	MOU		176,209
Safe & Drug Free School – Improvement of Education	84.215	Q215E060268-07		418,519
Fund for Improv Edu Prog – Teach Am Hist	84.215	U215X070162	\$ 254,161	
Small Learning Communities	84.215	V125L032230	13,868	
Small Learning Communities	84.215	V215L052108	1,571,232	
Small Learning Communities	84.215	S215L060084	1,832,896	
Small Learning Communities	84.215	S215L080570	542,382	
Subtotal expenditures – Fund for the Imp. of Education				4,214,539
Bilingual Ed – Comprehensive School Grants	84.293	T293B060105	179,735	
Foreign Language Assistance	84.293	T29313070149	103,172	
Subtotal expenditures – Foreign Language Assistance				282,907
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	84.334	P334A050008	1,181,486	
GEAR-UP	84.334	P334A050178	2,894,850	
GEAR-UP	84.334	P334A050217	1,141,211	
GEAR-UP	84.334	P334A050205	998,871	
GEAR-UP	84.334	P334A060124	685,700	
GEAR-UP	84.334	P334S05001	22,894	
Subtotal expenditures – GEAR-UP				6,925,012
Los Angeles Early Deciders	84.336	P336C050011		607,549
Subtotal Direct Programs				12,780,228
Passed through California Department of Education:				
Workforce Investment Act – Adult Basic Ed/ESL	84.002	PCA 14508	11,833,951	
Workforce Investment Act – Adult Secondary Ed	84.002	PCA 13978	610,400	
Eng Lit & Civic Ed-Adult-FY04	84.002	PCA 14109	1,445,031	
Subtotal expenditures – Adult Education				13,889,382
Title I Program Improvement	84.010	14106-6473	416	
Elementary and Secondary Education Act, Title I	84.010	09-14329-6473	388,486,217	
Elementary and Secondary Education Act, Title I Delinquen	84.010	09-14357-6473	540,047	
Elementary and Secondary Education Act, Title I Neglectec	84.010	09-14329-6473	1,925,892	
School Assist & Intervention Team	84.010	06-14579-6473-00	182,507	
School Assist & Intervention Team	84.010	07-14579-6473-00	145,779	
School Assist & Intervention Team	84.010	07-14579-6473-00	867,171	
Title I Program Improvement – LEA Corrective	84.010	08-14957-6473-00	9,634,482	
Subtotal expenditures – Title I Grants				401,782,511
Migrant Ed – Regular & Summer	84.011	PCA 14326	881,950	
Special Ed:IDEA Basic Local Assistance Entitlement	84.027	08-13379-6473-01	111,053,857	
Special Ed:IDEA Local Assistance, Private School ISP	84.027	08-13379-6473-01	742,050	
Special Education Handicapped SFP	84.027	08-13682-6473.01	13,426,068	
Subtotal expenditures – Special Education				126,103,925
IDEA Preschool	84.173	08-14688-6473-00	271,924	
Preschool Expansion Grant	84.173	08-13430-6473-01	5,052,024	
Preschool Expansion Grant	84.173	08-13431-6473-01	55,363	
Subtotal expenditures – Special Education Cluster				5,379,311
Regional Occupational Center College Work Study	84.033	P033A080312/P033A080401/P033A080768	158,436	
Carl D. Perkins – SEC INSTR	84.048	08-14894-64733-00	8,689,955	
Carl D. Perkins – Vocational and Technical Education	84.048	PCA 14893	2,815,858	
Subtotal expenditures – Career and Technical Education				11,664,249
Pell Grant	84.063	P063P085911		134,815
Infant & Toddler	84.181	08-23761-6473-01		1,156,152
Title IV – Safe and Drug Free Schools & Community	84.184	Q184E070053		254,697
Title IV – Safe and Drug Free Schools-Healthy Student	84.184	Q184L080226		130,563
Title IV – Safe and Drug Free Schools & Community-Mentoring Prog	84.184	Q184B080048		65,690
Children Uniting Nations-Mentoring	84.184	MOU/Q184B080048		53,342
Title IV – Safe and Drug Free Schools-State	84.186	Q186A080005/Q215E060268		6,111,280
Homeless Education Project	84.196	PCA 14332		140,936
Public Charter School	84.282	PCA 14531		139,235

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2009

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
Twenty-first Century Learning Centers	84.287	14349	\$ 9,004,037	
Twenty-first Century Learning Centers	84.287	14535	11,664,821	
Subtotal expenditures – Twenty-First Century Community Learning Centers				\$ 20,668,858
Improving America's Schools Act – Title V Innovative Strategies	84.298	PCA 14354		1,801,464
No Child Left Behind (NCLB) Title II – Enhancing Education Through Technology-Competitive	84.318	S318X060005	1,930,328	
No Child Left Behind Title II – Enhancing Education Through Technology – Formula	84.318	S318X060005	3,273,019	
Subtotal expenditures – Education Technology Grants				5,203,347
GSU Development & Valid of a behavioral	84.324	13492-02		143,753
Advanced Placement	84.330	14831		747,641
Transition Teaching Program	84.350	U350A070039		234,960
AIM Project	84.351	U351D050021		405,593
Reading First	84.357	14328-6473-00		20,126,060
Title III, Limited English Proficient Professional Dev	84.365	09-10084-6473		12,722,576
No Child Left Behind Title II-B – Math	84.366	14512-6473		768,446
No Child Left Behind Title II-A – Teacher Quality	84.367	PCA 14344/14341		47,606,497
Passed through State Department of Rehabilitation:				
Workability II – Regional Occupational Center	84.126	26403		667,586
Rehab-Transition Partnership Program	84.158	26706		1,019,468
Subtotal Pass-Through Programs				679,122,337
Total U.S. Department of Education				691,902,565
U.S. Department of Health & Human Services:				
SAMHSA-Trauma School Adaption	93.243	U9SM57283A		869,223
School Health Program	93.938	1U87DP001201-01		610,274
Subtotal Direct Programs				1,479,497
Passed through County of Los Angeles:				
Department of Health Services-Vocational Nurse Ed.	93.178	N/A		95,226
Department of Public Social Services-Refugee Students Asst Prog	93.576	08-24791-6473		128,135
Department of Mental Health-Medi-cal Rehab.	93.778	19101-99		2,850,947
Passed through California Department of Education:				
California Instructional Materials and Supplies	93.575	CIMS 8248 CCAP8154/CSCC8137	52,469	
Child Care Center	93.596	CCTR-8159	14,859,806	
Subtotal expenditures – Child Care Development Fund				14,912,275
Passed through California Department. of Health Services:				
Medi-Cal Billing Option	93.778	940830	9,410,215	
Passed through Los Angeles County Office of Education:				
Medi-Cal Administrative Activity	93.778	CS0501360	4,994,195	
Subtotal expenditures – Medicaid Cluster				14,404,410
Passed through Rand Corporation:				
CalServe Regional	94.004	PCA 13161		60,119
Subtotal Pass-Through Programs				32,451,112
Total U.S. Department of Health & Human Services				33,930,609
U.S. Department of Homeland Security:				
Passed through Governors Office of Emergency Services:				
Pre-Disaster Mitigation Program	97.047	EMF-2005-PC-0011		433,027
Subtotal Pass-Through Programs				433,027
Total U.S. Department of Homeland Security				433,027
Total Expenditures of Federal Awards				\$ 984,623,545

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2009

(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) \$13,162,672 of donated food commodities received from the U.S. Department of Agriculture, passed-through the State of California, during the year ended June 30, 2009.

(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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**Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

The Honorable Board of Education
Los Angeles Unified School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Los Angeles Unified School District** (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 19, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Education Audit Appeal Panel's *Standards and Procedures for Audits of California K-12 Local Education Agencies 2008-09*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider deficiencies FS-09-01 and FS-09-02 described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we

believe that deficiency FS-09-01 of the significant deficiencies described above is a material weakness.

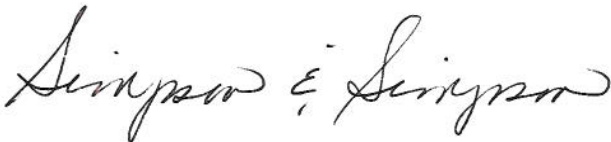
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated February 19, 2010.

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

This report is intended solely for the information and use of the Board of Education, District management, federal awarding agencies, state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Los Angeles, California
February 19, 2010



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**Report on Compliance with Requirements Applicable to
Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133**

The Honorable Board of Education
Los Angeles Unified School District

Compliance

We have audited the compliance of the **Los Angeles Unified School District** (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

As described in the table below and in the accompanying schedule of findings and questioned costs, the District did not comply with requirements that are applicable to the following programs:

Compliance requirement	Program Name and Catalog of Federal Domestic Assistance (CFDA) number	Finding number
Allowable Costs	Child Nutrition Cluster: School Breakfast Program, CFDA 10.553; National School Lunch Program, CFDA 10.555; Summer Food Service Program for Children, CFDA 10.559; Title I Grants to Local Educational Agencies, CFDA 84.010; Special Education Cluster: Special Education Grants to States, CFDA 84.027; Special Education Pre-School Grants, CGDA 84.173; Safe and Drug-Free Schools and Communities, CFDA 84.186;	F-09-01



<u>Compliance requirement</u>	<u>Program Name and Catalog of Federal Domestic Assistance (CFDA) number</u>	<u>Finding number</u>
	Fund for the Improvement of Education, CFDA 84.215; Gaining Early Awareness and Readiness for Undergraduate Programs, CFDA 84.334; Reading First State Grants, CFDA 84.357; Child Care and Development Fund, CFDA Nos. 93.575 and 93.596; English Language Acquisition Grants, CFDA 84.365; Workforce Investment Act Title II CFDA 84.002.	
Eligibility	Child Care and Development Fund, CFDA Nos. 93.575 and 93.596.	F-09-04
Matching	Gaining Early Awareness and Readiness for Undergraduate Programs, CFDA 34.334.	F-09-07
Period of Availability	Vocational Education Basic Grants to States, CFDA 84.048; State Grants for Innovative Programs, CFDA 84.298.	F-09-09
Procurement, Suspension and Debarment	Child Nutrition Cluster: School Breakfast Program, CDFA 10.553; National School Lunch Program, CFDA 10.555; Summer Food Service Program for Children, CFDA 10.559; Food stamp Cluster: State Administrative Matching Grants for Food Stamp Program, CFDA 10.561; Special Education Cluster: Special Education Grants to States, CFDA 84.027; Special Education Pre-School Grants, CGDA 84.173; Vocational Education Basic Grants to States, CFDA 84.048; Fund for the Improvement of Education, CFDA 84.215; Twenty-First Century Community Learning Centers, CFDA 84.287; Gaining Early Awareness and Readiness for Undergraduate Programs, CFDA 84.334; Reading First State Grants, CFDA 84.357; English Language Acquisition Grants, CFDA 84.365.	F-09-10
Program Income	Child Nutrition Cluster: School Breakfast Program, CDFA 10.553; National School Lunch Program, CFDA 10.555; Summer Food Service Program for Children, CFDA 10.559.	F-09-12
Reporting	Child Nutrition Cluster: School Breakfast Program, CDFA 10.553; National School Lunch Program, CFDA 10.555; Summer Food Service Program for Children, CFDA 10.559. Vocational Education Basic Grants to States, CFDA 84.048;	F-09-14 F-09-15 F-09-16

Compliance requirement	Program Name and Catalog of Federal Domestic Assistance (CFDA) number	Finding number
	Twenty-First Century Community Learning Centers, CFDA 84.287.	
Subrecipient Monitoring	Twenty-First Century Community Learning Centers, CFDA 84.287; Gaining Early Awareness and Readiness for Undergraduate Programs, CFDA 84.334.	F-09-17
Special Tests and Provisions	English Language Acquisition Grants, CFDA 84.365.	F-09-20

Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the table above, the District complied, in all material respects, with the requirements that are applicable to each of its major federal programs for the year ended June 30, 2009. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items: F-09-01, F-09-02, F-09-03, F-09-05, F-09-06, F-09-08, F-09-09, F-09-10, F-09-13 and F-09-19.

Internal Control over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described



in the accompanying schedule of findings and questioned costs as items F-09-01 to F-09-20 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items: F09-01, F09-04, F-09-07, 09-09, F-09-10, F-09-12, F-09-14, F09-15, F-09-16, F-09-17, F-09-19, and F-09-20 to be material weaknesses.

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

This report is intended solely for the information and use of the Board of Education, District management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads 'Simpson & Simpson'.

February 19, 2010
Los Angeles, California



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Auditor's Report on State Compliance

The Honorable Board of Education
Los Angeles Unified School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Los Angeles Unified School District** (the District), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 19, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Education Audit Appeals Panel's *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2008-09* (the Guide). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of the District's compliance with those requirements.

The District's management is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

	Number of Procedures in Education Audit Appeals Panel Audit Guide, Standards and Procedures for Audits of California K-12 Local Education Agencies 2008-09	Procedures performed
Attendance Accounting:		
Attendance Reporting	8	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Adult Education	9	N/A ¹
Regional Occupational Centers and Programs	6	N/A ¹

	Number of Procedures in Education Audit Appeals Panel Audit Guide, Standards and Procedures for Audits of California K-12 Local Education Agencies 2008-09	Procedures performed
Instructional Time for:		
School Districts	6	Yes
County Office of Education	3	Not applicable
Community Day Schools	9	3 ²
Morgan-Hart Class Size Reduction Program	7	N/A ¹
Instructional Materials:		
General Requirements	12	1 ³
K-8 only	1	N/A ¹
Grades 9-12 only	1	N/A ¹
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
Mathematics Reading and Professional Development	4	N/A ¹
Class Size Reduction:		
General Requirements	7	Yes
Option One	3	Yes
Option Two	4	Not applicable
Districts or Charter School with only One School Serving K-3	4	Not applicable
After School Education and Safety Program:		
After School Program	4	Yes
Before School Program	5	Yes
General Requirements	4	Yes
Contemporaneous Records of Attendance for Charter Schools	1	Yes
Mode of Instruction, for Charter Schools	1	Yes

	Number of Procedures in Education Audit Appeals Panel Audit Guide, Standards and Procedures for Audits of California K-12 Local Education Agencies 2008-09	Procedures performed
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	3	Yes

¹ This program is not required to be audited per flexibility provisions in SBx3 4.

² The number of procedures to be performed was reduced per flexibility provisions in SBx3 4. Section 19825 procedures (e) and (g) were not performed.

³ The number of procedures to be performed was reduced per flexibility provisions in SBx3 4. Section 19828.3 procedures (b), (c), and (e) were not performed.

Based on our audit, we found that, for items tested, the District complied with state laws and regulations referred to above, except as described in the accompanying schedule of findings and questioned costs relating to state awards. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the District had not complied with the state laws and regulations.

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

Simpson & Simpson

February 19, 2010
Los Angeles, California

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Schedule of Findings and Questioned Costs

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Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes

Identification of major programs and type of auditor’s report issued on compliance for each major program:

CFDA #	Name of Federal Program	Opinion
10.553, 10.555 and 10.559	Department of Agriculture – Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children	Qualified
10.558	Department of Agriculture – Child and Adult Care Food Program	Unqualified
10.561	Department of Agriculture – Food Stamp Cluster: State Administrative Matching Grants for Food Stamp Program	Unqualified
84.010	Department of Education – Title I Grants to Local Educational Agencies	Qualified
84.027 and 84.173	Department of Education – Special Education Cluster: Special Education Grants to States, Special Education Preschool Grants	Qualified
84.048	Department of Education – Vocational Education Basic Grants to States	Qualified
84.186	Department of Education - Safe and Drug Free Schools and Communities State Grants	Qualified

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CFDA #	Name of Federal Program	Opinion
84.215	Department of Education – Fund for the Improvement of Education	Qualified
84.287	Department of Education – Twenty-First Century Community Learning Centers	Qualified
84.298	Department of Education – State Grants for Innovative Programs	Qualified
84.318	Department of Education – Education Technology State Grants	Unqualified
84.334	Department of Education – Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	Qualified
84.357	Department of Education – Reading First State Grants	Qualified
84.365	Department of Education – English Language Acquisition Grants	Qualified
84.367	Department of Education – Improving Teacher Quality State Grants	Qualified
93.575 93.596	Department of Health and Human Services – Child Care and Development	Qualified
84.002	Department of Education – Workforce Investment Act, Title II: Adult Education and Family Literacy Act	Qualified
•	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:	\$2,953,871
•	Auditee qualified as low risk auditee	No
State Awards		
Type of auditor's report issued on compliance for state programs:		Unqualified

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Section II – Findings Relating to the Basic Financial Statements which are Required to be Reported in Accordance with GAS

FS-09-01 - Lack of IFS Security Reporting - Material Weakness

State Audit Guide Finding Code: 30000

Criteria

Security reporting is a key mechanism to facilitate the effective review of access to critical and sensitive accounting system transactions, for example, journal entry creation, vendor record update, accounts payable transactions, etc.

Condition

Security user access reports are not generated and reviewed periodically to certify access to IFS system accounting transactions.

Cause and Effect

The lack of sufficient security reporting could result in management's inability to effectively manage access to sensitive accounting transactions and ensure that the system adequately enforces segregation of duties.

Recommendation

IFS user access security reports be developed to facilitate management review of user access to IFS transactions. These reports should be reviewed periodically by Accounting Department management to ensure access to sensitive accounting system transactions is appropriate and restricted based upon the user's job function.

View of Responsible Officials and Planned Corrective Action

Management agrees with finding and is in the process of developing an IFS user access security report. (Estimated completion date: July 1, 2010.)

FS-09-02 - Lack of Logging and Security Monitoring Control Processes - Significant Deficiency

State Audit Guide Finding Code: 30000

Criteria

The logging of user activity is a critical audit trail control. Within the Windows network, event logs may be set to record user account related events (e.g., account logons, use of security administration privileges, etc.) by a success/failure criteria.

Condition

The Windows server network audit logging is not enabled to log the use of network system privileges for successes and failures. Also, although the following logs are enabled, they are not reviewed on a regular basis:

- Audit account logon events

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- Audit account management
- Audit system events
- Audit policy change
- Audit directory service accesses
- Audit object access
- Audit logon events

Cause and Effect

Unauthorized access to the network may not be detected if unsuccessful user authentication attempts and other types of potential security violations are not consistently logged and reviewed periodically.

Recommendation

Windows network logs which capture critical activities should be reviewed on a timely basis. If necessary, log filtering tools can be used to enable efficient monitoring and review of access.

View of Responsible Officials and Planned Corrective Action

ITD management is currently configuring a network log tool, e.g., MARS (Monitoring Analysis & Response System) for June 1, 2010 implementation to facilitate automating log filtering and review.

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Section III – Findings and Questioned Costs for Federal Awards

Program Identification

Finding Reference Number:

F-09-01

Federal Program Title, Awarding Agency, Pass-Through Entity, Catalog of Federal Domestic Assistance (CFDA) Number, and Award Number:

Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children, U.S. Department of Agriculture (USDA), Passed through the California Department of Education, CFDA No. 10.553, 10.555, and 10.559, Grant Agreement 19-64733-0000000-01.

Title I Grants to Local Educational Agencies: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.010, Grant Agreement S010A070005 (09-14329-6473);

Special Education Cluster: Grants to States, Preschool Grants, U.S. Department of Education, Passed through the California Department of Education, CFDA No. 84.027, and 84.173, Grant Agreements 08-13379-6473-01 and 08-13682-64733-01;

Vocational Education Basic Grants to States: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.048, Grant Agreements 08-14894-64733-00, 08-14893-74435-00, and 08-14893-6733-00;

Safe and Drug-Free Schools and Communities, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.186, Grant Agreements Q186A080005 and 08-14109-64733-00;

Fund for the Improvement of Education, U.S. Department of Education (ED), CFDA No. 84.215, Grant Agreements V215L052108, and S215L060084;

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP), U.S.

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Department of Education (ED), CFDA No. 84.334, Grant Agreements P334A050008 and P334A050178;

Reading First State Grants; U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.357, Grant Agreement 07-14328-6473-00;

English Language Acquisition Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.365, Grant Agreement 09-10084-6473;

Improving Teacher Quality State Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.367, Grant Agreement PCA14344/14341.

Child Care and Development Fund: Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund; U.S. Department of Health and Human Services, Passed through the California Department of Education, CFDA Nos. 93.575 and 93.596, Contract CCTR-8159

Workforce Investment Act, Title II: Adult Education and Family Literacy Act, Pass through the California Department of Education, CFDA No. 84.002, Grant Agreements 08-14508-64733-00 and 08-14109-64733-00;

Compliance Requirement:

Allowable Costs

State Audit Guide Finding Code:

30000 and 50000

Criteria

OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, Attachment B, Selected Items of Cost, Part 8, Compensation for Personal Services, Section H, Support of salaries and wages:

- Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

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- 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 nonfederal award,
 - (c) An indirect cost activity and a direct cost activity,
 - (d) Two or more indirect activities which are allocated using different allocation bases, or
 - (e) An unallowable activity and a direct or indirect cost activity.
- Personnel activity reports or equivalent documentation must meet the following standards:
 - (a) They must reflect an after the fact distribution of the actual activity of each employee,
 - (b) They must account for the total activity for which each employee is compensated,
 - (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
 - (d) They must be signed by the employee.

Condition

As part of our compliance review over payroll expenditures, we selected a sample of payroll expenditures charged to the program to ascertain if they were allowable per program regulations, accurately charged to the program, and appropriately supported in accordance with the OMB Circular A-87.

Child Nutrition Cluster: In our sample of 60 payroll expenditures, we noted that 15 of the 60 sampled employees did not have appropriate documentation in accordance with OMB Circular A-87 to support the payroll expenditures charged to the program as follows:

- 4 employees totaling \$2,689 were unable to provide either multifunded timesheets or semiannual certifications to support the payroll expenditures charged to the program.
- 2 employees totaling \$869 provided semiannual certifications; however, the certifications were not dated subsequent to our requests.
- 2 employees totaling \$836 provided semiannual certifications; however, the certifications were signed but not dated. As such, we were unable to determine if the certifications were prepared timely.
- 2 employees totaling \$6,871 provided semiannual certifications; however, the certifications were not prepared timely (approximately 3 months late).

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- 5 employees totaling \$4,554 were unable to provide us with time reporting documentation to support the hours charged to the program.

Total exceptions amounted to \$15,819 of the \$59,856 sampled from the \$182,078,385 of total payroll and benefit expenditures for the fiscal year ended June 30, 2009.

Title I Grants to LEA: In our sample of 60 payroll expenditures, we noted that 5 of the 60 sampled employees did not have appropriate documentation in accordance with OMB Circular A-87 to support the payroll expenditures charged to the program as follows:

- 3 employees totaling \$11,236 provided signed semiannual certifications; however, the certifications were signed and dated subsequent to our requests.
- 2 employees totaling \$445 were missing time reporting documentation to support the hours charged to the program.

Total exceptions amounted to \$11,681 of the \$129,495 sampled from the \$278,630,778 of total payroll and benefit expenditures for the fiscal year ended June 30, 2009.

Special Education Cluster: In our sample of 60 payroll expenditures, we noted that 16 of the 60 sampled employees did not have appropriate documentation in accordance with OMB Circular A-87 to support the payroll expenditures charged to the program as follows:

- 3 employees totaling \$32,158 provided semiannual certifications; however, the certifications were signed and dated subsequent to our requests.
- 1 employee totaling \$7,639 provided semiannual certification; however, the certification was not dated. As such, we were unable to determine if the certification was prepared timely.
- 2 employees totaling \$17,154 provided semiannual certifications; however, the certifications were not prepared timely (approximately 3 months late).
- 10 employees totaling \$15,091 provided timesheets; however, the hours reported on the timesheets were different than the hours recorded on the SAP payroll records.

Total exceptions amounted to \$72,042 of the \$299,788 sampled from the \$116,075,135 of total payroll and benefit expenditures for the fiscal year ended June 30, 2009.

Vocational Education Basic Grants to States: In our sample of 40 payroll expenditures, we noted that 4 of the 40 sampled employees did not have appropriate documentation in accordance with OMB Circular A-87 to support the payroll expenditures charged to the program as follows:

- 1 employee totaling \$1,099 provided semiannual certification; however, the certification was signed and dated subsequent to our request.
- 1 employee totaling \$3,833 provided semiannual certification; however, the certification was not dated. As such, we were unable to determine if the certification was prepared timely.
- 2 employees totaling \$8,605 provided timesheets; however, the hours reported on the timesheets were different than what were recorded on the SAP payroll records.

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Total exceptions amounted to \$13,537 of the \$145,178 sampled from the \$5,458,499 of total payroll and benefit expenditures for the fiscal year ended June 30, 2009.

Safe and Drug-free Schools and Communities: In our sample of 40 payroll expenditures, we noted that 7 of the 40 sampled employees did not have appropriate documentation in accordance with OMB Circular A-87 to support the payroll expenditures charged to the program as follows:

- 5 employees totaling \$39,390 provided signed semiannual certifications; however, the certifications were signed and dated subsequent to our request.
- 2 employees totaling \$2,188 did not provide all adequate time sheets to support the hours paid per the SAP payroll records.

Total exceptions amounted to \$41,578 of the \$237,723 sampled from the \$3,805,694 of total payroll and benefit expenditures for the fiscal year ended June 30, 2009.

Fund for the Improvement of Education: In our sample of 40 payroll expenditures, we noted that 12 of the 40 sampled employees did not have appropriate documentation in accordance with OMB Circular A-87 to support the payroll expenditures charged to the program as follows:

- 2 employees totaling \$2,921 were unable to provide either a multifunded timesheet or a semiannual certification to support the payroll expenditures charged to the program.
- 7 employees totaling \$20,489 provided signed semiannual certifications; however, the certifications were signed and dated subsequent to our request.
- 2 employees totaling \$12,661 provided signed semiannual certifications; however, the certifications were not prepared timely (approximately 3 months late).
- 1 employee totaling \$310 provided the timesheet; however, the hours reported on the timesheet were different than the hours recorded on the SAP payroll records.

Total exceptions amounted to \$36,381 of the \$96,164 sampled from the \$2,223,856 of total payroll and benefit expenditures for the fiscal year ended June 30, 2009.

GEAR-UP: In our sample of 40 payroll expenditures, we noted that 6 of the 40 sampled employees did not have appropriate documentation in accordance with OMB Circular A-87 to support the payroll expenditures charged to the program as follows:

- 1 employee totaling \$6,132 provided semiannual certification; however, the certification was signed and dated subsequent to our request.
- 2 employees totaling \$11,415 provided semiannual certifications; however, the certifications were not dated. As such, we were unable to determine if the certifications were prepared timely.
- 2 employees totaling \$6,620 provided semiannual certifications; however, the certifications were not prepared timely (approximately 3 months late).

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- 1 employee totaling \$967 was unable to provide us with time reporting documentation to support the hours charged to the program.

Total exceptions amounted to \$25,134 of the \$170,677 sampled from the \$3,935,214 of total payroll and benefit expenditures for the fiscal year ended June 30, 2009.

Reading First State Grants: In our sample of 40 payroll expenditures, we noted that 11 of the 40 sampled employees did not have appropriate documentation in accordance with OMB Circular A-87 to support the payroll expenditures charged to the program as follows:

- 2 employees totaling \$6,672 were unable to provide either a multifunded timesheet or a semiannual certification to support the payroll expenditures charged to the program.
- 3 employees totaling \$14,628 provided semiannual certifications; however, the certifications were signed and dated subsequent to our request.
- 2 employees totaling \$12,524 provided semiannual certifications; however, the certifications were not dated. As such, we were unable to determine if the certifications were prepared timely.
- 4 employees totaling \$25,154 provided semiannual certifications; however, according to SAP, these employees were assigned to different programs and these programs did not appear to be under a single cost objective. Therefore, multifunded timesheets should have been prepared to support the time allocations .

Total exceptions amounted to \$58,978 of the \$106,648 sampled from the \$15,271,880 of total payroll and benefit expenditures for the fiscal year ended June 30, 2009.

English Language Acquisition Grants: In our sample of 40 payroll expenditures, we noted that 16 of the 40 sampled employees did not have appropriate documentation in accordance with OMB Circular A-87 to support the payroll expenditures charged to the program as follows:

- 2 employees totaling \$8,506 were unable to provide any timesheets to support the payroll expenditure charged to the program.
- 6 employees totaling \$19,779 provided semiannual certifications; however, the certifications were signed and dated subsequent to our request.
- 3 employees totaling \$14,410 provided semiannual certifications; however, the certifications were not dated. As such, we were unable to determine if the certifications were prepared timely.
- 1 employee totaling \$1,912 provided semiannual certification; however, the certification was not prepared timely (approximately 3 months late).
- 3 employees totaling \$7,174 provided semiannual certifications; however, according to SAP, these employees were assigned to different programs and these programs did not appear to be

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under a single cost objective. Therefore, multifunded timesheets should have been prepared to support the time allocations.

- 1 employee totaling \$2,093 provided a multifunded timesheet; however, the timesheet did not contain the program code that we selected for review.

Total exceptions amounted to \$53,874 of the \$203,223 sampled from the \$10,049,456 of total payroll and benefit expenditures for the fiscal year ended June 30, 2009.

Improving Teacher Quality State Grants: In our sample of 60 payroll expenditures, we noted that 3 of the 60 sampled employees did not have appropriate documentation in accordance with OMB Circular A-87 to support the payroll expenditures charged to the program as follows:

- 2 employees totaling \$5,147 provided signed semiannual certifications; however, the certifications were signed and dated subsequent to our requests.
- 1 employee totaling \$756 provided a timesheet; however, the hours reported on the timesheet were different than the hours recorded on the SAP payroll records.

Total exceptions amounted to \$5,903 of the \$361,022 sampled from the \$40,160,719 of total payroll and benefit expenditures for the fiscal year ended June 30, 2009.

Child Care and Development Fund: In our sample of 40 payroll expenditures, we noted that 10 of the 40 sampled employees did not have appropriate documentation in accordance with OMB Circular A-87 to support the payroll expenditures charged to the program as follows:

- 5 employees totaling \$9,863 provided signed semiannual certifications; however, the certifications were not timely prepared. They were signed and dated subsequent to our requests.
- 3 employees totaling \$984 provided timesheets; however, the hours reported on the timesheets were different than the hours recorded on the SAP payroll records.
- 2 employees totaling \$354 were unable to provide any timesheets to support the payroll expenditures charged to the program.

Total exceptions amounted to \$11,201 of the \$99,664 sampled from the \$103,806,748 of total payroll and benefit expenditures for the fiscal year ended June 30, 2009.

Workforce Investment Act: In our sample of 40 payroll expenditures, we noted that 8 of the 40 sampled employees did not have appropriate documentation in accordance with OMB Circular A-87 to support the payroll expenditures charged to the program as follows:

- 3 employees totaling \$11,515 provided semiannual certifications; however, the certifications were signed and dated subsequent to our request.
- 1 employee totaling \$2,383 provided semiannual certification; however, the certification was not dated. As such, we were unable to determine if the certification was prepared timely.

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- 3 employees totaling \$19,516 provided semiannual certifications; however, the certifications were not prepared timely (approximately 3 months late).
- 1 employee totaling \$800 did not provide adequate timesheet to support the hours paid per the SAP payroll records.

Total exceptions amounted to \$34,214 of the \$308,420 sampled from the \$13,331,711 of total payroll and benefit expenditures for the fiscal year ended June 30, 2009.

Cause and Effect

In March 2009, the District updated its procedures in monitoring compliance with federal time reporting requirements. The significant noncompliance resulted from a lack of understanding of the federal compliance requirements by the District's employees.

These findings are repeat findings, have been reported previously for June 30, 2005 to June 30, 2008 (F-05-01, F-06-01, F-07-01, and F-08-01).

Questioned Costs: \$380,342 (see summary below):

- **Child Nutrition Cluster:** \$15,819 (\$4,554 inadequate support, \$2,689 semiannual certifications not provided, \$836 certifications not dated, and \$7,740 untimely)
- **Title I Grants to LEA:** \$11,681 (\$445 inadequate support, \$11,236 untimely)
- **Special Education Cluster:** \$72,042 (\$15,091 inadequate support, \$49,312 untimely, and 7,639 certification not dated)
- **Vocational Education Basic Grants to States:** \$13,537 (\$8,605 inadequate support, \$1,099 untimely, and 3,833 not dated)
- **Safe and Drug-free Schools and Communities:** \$41,578 (\$2,188 inadequate support, \$39,390 untimely)
- **Fund for the Improvement of Education:** \$36,381 (\$310 inadequate support, \$2,921 semiannual certifications not provided, and \$33,150 untimely)
- **GEAR-UP:** \$25,134 (\$967 inadequate support, \$11,415 certifications not dated, and \$12,752 untimely)
- **Reading First State Grants:** \$58,978 (\$25,154 inadequate support, \$6,672 certifications not provided, \$12,524 not dated, \$14,628 untimely)
- **English Language Acquisition Grants:** \$53,874 (\$17,773 inadequate support, \$14,410 certifications not dated, \$21,691 untimely)
- **Improving Teacher Quality State Grants:** \$5,903 (\$756 inadequate support, \$5,147 untimely)
- **Child Care and Development Fund:** \$11,201 (\$1,338 inadequate support, \$9,863 untimely)
- **Workforce Investment Act:** \$34,214 (\$800 inadequate support, \$2,383 certification not dated, \$31,031 untimely)

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Recommendation

We recommend that the District continue to provide ongoing training to appropriate personnel on the updated procedures. We also recommend that the District meet with the School Administrative Assistants who oversee time reporting in schools, and provide them additional guidance.

Views of Responsible Officials and Planned Corrective Actions

By March 2010, the District will issue another revision to the "Time reporting for Federal and State Categorical Programs" bulletin which will further clarify which employees must complete the certification form, and add a monitoring component to further ensure that affected employees are in compliance. The new bulletin will concentrate on the certification requirements; the timekeeping components will be addressed in a separate bulletin.

A report that lists employees that need semi-annual certification/multi-funded time report/personnel activity reports will be sent to schools. The Local District's and schools will be required to certify correctness of the file sent to them and keep the certifications on file.

The District is also contemplating enhancing the centralized monitoring function of time reporting and certification compliance for federally funded employees. Staff has visited the LA County Office of Education to discuss/observe their centralized system in order to determine if their methodology is viable and applicable to the District.

Program Identification

Finding Reference Number:	F-09-02
Catalog of Federal Domestic Assistance Number:	84.010
Federal Program Title	Title I Grants to Local Educational Agencies: U.S. Department of Education (ED),
Pass-Through Entity	California Department of Education, CFDA No. 84.010,
Award Number:	Grant Agreement S010A080005 (09-14329-6473)
Compliance Requirement:	Allowable Costs
State Audit Guide Finding Code:	30000 and 50000

Criteria

Code of Federal Regulations – Title 34 – Education, Part 75 – Direct Grant Programs – Subpart F – What Are the Administrative Responsibilities of a Grantee? Section 75.702 Fiscal control and fund accounting procedures.

- A grantee shall use fiscal control and fund accounting procedures that ensure proper disbursement of and accounting for federal funds.

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OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment A, General Principles for Determining Allowable Costs, Part C, Basic Guidelines:

- Factors affecting allowability of costs. To be allowable under federal awards, costs must meet the following general criteria:
 - a. Be necessary and reasonable for proper and efficient performance and administration of federal awards.
 - b. Be allocable to federal awards under the provisions of this circular.
 - c. Be authorized or not prohibited under state or local laws or regulations.
 - d. Conform to any limitations or exclusions set forth in these principles, federal laws, terms and conditions of the federal award, or other governing regulations as to types or amounts of cost items.
 - e. Be consistent with policies, regulations, and procedures that apply uniformly to both federal awards and other activities of the governmental unit.
 - f. Be accorded consistent treatment. A cost may not be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the federal award as an indirect cost.
 - g. Except as otherwise provided for in this circular, be determined in accordance with generally accepted accounting principles.
 - h. Not be included as a cost or used to meet cost sharing or matching requirements of any other federal award in either the current or a prior period, except as specifically provided by federal law or regulation.
 - i. Be the net of all applicable credits.
 - j. Be adequately documented.
- Allocable costs.
 - a. A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.
 - b. Any cost allocable to a particular federal award or cost objective under the principles provided for in this circular may not be charged to other federal awards to overcome fund deficiencies, to avoid restrictions imposed by law or terms of the federal awards, or for other reasons.

Condition

As part of our procedures over program expenditures, we selected a sample of adjusting journal vouchers for non-payroll expenditures that were recorded and charged to the program to ascertain if they were appropriately supported in accordance with OMB cost circular documentation requirements. We noted that 7 of the 25 sampled adjusting journal vouchers recorded to expenditure accounts were not allowable in accordance with OMB Circular A-87 or the program guidelines:

- 1 journal voucher totaling \$8,262 was charged for the regular textbooks for foreign language subject. Textbooks are not allowable cost to Title I as they are not supplemental activities.

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- 1 journal voucher totaling \$5,541 was charged for hotel charges; however, the District was unable to provide appropriate documentation to support allowable activity of this charge.
- 3 journal vouchers totaling \$14,088 were charged for food services provided to students who were enrolled in the Learning Academy program which provides intervention/supplemental services to students who are at risk or struggling for learning. Food costs are not allowable to this program.
- 2 journal vouchers totaling \$38,026 were charged to “other expense”. The expenditures were originally recorded in a suspense account in SAP payroll and then transferred at year-end through journal vouchers to object code 5805, other expense. However, we were unable to obtain documentation to support the nature of the expenditures and the allowablilty to the program.

Total exception of \$65,917 of the \$2,645,671 sampled of the \$29,320,357 charges of journal vouchers for the fiscal year 2008-09.

Cause and Effect

Adequate controls are not in place to ensure that all adjusting journal vouchers for charges to federal programs have sufficient supporting documentation for allowable activities.

This is a repeat finding from June 30, 2008 (F-08-02) and June, 30, 2007 (F-07-04).

Questioned Costs

\$65,917

Recommendation

We recommend that the District provide additional guidance/training to ensure appropriate documentation is maintained to support expenditures charged to federally funded programs. The District should also strengthen its controls over its charges to the federally funded programs to ensure that the reimbursement is in accordance with federal guidelines.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the finding. The District will provide more guidance and training to ensure appropriate documentation is on file. Although the cost of the errors is due to a technical assignment issue, the District will strengthen its controls.

Program Identification

Finding Reference Number:

F-09-03

Federal Program Title, Awarding Agency, Pass-Through Entity, Catalog of Federal Domestic Assistance (CFDA) Number, and Award Number:

Safe and Drug-Free Schools and Communities, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.186, Grant Agreement Q186A080005 (PCA14347-64733);

Fund for the Improvement of Education, U.S. Department of Education (ED), CFDA No. 84.215,

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Grant Agreements V215L052108 and
S215L060084.

Compliance Requirement: Allowable Costs

State Audit Guide Finding Code: 30000 and 50000

Criteria

Code of Federal Regulations – Title 34 – Education, Part 75 – Direct Grant Programs – Subpart F – What Are the Administrative Responsibilities of a Grantee? Section 75.702 Fiscal control and fund accounting procedures.

- A grantee shall use fiscal control and fund accounting procedures that ensure proper disbursement of and accounting for federal funds.

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment A, General Principles for Determining Allowable Costs, Part C, Basic Guidelines:

- Factors affecting allowability of costs. To be allowable under federal awards, costs must meet the following general criteria:
 - k. Be necessary and reasonable for proper and efficient performance and administration of federal awards.
 - l. Be allocable to federal awards under the provisions of this circular.
 - m. Be authorized or not prohibited under state or local laws or regulations.
 - n. Conform to any limitations or exclusions set forth in these principles, federal laws, terms and conditions of the federal award, or other governing regulations as to types or amounts of cost items.
 - o. Be consistent with policies, regulations, and procedures that apply uniformly to both federal awards and other activities of the governmental unit.
 - p. Be accorded consistent treatment. A cost may not be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the federal award as an indirect cost.
 - q. Except as otherwise provided for in this circular, be determined in accordance with generally accepted accounting principles.
 - r. Not be included as a cost or used to meet cost sharing or matching requirements of any other federal award in either the current or a prior period, except as specifically provided by federal law or regulation.
 - s. Be the net of all applicable credits.
 - t. Be adequately documented.
- Allocable costs.
 - c. A cost is allocable to a particular cost objective if the goods or services involved are

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chargeable or assignable to such cost objective in accordance with relative benefits received.

- d. Any cost allocable to a particular federal award or cost objective under the principles provided for in this circular may not be charged to other federal awards to overcome fund deficiencies, to avoid restrictions imposed by law or terms of the federal awards, or for other reasons.

Condition

As part of our procedures over program expenditures, we selected samples of non-payroll expenditures charged to each program to ascertain if the expenditures were allowable per program regulations, accurately charged to the program, and appropriately supported in accordance with the OMB cost circular documentation requirement.

Safe and Drug-free Schools and Communities: In the sample of 40 non-payroll expenditures we noted the following exceptions:

- 1 expenditure sampled totaling \$2,620 was paid for 160 books for poem and quotes called "Inspiration 52", which were not a program related activity.
- 1 expenditure sampled totaling \$10,000 was paid to a vendor to assist Beyond the Bell in preparing the 21st Century Community Learning Centers grant applications to the California Department of Education, which was not a program related activity.

The total exceptions amounted to \$12,620 out of the \$3,607,216 sampled from the \$2,376,497 total non-payroll program expenditures for the fiscal year ended June 30, 2009.

Fund for the Improvement of Education: In the sample of 40 non-payroll expenditures we noted the following exceptions:

- 1 expenditure sampled totaling \$5,461 was paid for algebra textbooks; which was an unallowed cost per program.
- 5 expenditures sampled totaling of \$5,238 was charged for laser cartridges and toners charged; however, insufficient documentation was provided to support the purchase of the toners.

The total exceptions amounted to \$10,699 out of the \$744,973 sampled from the \$1,580,660 total non-payroll program expenditures for the fiscal year ended June 30, 2009.

Cause and Effect

Adequate controls are not in place to ensure that all expenditures charged to these federally funded programs are for allowable activities and have sufficient supporting documentation.

These findings are repeat findings, having been reported previously for June 30, 2007 (07-05).

Questioned Costs:

\$23,319

Safe and Drug-free Schools and Communities: \$12,620

Fund for the Improvement of Education: \$10,699

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Recommendation

We recommend that the District provide additional guidance/training to ensure appropriate documentation is maintained to support expenditures charged to federally funded programs. The District should also strengthen its controls over its charges to the federally funded programs to ensure that the reimbursement is in accordance with federal guidelines.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the finding. Program Administrators will remind Principals and central office administrators of the allowable uses of Safe and Drug Free and Small Learning Community (SLC) funds. One high school has completely converted to SLC's and expenditures from all funding sources will support the operation of SLC's.

Program Identification

Finding Reference Number:

F-09-04

Federal Program Title, Awarding Agency, Pass-Through Entity, Catalog of Federal Domestic Assistance (CFDA) Number, and Award Number:

Child Care and Development Fund: Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund; U.S. Department of Health and Human Services, Passed through the California Department of Education, CFDA Nos. 93.575 and 93.596, Contract CCTR-8159

Compliance Requirement:

Eligibility

State Audit Guide Finding Code:

30000 and 50000

Criteria

Section D of the District Contract with CDE, Certification of Eligibility:

The contractor shall designate the staff person authorized to certify eligibility. Prior to initial enrollment and at the time of recertification, an authorized representative of the contractor shall:

- Certify each family's/child's eligibility for child care and development services after reviewing the completed application and documentation contained in the family data file.
- Issue a notice of Action and Application for services.

Section E, Child Care and Development Center-Based Program Requirements, Contents of Family Data File:

- The Contractor shall establish and maintain a family data file for each family receiving child care and development services.
- The family data file shall contain a completed and signed application for services and the following records as applicable to determine eligibility and need in accordance with section 1.A, 1.B and 1.C above:
 - a. Documentation of income eligibility, including an income calculation worksheet;
 - b. Documentation of employment;
 - c. Documentation of seeking employment;

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- d. Documentation of training;
- e. Documentation of parental incapacity;
- f. Documentation of child's exceptional needs;
- g. Documentation of homelessness;
- h. Documentation of seeking permanent housing for family stability
- i. Written referral from a legally qualified professional from a legal, medical or social services agency or emergency shelter for children at risk of abuse, neglect or exploitation;
- j. Written referral from a county welfare department, child welfare services worker, certifying that the child is receiving protective services and the family requires child care and development services as part of the case plan;
- k. For parents receiving cash assistance, documentation regarding the approved welfare to work plan or activity that may include documentation of days and hours of need;
- l. If the parent of the child was on cash assistance, the date the parental cash aid was terminated.
 - A signed Child Care data collection Privacy Notice and Consent Form CD 9600A (Rev. 01/04) shall be included.
 - Notice of Action, Application for Services and/or Recipient of Services shall be included.
 - The family data file shall contain all child health and current emergency information required by California Code of regulations, Title 22, Social Security, Division 12, and Community Care Facilities Licensing Regulations with the following exception. Immunization records are not required to be in the family data file for children attending a public or private elementary school or for children receiving care in licensed facilities and reimbursed pursuant to Education Code sections 8220 and 8350.

Condition

In our procedures performed to determine eligibility for the childcare program called CCTR, we sampled a total of 60 files from 10 out of 100 Early Education Child Care Centers and requested the children files such as annual recertification forms, pay stubs or letter to determine if the eligibility status recorded in the Early Education Student Information System (EESIS) was accurate and supported. A total of 4 exceptions were noted as a result of the review and they were as follows:

- 2 recertification forms were provided without any back up supporting the reported annual income.
- 1 recertification form was provided without any paystubs supporting the annual income calculation. According to the employment verification form, the applicant was paid biweekly with checks. Therefore, paystubs were required.
- 1 file was provided without any evidence of recertification being performed for the fiscal year 2008-09.

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Hence, we were unable to determine if the 4 families were eligible for the program and/or if any applicable fees should have been collected for child care services rendered to those children.

Cause and Effect

A lack of effective and timely monitoring by the District over the functions performed by the center managers and possible staffing issues has resulted in a failure to follow procedures during eligibility determination and annual recertification.

Questioned Costs

\$30,801

The final program cost for the child care program is calculated by the California Department of Education (CDE) in accordance with sections 18039, 18054 and 18064 under the Title 5 of the California Code of Regulations. The calculation is also performed and determined on the form CDFS 9500F. As of our report date, CDE has not submitted such form or the final cost determination to the District. As such, the questioned cost we projected is based on *the actual numbers of enrollment days of those 4 children¹* multiplied by *the Maximum Rate per Child day of enrollment of \$34.38* for the fiscal year 2008-09 which amounted to \$30,801.

1. *The actual numbers of enrollment days are retrieved from the EESIS system which details the number of days of each child attendance for the period starting from the date of the recertification date to June 30, 2009.*

Recommendation

We recommend the District strengthen its monitoring process to ensure that student files are reviewed on a regular basis in order to comply with the contract and records provision. The District should also provide training sessions for the center managers to ensure that they are aware of the federal requirements in relation to eligibility and that the required documentation is being maintained.

Views of responsible Officials and Planned Corrective Actions

The District agrees with the finding. Local District Early Childhood Education (ECE) Directors will meet with the Office Managers and Administrators to review the current Bulletins and Guidelines on Income Verification and Recertification. The guidelines are in Bulletin 4358.0, dated July 21, 2008, "Verification of Monthly Income of Families Enrolled in Early Childhood Education Programs" and Bulletin 4365.0 dated July 21, 2008, "Recertification Procedures for Families Enrolled in Early Childhood Education Programs". In addition, the central office ECE Administrators will work with the Local District Superintendents to support the continuing training and provide updated information to reinforce the mandates of the Child Development Programs. The central office Administration will request Local Districts to provide copies of the meetings and the agenda on Early Childhood Education professional development and trainings.

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Program Identification

Finding Reference Number:	F-09-05
Federal Catalog of Domestic Assistance Number:	84.357
Federal Program Title:	Reading First State Grants, U.S. Department of Education
Pass-Through Entity:	California Department of Education
Award Number:	Grant Agreement 07-14328-6473-00
Compliance Requirement:	Eligibility
State Audit Guide Finding Code:	30000 and 50000

Criteria

Eligibility – Participation Schools, Reading First Program Subgrant Application, Section I. Program

To be eligible to be a participating school, a school must (1) be in an eligible LEA, (2) have 40% or more of its second and third graders scoring in categories “below basic” and “far below basic” in reading on the California Standards Test, and (3) be a program improvement school or have 50 percent or more of its students counted for allocation of Title I, Part A, funding.

LEAs will identify which of the eligible schools will participate in the LEA’s Reading First Program. LEA’s should choose schools based on need, and ability and desire to implement the program. *As part of the Subgrant Application, LEAs will be asked to describe their selection processes and why each school was chosen.*

Condition

In our procedures performed to determine eligibility for 214 participating schools funded in the fiscal year 2008-09, we noted that Ochoa Learning Center, which was not approved by the California Department of Education (CDE), was added to the 2008-09 Reading First Schools list. Total expenditure of \$47,333 was transferred to the Reading First grant for this school through journal voucher for the fiscal year 2008-09.

Cause and Effect

Effective controls are not in place to ensure that only CDE approved schools can be funded by Reading First grant. Costs claimed for the ineligible school may be disallowed.

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Questioned Costs

\$47,333

Recommendation

Since this is the last year for the Reading First Program under No Child Left Behind, we recommend that the District resolve the questioned cost with CDE directly.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the finding. The Reading First Office underwent a reorganization. In the process it appears that a list of Reading First schools included Ochoa Learning Center in error was used in making allocations. The list of schools has been reviewed and corrected and only those schools that have been approved by CDE are now on the list.

Program Identification

Finding Reference Number:

F-09-06

Federal Program Title, Awarding Agency, Pass-Through Entity, Catalog of Federal Domestic Assistance (CFDA) Number, and Award Number:

Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children, U.S. Department of Agriculture (USDA), Passed through the California Department of Education, CFDA No. 10.553, 10.555, and 10.559, Grant Agreement 19-64733-0000000-01;

Child and Adult Care Food Program, U.S. Department of Agriculture (USDA), Passed through the California Department of Education, CFDA No. 10.558, Grant Agreement 19-2016-3A;

Compliance Requirement:

Equipment Management

State Audit Guide Finding Code:

20000, 30000, and 50000

Criteria

Title 7 – Agriculture, Chapter XXX –Office of the Chief Financial Officer, Department of Agriculture Part 3015.169 – Uniform Federal Assistance Regulations – Equipment Management requirements:

Recipient procedures for managing equipment shall, as a minimum, meet the following requirements (including replacement equipment) until such actions as transfer, replacement or disposal takes place:

- a) Property records shall be maintained accurately. (Subpart D of this part contains retention and access requirements for these records.) The records shall include for each item of equipment the following:

- (1) A description of the equipment including manufacturer's serial numbers.

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- (2) An identification number, such as the manufacturer's serial number.
 - (3) Identification of the grant under which the recipient acquired the equipment.
 - (4) The information needed to calculate the Federal share of the equipment (see § 3015.172).
 - (5) Acquisition date and unit acquisition cost.
 - (6) Location, use and condition of the equipment and the date the information was reported.
 - (7) All pertinent information on the ultimate transfer, replacement, or disposal of the equipment.
- b) Every two years, at a minimum, a physical inventory shall be conducted and the results reconciled with the property records to verify the existence, current utilization, and continued need for the equipment. Any discrepancies between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the differences.
 - c) In order to insure adequate safeguards to prevent loss, damage or theft of equipment, a control system shall be used. Any loss, damage or theft of equipment shall be investigated and fully documented. The awarding agency may require a report of the circumstances involving the loss, damage, or theft of equipment.
 - d) In order to keep the equipment in good condition, adequate maintenance procedures shall be implemented.

Condition

The Food Services Branch (FSB) has implemented an automated system of accounting for equipment inventory called Filemaker, which has the capabilities to capture all equipment purchased with cafeteria funds. In our procedures performed over accuracy and completeness of the equipment inventory, we noted that the acquisition cost and other necessary information to calculate the Federal share of the equipment were omitted.

In addition, we also selected 40 sites to verify if inventory of equipment was performed properly in accordance with the Food Services Branch's internal policy and procedures dated March 27, 2008 and noted the following:

- a. A check mark was not placed on the inventory log indicating the equipment was on site for 10 schools;
- b. 34 schools did not have the cafeteria personnel's signature on the inventory log;
- c. Inventory logs for 35 schools were not dated.
- d. The items to be deleted indicated on the deletion worksheets for 13 schools could not be located on the equipment logs.
- e. Evidence for follow-up action taken for 3 out of 3 missing items was not provided for review.

Cause and Effect

Adequate supervision and sufficient guidance/training are not provided to the cafeteria personnel who were assigned to perform the inventory of equipment.

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Questioned Costs

Not applicable. This finding is considered a programmatic non-compliance issue as well as a deficiency in the internal control system to properly monitor and supervise the cafeteria personnel who are assigned to perform the inventory count of equipment.

Recommendation

We recommend FSB strengthen processes and controls by providing adequate supervision/training to ensure that inventory management be performed properly by the cafeteria staff. FSB should also update the Filemaker to include information required by Federal Regulations.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the finding. The Equipment team will be providing a training to all Senior and Supervisor staff on February 26th detailing the inventory process and what is needed to have a complete inventory listing. The Area Food Services Supervisor will be required to perform the inventory process this school year in order to update the current listing and information. Supervisors will then be required to submit all documentation before April 30th. The listings will then be input into Filemaker and it will include all information required by federal regulations.

Supervisors will also train Cafeteria Staff on the process, so the equipment inventory can be conducted again in September. This process will require cafeteria staff to submit all proper documentation.

Program Identification

Finding Reference Number: **F-09-07**

Federal Catalog of Domestic Assistance Number(s): 84.334

Federal Program Title, Awarding Agency, Pass-Through Entity, Catalog of Federal Domestic Assistance (CFDA) Number, and Award Number: Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP), U.S. Department of Education (ED), Grant Agreements P334A050008 and P334A050178.

State Administrative Matching Grants for Food Stamp Program, U.S. Department of Agriculture (USDA), Passed through the California Department of Health Services, CFDA No. 10.561, Grant Agreement 07-65328.

Compliance Requirement: Matching

State Audit Guide Finding Code: 30000 and 50000

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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.

State Administrative Matching Grants for Food Stamp Program:

Per Contract Exhibit B (Budget Detail and Payment provisions) of District's contract with California Department of Public Health (CDPH):

- The contractor shall contribute qualifying network nutrition education contributions from its own State share resources to the extent of the Contractor's State share as detailed in the State share budgets signed and approved as final by the contractor. The Contractor's State share cannot be used to match another federal program.
- The contractor is responsible for maintaining verifiable records of all State share contributions. The Contractor shall submit quarterly, State share reports documenting State share contributions. The State share documentation report shall be submitted in a form and format prescribed by the State.
- The Contractor shall return any funds necessary to repay the State for any Federal audit exceptions resulting in the disallowance of contract funds in which the contractor has not complied with the requirements of this agreement and applicable Federal regulations.
- The contractor agrees to match each federal dollar with two dollars of State share contributions as detailed in the State share budgets.

Condition

GEAR-UP (*Material weaknesses and Non-compliance findings*) – In our procedures performed over matching contributions, we selected two grants (P334A050008 and P334A050178) that reported matching expenditures totaling \$795,606 and \$3,980,398, respectively, for the fiscal year. We requested documentation to support the reported matched expenditures and noted the following:

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Grant P334A050008 (Local District 2 “LD2”):

LD2’s salary expenditure for matching was computed based on a percentage of annual salary and it was documented on a Personnel Activity Report (PAR) prepared annually. Through discussions with the program director, we noted that the percentage reported on the PAR was an estimate and no other documentation was provided to support how the percentage was derived. Therefore, we were unable to determine if salary matching was adequately supported to meet the minimum requirement. Additionally, we also noted that the annually prepared PAR did not provide an adequate description of activities contributed to the program. In accordance with OMB A-87, the PAR must be prepared at least monthly and coincide with one or more pay periods. As such, we were unable to determine if the activities for matching are necessary and reasonable for proper and efficient accomplishment of the program objectives, allowable under the applicable cost principles and conform to the provisions of the OMB circular, as applicable.

Additionally, through discussions with the program director, we also noted that LD2 did not have a system in place to verify if the sources of matching contributions were provided from non-federal grants. We selected a sample of 25 employees from one month to verify the sources of matching contributions and noted that 1 employee’s salary and benefit was funded solely by a federal program. Moreover, we also noted that LD2 did not maintain sufficient documentation to support the matching for non-personnel costs.

The total cash match of personnel and non-personnel costs amounted to \$213,785 and \$327,313, respectively. The remaining balance of the \$254,508 matching was contributed from LD2’s subrecipients.

Grant P334A050178 (Local District 4 “LD4”):

In our procedures performed for the valuation of salary matching for one month for LD4, we noted that the salary rates used in the calculation for the matching contributions were more than the actual rates we obtained from the District’s payroll system for 11 out of 25 samples tested.

The total variance amounted to \$17,345 of \$210,680 sampled from \$2,669,531 of the total cash match for salary and benefits.

Through discussion with the program director, we also noted that LD4 did not have a system in place to verify if the sources of matching contributions were provided from non-federal grants. We selected a sample of 25 employees from one month to verify the sources of matching contributions and noted that 1 employee’s salary and benefit were funded solely by a federal program. The employee’s salary and benefits for the matching amounted to \$1,290 of \$210,680 sampled from \$2,669,531 of the total cash match for salary and benefits.

The total cash match of personnel and non-personnel amounted to \$2,652,188 and 738,958, respectively. The remaining balance of the \$589,252 matching was contributed from LD4’s subrecipients.

State Administrative Matching Grants for Food Stamp Program *(Significant Control Deficiency)*

– Through discussions with the program director, we noted that the District did not have a system in

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place to verify if the sources of matching contributions were provided from non-federal grants. As such, we randomly selected a month and 40 employees whose salary and benefits were reported for matching to determine the sources of the matching. During our review, we found that 6 employees whose salaries and benefits were partially funded by Title I Grants, a federally funded program. However, based upon the evidence provided, the salaries for the matching contributed by those employees were also only a small portion of the month tested; as such, the reported matching for this program were not charged against the Title I Grants. Although, the result of our sample review did not result in any matching cost in question, it is the District's responsibility to establish proper policies and procedures to monitor and review the sources of matching contributions.

Cause and Effect

The causes of the above conditions were due to insufficient controls in place by the District and lack of knowledge of the federal compliance requirements for matching.

These findings are repeat findings, having been reported previously for June 30, 2005 to June 30, 2008 (F-05-16, F-06-13, F-07-12, and F-08-08).

Questioned Costs

GEAR-UP

Questioned matching cost for LD2 under grant P334A050008 is \$541,098.

Questioned matching cost for LD4 under grant P334A050178 is \$18,635 (the sum of \$1,290 and \$17,345).

State Administrative Matching Grants for Food Stamp Program

No questioned matching costs were noted from the review.

Recommendation

The District should establish sufficient controls, policies and procedures to ensure that (1) adequate support for matching be maintained; (2) the sources of matching contributions are from an allowable source; (3) the values placed on contributions (including third party in-kind contributions) are supported and accurate; and (4) the activities used for matching contributions are allowable costs/cost principles requirements and properly documented.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the finding. Local District 2 GEAR-UP program has revised and prepared new forms to document matching funds by dollar amount. These forms include a detailed description of activities performed and a verification that matching funds are not coming from federal sources. Local District 4 GEAR-UP program has corrected the rates used on their matching forms to the actual rates paid to the employees in question. The Nutrition Network office has revised its procedures to ensure that salaries paid by federal funds are not used to meet the matching requirement.

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Program Identification

Finding Reference Number:

F-09-08

Federal Program Title, Awarding Agency, Pass-Through Entity, Catalog of Federal Domestic Assistance (CFDA) Number, Award Number and Year:

Vocational Education Basic Grants to States: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.048, Grant Agreements 08-14894-64733-00 and 08-14893-6733-00;

Twenty-First Century Community Learning Centers, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.287, Grant Agreements 08-14535-6473-4A, 08-14349-6473-3A, 08-14349-5A, and 08-14535-6473-5A;

Reading First State Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.357, Grant Agreements 06-14328-6473-00;

English Language Acquisition Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.365, Grant Agreement 09-10084-6473;

Safe and Drug-Free Schools and Communities, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.186, Grant Agreements Q186A080005 and Q215E60268;

Workforce Investment Act, Title II: Adult Education and Family Literacy Act, Pass through the California Department of Education, CFDA No. 84.002, Grant Agreements 08-14508-64733-00 and 08-14109-64733-00;

Gaining Early Awareness and Readiness for Undergraduate Programs, U.S. Department of Education (ED), CFDA No. 84.334, Grant Agreements P334A05008 and P334A050178.

Compliance Requirement:

Earmarking – Administration

State Audit Guide Finding Code:

30000 and 50000

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Criteria

Vocational Educational Basic Grants to States: United States Code Title 20 – Education, Chapter 44 – Vocational and Technical Education, Subchapter I – Vocational and Technical Education Assistance to the States, Part C – Local Provisions, Section 2355, Local uses of funds, d) Administrative costs:

- Each eligible recipient receiving funds under this part shall not use more than 5% of the funds for administrative costs associated with the administration of activities assisted under this section.

21st Century Community Learning Centers: California Department of Education (CDE), 21st Century Community Learning Centers Program Budget and Information Packet, After School Partnerships Office, October 2005, Budget Information, Administrative and Indirect Costs:

- No more than 15% of paid grant funds may be used for administrative costs each year. Indirect costs are included in administrative costs, and cannot exceed an agency's CDE-approved indirect cost rate or 5%, whichever is less.

Reading first State Grants: United States Code – Title 20 – Education, Chapter 70 – Strengthening and Improvement of Elementary and Secondary Schools, Subchapter I– Improving the Academic Achievement of the Disadvantaged, Part B – Student Reading Skills Improvement Grants, subpart 1 – Reading first, Section 6362, Formula grants to State educational agencies, (c) Subgrants to local educational agencies, (8) Local planning and administration:

- An eligible local educational agency that receives a subgrant under this subsection may use not more than 3.5% of the funds provided under the subgrant for ***planning and administration***.

English Language Acquisition Grants: United States Code – Title 20 – Education, Chapter 70 – Strengthening and Improvement of Elementary and Secondary Schools, Subchapter III – Language Instruction For Limited English Proficient and Immigrant Students, Part A-English Language Acquisition, Language Enhancement, and Academic Achievement Act, Subpart 1 – grants and subgrants for English language acquisition and language enhancement, Section 6825, Subgrants to eligible entities:

- (b) Administrative expenses – Each eligible entity receiving funds under Section 6824(a) of this title for a fiscal year may use not more than 2% of such funds for the cost of administering this subpart.

Safe and Drug-free Schools and Communities: United States Code – Title 20 – Education, Chapter 70 – Strengthening and Improvement of Elementary and Secondary Schools, Subchapter IV – Twenty-First Century Schools, Part A – Safe and Drug-Free Schools and Communities, subpart 1 – state grants, Section 7114, local educational agency program:

- (a)(2) Administrative costs – Of the amount received under paragraph (1), a local educational agency may use not more than 2% for the administrative costs of carrying out its responsibilities under this subpart.

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Workforce Investment Act: United States Code Title 20 – Education, Chapter 73 – Adult Education and Literacy, Part A – Adult Education and Literacy Programs, Subpart 3 – Local Provisions, Section 9243, Local uses of funds:

- (a) In general – Subject to subsection (b) of this section, of the amount that is made available under this part to an eligible provider—
- i. not less than 95 percent shall be expended for carrying out adult education and literacy activities; and the remaining amount,
 - ii. not to exceed 5 percent, shall be used for planning, administration, personnel development, and interagency coordination.

GEAR-UP: Code of Federal Regulation – Title 34 – Education, Part 694 – Gaining Early Awareness and Readiness for Undergraduate Programs – Section 694.9 Notwithstanding 34 CFR 75.560–75.562 and 34 CFR 80.22, the maximum indirect cost rate that an agency of a State or local government receiving funds under GEAR UP may use to charge indirect costs to these funds is the lesser of:

- The rate established by the negotiated indirect cost agreement; or
- Eight percent of a modified total direct cost base.

Condition

Vocational Education – Basic Grants to States: During our procedures performed over program earmarking requirements, we noted that the District had claimed 5 percent of total program costs for administrative for the fiscal year 2008-09. However, during our payroll review, we noted that the District’s program expenditures that were administrative in nature should have been included in the total administrative expenditures.

Through further discussion with the program personnel and additional analysis, we were able to identify the following positions and their salaries which appeared to be administrative functions, but their salaries were included in the program expenditures for the fiscal year 2008-09.

Secretary	\$ 54,032
Office Technicians	93,211
	<u>\$ 147,243</u>

Since the District had already claimed 100 percent of its administrative expenditures for indirect costs, these additional expenditures would appear to cause the District to further exceed its earmarking limitation for the fiscal year ended June 30, 2009 by \$147,243.

Twenty-First Century Community Learning Centers: The District does not report administrative expenditures in separate general ledger accounts from the direct program expenditures. The District tracks the administrative costs on a spreadsheet to support the earmarking provision.

In our review of the spreadsheet used for program classes 2987, 2990, 2983, 3001, 2993, 2994, 2995, 2985, and 3004, the District’s administrative costs did not exceed its 15% administrative earmarking limitation for those grants awarded in the fiscal year. However, based on our review of the spreadsheet, the salary expenditures for the administrative positions (such as accountants,

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administrative assistants, secretary, administrative analyst) that should have been 100% included in the administrative cost were allocated between program and administrative expenditures.

According to the program's principal accountant and program's coordinator, the positions in question were assigned to more than just administrative functions. For instance, the assistant contract administrator was also responsible for contacting the student's parents; the micro-computer support assistant also provided computer support at the school/centers. Therefore, their salaries were allocated between program direct and administrative cost. However, the allocation basis was determined based on predetermined percentages and no other supporting documentation was provided to support these percentages.

According to the spreadsheet prepared for the 2008-09 grants (9 grants), the total costs that appear to be 100% administrative were \$1,365,284 and \$684,105 of which was allocated/charged as direct program cost. Since we were unable to determine the appropriateness of the allocation, the District's administrative cost could have exceeded the 15% administrative earmarking limitation.

The total awarded amounts for the grants sampled for review amounted to \$16,230,961, of which 15% would amount to \$2,434,644. Of the total maximum administrative cost, \$1,217,871 were reserved and passed down to the District's subrecipients. As such, the maximum available administrative cost for the District was \$1,216,773 (\$2,434,644 - \$1,217,871). As a result, the District exceeded the earmarking limitation by \$148,511 (\$1,365,284- \$1,216,773).

Reading First State Grants: In our procedures performed over program earmarking requirements, we noted that the District had claimed 3.5 percent for its administrative and planning for the program. However, based on payroll review, we noted certain positions that would be considered administrative and planning in nature incurred to administer the program and not reported in the total administrative and planning expenditures.

Through further discussion with the program personnel and additional analysis, we were able to identify the following positions which appeared to be administrative functions, but their salaries were included in the program expenditures for the fiscal year 2008-09.

Office technician	\$	37,388
Senior office technician		87,728
Senior secretary		68,536
	\$	<u>193,652</u>

Since the District had already claimed 100 percent of its administrative expenditures for indirect costs, these additional expenditures would appear to cause the District to further exceed its earmarking limitation for the fiscal year ended June 30, 2009 by \$193,652.

English Language Acquisition Grants: During procedures performed over program earmarking requirements, we noted that the District had claimed the program administrative costs in excess of 2 percent for the fiscal year 2008-09. The District's program expenditures for the fiscal year 2008-09 were \$12,455,203, of which 2% would amount to \$249,104; however, the District claimed \$267,374 to the program. As a result, the program administrative cost was over-charged by \$18,270.

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Through further discussion with the program personnel and additional analysis, we were also able to identify 5 office technicians' salaries totaling \$273,463 whose duties appeared to be administrative functions, but their salaries were included in the program expenditures for the fiscal year 2008-09.

Since the District had already claimed over 100 percent of its administrative expenditures for indirect costs, these additional expenditures would appear to cause the District to further exceed its earmarking limitation for the fiscal year ended June 30, 2009 by \$273,463.

Total administrative cost which exceeded the 2 percent limitation amounted to \$291,733.

Safe and Drug-Free Schools and Communities: During procedures performed over program earmarking requirements, we noted that the District had claimed 2 percent of total program cost for administrative for the fiscal year 2008-09. In addition, we also noted that the District's program expenditures that were administrative in nature should have been included in the total administrative expenditures.

Through further discussion with the program personnel and additional analysis, we were able to identify the following positions which appeared to be administrative functions, but their salaries were included in the program expenditures for the fiscal year 2008-09.

Financial Analyst	\$	50,744
Secretary		25,902
Senior Secretary		47,161
Stock Clerk		26,491
	\$	<u>150,298</u>

Since the District had already claimed 100 percent of its administrative expenditures for its indirect costs, these additional expenditures would appear to cause the District to further exceed its earmarking limitation for the fiscal year ended June 30, 2009 by \$150,298.

Adult Education and Family Literacy Act: During procedures performed over program earmarking requirements, we noted that the District's program costs claimed for the planning, administration, personnel development, and interagency coordination (administrative) did not exceed more than 5 percent of the total grant award. The District also accounts for such administrative expenditures in a separate program code in the Integrated Financial System (IFS).

During our program salary review, we noted that the salary expenditures of the Office Technicians were included in the program expenditures. Through our discussion with the program personnel and accountant, these office technicians were responsible for coordinating all WIA-related testing and data collection activities at the school with specific software knowledge. We were also provided an interoffice correspondence indicating that these positions were requested for such specific purpose for this program. In our procedures performed to verify their job activity, we requested time documentation for 4 out of 20 office technicians and we were provided with their semi-annual certifications which indicated they were solely working for the WIA program for the periods selected for review. However, no other supporting documentation was provided to support that their activities

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were WIA-related testing and data collection activities. As such, we were unable to determine if their funded activity should have been administrative or programmatic.

The total contract award for the fiscal year 2008-09 was \$13,085,886, of which 5% would amount to \$654,294; however, the District claimed \$595,855 to the program. As a result, the program administrative was under-claimed by \$58,439. In our samples of the 4 positions, we noted that the total salary expenditures of the 4 office technicians amounted to \$218,783 out of total classified salary expenditures of \$1,927,302 reported under program salary for the fiscal year. Total administrative costs which exceeded the 5 percent limitation amounted to \$160,344 (\$218,783 - \$58,439).

Gaining Early Awareness and Readiness: During our procedures performed over program earmarking requirements for two grants (local district 2 and local district 4), the District's indirect cost claimed was based on its approved cost rate of 5.16 percent, which was in compliance with the grant limitation provision. However, based upon our review of the payroll expenditures, we noted that the districts' program direct expenditures that were indirect in nature should have been included in the indirect expenditures. The following table shows the positions that appear to be indirect cost but their salary expenditures were not included in the indirect expenditures.

Senior Office Technician	\$ 38,821
Office Technician	14,397
	<u>\$ 53,218</u>

Since the District had already claimed over 100 percent of its indirect costs, these additional expenditures of \$53,218 would appear to cause the District to further exceed its earmarking limitation for the fiscal year ended June 30, 2009.

Total questioned cost is \$53,218.

Cause and Effect

Based upon the situations noted above, the District's policies and procedures do not require a proper accounting for administrative costs for the grants which impose the earmarking limitation. Further, it is not uncommon that an employee is assigned to more than just one activity between direct and indirect or administrative and program direct. Such multiple functions/activities must be accounted for adequately and supported properly to meet the time documentation requirements for allowable activity as well as the earmarking provisions. Until further evidence (timekeeping efforts such as Personnel Activity Report) and a separate accounting system is developed and implemented to support the program direct costs distributed by the administrative personnel, the cost claimed for administrative personnel would always be in question.

These findings are repeat findings, having been reported previously for June 30, 2005 to June 30, 2008 (F-05-17, F-06-14, F-06-15, F-07-15, F-07-16, F-08-07, and F-08-09).

Questioned Costs

\$1,126,729

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Vocational Education – Basic Grants to States: \$147,243

Twenty-First Century Community Learning Centers: \$148,511

Reading First State Grants: \$193,652

English Language Acquisition Grants: \$291,733

Safe and Drug-Free Schools and Communities: \$150,298

Adult Education and Family Literacy Act: \$160,344

Gaining Early Awareness and Readiness: \$53,218

Recommendation

We recommend that the District establish policies and procedures to ensure that administrative costs are appropriately computed and accounted for separately by each federal program. The policies and procedures should also require employees whose duties crossover with multiple activities/functions, which are apart from their original job descriptions, be required to prepare a personal activity report (PAR) in accordance with OMB A-87 to clearly identify the employees' daily activities supporting the hours worked outside of their normal positions.

Views of Responsible Officials and Planned Corrective Actions

The District partially agrees with the finding. The District believes that it is correctly accounting for all costs and expenditures of the programs. The District has developed additional measures to facilitate the correct identification and monitoring of administrative expenses. A unique program code for administrative expenses has been developed for those grants identified in this finding. The implementation of this additional method of tracking administrative expenditures was partially implemented in fiscal year 2009-2010 and will be fully implemented in fiscal year 2010-2011.

Program Identification

Finding Reference Number:

F-09-09

Federal Program Title, Awarding Agency, Pass-Through Entity, Catalog of Federal Domestic Assistance(CFDA) Number, Award Number and Year:

Title I Grants to Local Educational Agencies: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.010, Grant Agreement 09-14329-6473;

Special Education Cluster: Grants to States, Preschool Grants, U.S. Department of Education, Passed through the California Department of Education, CFDA No. 84.027, and 84.173, Grant Agreements 08-13379-6473-01 and 08-13682-6473-01;

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Safe and Drug-Free Schools and Communities, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.186, Grant Agreement Q186A060005;

State Grants for Innovative Programs, U.S. Department of Education (ED), Passed Through the California Department of Education, CFDA No. 84.298, Pass-Through Identification No. 1964733, Grant Agreement S298A060005;

English Language Acquisition Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.365, Grant Agreements T365A070005 (03-14346-6473-00 and 10084-6474-00);

Improving Teacher Quality State Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.367, Grant Agreement S367A070005A.

Vocational Education Basic Grants to States: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.048, Grant Agreements 07/08-14893-74435-00, 07/08-14893-64733-00, and 07/08-14894-64733-00;

Education Technology State Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.318, Grant Agreements 06-14368-6473, 07-14368-6437, and 2006/07-14334-6437.

Compliance Requirement:

Period of Availability

State Audit Guide Finding Code:

30000 and 50000

Criteria

Code of Federal Regulations Title 34 – Education, Part 80 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments – Subpart C – Post-Award Requirements, Section 80.23, Period of availability of funds:

- General: Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is

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permitted, in which case, the carryover balances may be charged for costs resulting from obligations of the subsequent funding period.

- Liquidation of obligations: A grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation) to coincide with the submission of the annual Financial Status Report (SF-269). The federal agency may extend this deadline at the request of the grantee.

Condition

In our review of the period of availability, we noted that the following federal programs were assigned the same general ledger program identifier (i.e. program code) for all award years. By not using separate program codes each year, there is no clear cutoff of expenditures being charged in specific award year or budget period, which increase the risk that the District could charge expenditures to the incorrect period or could claim the expenditures against 2 different awards in overlapping periods. It also makes the District monitoring of the 90-day liquidation period after the end of an award year more difficult when the specific obligations are not easily identifiable to award years.

- Title I Grants to Local Education Agencies
- Special Education Cluster
- Vocational Education – Basic Grants to States
- Safe and Drug Free Schools and Communities
- English Language Acquisition Grants
- Improving Teacher Quality State Grants
- State Grants for Innovative Programs

In our procedures of reviewing the District's compliance with the period of availability requirement, we selected samples of encumbrances from each grant that were recorded during the period of availability to verify that the underlying obligations occurred within the period of availability and the payment was made within the required liquidation period of 90 days after the end of the grant funding period. During our review and understanding of the District's internal controls over this compliance requirement, we noted that the District did not have policies and procedures to identify by grant the unliquidated obligations and to ensure that those obligations were liquidated within 90 days.

Vocational Education Basic Grants to States: During our review of the encumbrances totaling \$716,930 reported for program #1356 for the fiscal year ending June 30, 2009, we noted that 33 transactions totaling \$95,289 were encumbrances rolled forward from prior years 2003-04. Of the total obligations in question at June 30, 2009, \$77,961 had already been questioned in the fiscal year 2007-08 audit. Therefore, the questioned cost for this fiscal year amounted to \$17,328.

For the current year expenditure testing of 40 samples, we noted that 4 transactions totaling \$132,682 were paid for goods purchased or services rendered in fiscal year 2007-08. Since the District combined the expenditures for the 2 grants open during fiscal year 2008-09 into one program, we were unable to determine if the carryover funds from the fiscal year 2007-08 grant were obligated

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within the twelve month carryover period and liquidated no later than 90 days after the end of the period of availability, or September 30, 2009.

The total exceptions amounted to \$132,682 of \$1,255,243 sampled from the \$5,365,746 total program expenditures for the fiscal year ended June 30, 2009.

Safe and Drug-Free Schools and Communities: For the current year expenditure testing of 40 samples, we noted that 3 transactions totaling \$95,329 were paid for goods purchased or services rendered in fiscal year 2007-08. Since the District combined the expenditures for the 2 grants open during fiscal year 2008-09 into one program, we were unable to determine if the carryover funds from the fiscal year 2007-08 grant were obligated within the twelve month carryover period and liquidated no later than 90 days after the end of the period of availability, or September 30, 2009.

The total exceptions amounted to \$ 95,329 of \$3,607,216 sampled from the \$6,529,799 total program expenditures for the fiscal year ended June 30, 2009.

English Language Acquisition: During our review of encumbrances totaling \$1,107,315 reported for the fiscal year ending June 30, 2009, we noted that 45 transactions totaling \$948,305 were encumbrances rolled forward from prior years starting 2004-05 through 2007-08. Of the total, \$894,506 had been questioned in the fiscal year 2007-08 audit. Therefore, the questioned cost for fiscal year 2008-09 audit is \$53,799.

For the current year expenditure testing of 40 samples, we noted that 2 transactions totaling \$28,418 were paid for goods purchased or services rendered in fiscal year 2007-08. Since the District combined the expenditures for 2 grants open during the fiscal year into one program, we were unable to determine if the carryover funds from the fiscal year 2007-08 grant were obligated within the twelve month carryover period and liquidated no later than 90 days after the end of the period of availability, or September 30, 2009.

Total exceptions amounted to \$28,418 of \$942,673 sampled from the \$12,722,576 total program expenditures for the fiscal year ended June 30, 2009.

State Grants for Innovative Programs: For the current year expenditure testing of 40 samples, we noted that 14 transactions totaling \$118,572 were paid for goods purchased or services rendered in fiscal year 2007-08. Since the District combined the expenditures for the 2 grants open during fiscal year 2008-09 into one program, we were unable to determine if the carryover funds from the fiscal year 2007-08 grant were obligated within the twelve month carryover period and liquidated no later than 90 days after the end of the period of availability, or September 30, 2009.

The total exceptions amounted to \$118,572 of \$279,545 sampled from the \$1,801,464 total program expenditures for the fiscal year ended June 30, 2009.

Education Technology State Grants: In our procedures of reviewing the District's grant expenditures for fiscal year 2008-09, we noted that the District charged an expenditure of \$43,164 to grant #2453, which had a contract end date of August 31, 2006.

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According to the final cost report for grant #2453, the total grant expenditures reported to CDE were \$5,839,800. Of that total, \$1,363,746 was reported as obligated funds which were required to be liquidated within 90 days of the grant end date, or by November 30, 2006. Therefore, the expenditures charged against this grant #2453 during fiscal year 2008-09 were not in compliance with this provision.

Through our further discussion with the program accountant, we also became aware that after the \$43,164 was claimed, the grant still had a remaining unused balance of \$23,145 at June 30, 2009. The unused balance was a result of the unliquidated obligations by November 30, 2006 and which should have been returned to CDE during the fiscal year 2006-07. Therefore, the questioned cost is the expenditure claimed and the unused fund totaling \$66,309.

Cause and Effect

Through discussions with District accounting personnel, we have noted that new project/program codes are not established for recurring grant awards (i.e., entitlements, formula grants, etc.) for each grant award year where the District is expected to receive funding in the subsequent year. Thus, funding is comingled for multiple award years in the general ledger. By not using separate project/program codes each year, there is no clear cutoff of expenditures being charged to a specific award year or budget period, which increases the risk that the District could charge expenditures to the incorrect period, claim the expenditures against two different awards in overlapping periods, or not liquidate the funds within the required time period.

Moreover, there appears to be a lack of internal control procedures to ensure that (1) all obligations are liquidated under the award not later than 90 days after the end of the funding periods and (2) unliquidated obligations are reconciled and adjusted so that the balance remaining in encumbrance is properly returned to the grantor.

These findings are repeat findings, having been reported previously for June 30, 2005 to June 30, 2008 (F-05-19, F-06-17, F-06-18, F-06-19, F-07-18, F-07-19, F-08-12, and F-08-13).

Questioned Costs

\$512,438

Vocational Education Basic Grants to States: \$150,010 (\$17,328 + \$132,682)

Safe and Drug-Free Schools and Communities: \$95,329

English Language Acquisition: \$82,217 (\$53,799 + \$28,418)

State Grants for Innovative Programs: \$118,572

Education Technology State Grants: \$66,309 (\$43,164 + \$23,145)

Questioned cost is not applicable for the following programs because no instances of non-compliance (exceptions) were noted from our sample testing. However, the condition described above applies to these programs, and the lack of policies and procedures is a deficiency in internal control over compliance:

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- **Title I Grants to Local Educational Agencies**
- **Special Education Cluster**
- **Improving Teacher Quality State Grants**

Recommendation

We recommend that the District implement policies and procedures to closely monitor the expenditures charged to an appropriate grant award period. The District should also perform additional analysis for the grants that do not have separate program/project codes for each award year to ensure that reported program expenditures for each grant award year were claimed and obligated appropriately.

We further recommend that the District strengthen controls over its monitoring of outstanding obligations to ensure that all obligations are liquidated under the award not later than 90 days after the end of the funding periods; and unliquidated obligations are reconciled and adjusted so that the balance remaining in encumbrance is properly returned to the grantor.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the finding. To comply with the requirements, the District will undertake the following measures:

- Review grant end dates currently in the system for all federal grants and ensure that they do not go past 90 days after end of the funding periods.
- Strictly enforce the rule against extending grant end dates beyond the 90-day liquidation period to accommodate payment processing by Accounts Payable unless the grantor extends the deadline.
- Remind program staff of the 90-day requirement to liquidate obligations on federal programs.

Program Identification

Finding Reference Number:

F-09 -10

Federal Program Title, Awarding
Agency, Pass-Through Entity,
CFDA Number, Award Number:

Food Stamp Cluster: State Administrative
Matching Grants for Food Stamp Program, U.S.
Department of Agriculture (USDA), Passed
through the California Department of Health
Services, CFDA No. 10.561, Grant Agreement 19-
64733-0000000-01;

Child Nutrition Cluster: School Breakfast Program,
National School Lunch Program, Summer Food
Service Program for Children, U.S. Department of
Agriculture (USDA), Passed through the California
Department of Education, CFDA No. 10.553,
10.555, and 10.559, Grant Agreement 19-64733-

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0000000-01

Title I Grants to Local Educational Agencies: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.010, Grant Agreement 09-14329-6473;

Vocational Education Basic Grants to States: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.048, Grant Agreements 08-14893-64733-00, 08-14893-74435-00, and 08-14894-64733-00;

Special Education Cluster: Grants to States, Preschool Grants, U.S. Department of Education, Passed through the California Department of Education, CFDA Nos. 84.027, and 84.173, Grant Agreement 08-13682-6473-01 and 08-13379-6473-01;

Safe and Drug-Free Schools and Communities, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.186, Grant Agreement Q186A080005 and 08-14109-64733-00;

Fund for the Improvement of Education, U.S. Department of Education (ED), CFDA No. 84.215, Grant Agreements V215L052108, S215L080570, and S215L060084;

Twenty-First Century Community Learning Centers, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.287, Grant Agreements 07-14535-6473-4A, 08-14349-6473-4A, 08-14349-6473-5A, and 08-14535-6473-5A;

Education Technology State Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.318, Grant Agreements 05-14334-6473, 06-14368-6473, 07-14368-6437, and 08-14368-64733;

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP), U.S.

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Department of Education (ED), CFDA No. 84.334, Grant Agreements P334A050178-08, P334A050008-08, and P334A050205-08;

Reading First State Grants; U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.357, Grant Agreement 07-14328-6473-00;

English Language Acquisition Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.365, Grant Agreement 09-10084-6473;

Improving Teacher Quality State Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.367, Grant Agreement PCA 14344/14341.

Compliance Requirement:

Procurement, Suspension and Debarment

State Audit Guide Finding Code:

30000 and 50000

Criteria

Code of Federal Regulations, Title 34 – Education, Part 80 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments – Subpart C – Post-Award Requirements, Section 80.36, Procurement:

- Procurement standards:
 - i. Grantees and subgrantees will use their own procurement procedures, which reflect applicable state and local laws and regulations, provided that the procurements conform to applicable federal law and the standards identified in this section.
 - ii. Grantees and subgrantees will maintain records sufficient to detail the significant history of a procurement. These records will include, but are not necessarily limited to the following: Rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.
- Methods of procurement to be followed:
 - i. Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source, or after solicitation of a number of sources, competition is determined inadequate.
 - a. Procurement by noncompetitive proposals may be used only when the award of a contract is infeasible under small purchase procedures, sealed bids or competitive proposals and one of the following circumstances applies:
 - (A) The item is available only from a single source;

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- (B) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
 - (C) The awarding agency authorizes noncompetitive proposals; or
 - (D) After solicitation of a number of sources, competition is determined inadequate.
- ii. Cost analysis, i.e., verifying the proposed cost data, the projections of the data, and the evaluation of the specific elements of costs and profits, is required.

Condition

Food Stamp Cluster: In our sample of 13 expenditures, we noted the following 5 exceptions:

- Of the expenditures from purchase orders or contracts between \$10,000 to \$72,400, which require either 3 written quotations or an approved waiver, we noted that neither the required 3 quotations nor a waiver were obtained for 2 samples totaling \$2,676.
- Of the expenditures from professional services over \$100,000 and below \$250,000 situations, which require an informal request for proposals/pricing or an approved waiver, we noted that the waiver did not have the proper approval for 1 sample totaling \$39,234.
- Of the expenditures reviewed, we were not provided with any procurement documentation (i.e. Procurement Documentation/Certification form, bids/quotes, RFP, evaluation summary, score sheets, contract, etc.) for 2 samples totaling \$15,257.

Total exceptions amounted to \$57,167 of the \$218,194 sampled from the \$1,394,983 of total procured expenditures for the fiscal year ended June 30, 2009.

Child Nutrition Cluster: In our sample of 40 expenditures, we noted the following 24 exceptions:

- Of the procurement omitted due to “sole source”, which require justifications, we noted that the justifications for the sole source were not properly justified and approved for 3 samples totaling \$45,112.
- Of the expenditures reviewed, we were not provided with any procurement documentation (i.e. Procurement Documentation/Certification form, bids/quotes, RFP, contract, etc.) for 21 samples totaling \$573,779.

Total exceptions amounted to \$618,891 of the \$1,529,041 sampled from the \$44,621,374 of total procured expenditures for the fiscal year ended June 30, 2009.

Title I Grants to LEA: In our sample of 40 expenditures, we noted the following 5 exceptions:

- Of the expenditures from purchase orders or contracts between \$10,000 to \$72,400, which require either 3 written quotations or an approved waiver, we noted that neither the required 3 quotations nor a waiver were obtained for 1 sample totaling \$19,595.

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- Of the expenditures reviewed, we were not provided with any procurement documentation (i.e. Procurement Documentation/Certification form, bids/quotes, RFP, contract, etc.) for 2 samples totaling \$76,340.
- Of the expenditures reviewed, we noted that items purchased from a Master contract which were charged to the program, were not included in the contract items awarded for 2 samples totaling \$103,809.

Total exceptions amounted to \$199,744 of the \$7,290,139 sampled from the \$93,831,375 of total procured expenditures for the fiscal year ended June 30, 2009.

Vocational Education Basic Grants to States: In our sample of 40 expenditures, we noted the following 15 exceptions:

- Of the expenditures from professional services contracts, which selected a contractor based on a single source justification, we noted that the single source justification did not have the proper approvals for 1 sample totaling \$17,800.
- Of the expenditures reviewed, we were not provided with any procurement documentation (i.e. Procurement Documentation/Certification form, bids/quotes, RFP, evaluation summary, score sheets, contract, etc.) for 3 samples totaling \$81,339.
- Of the expenditures from purchase orders or contracts between \$10,000 to \$72,400, which require either 3 written quotations or an approved waiver, we noted the following:
 - Neither the 3 required quotations or a waiver was obtained and documented for 1 sample totaling \$33,996.
 - Only 2 quotations were obtained and documented for 5 samples totaling \$67,706.
 - Only 1 quotation was obtained and documented for 5 samples totaling \$106,454.

Total of 11 samples totaling \$208,156.

Total exceptions amounted to \$307,295 of the \$767,557 sampled from the \$5,365,746 of total procured expenditures for the fiscal year ended June 30, 2009.

Special Education Cluster: In our sample of 6 expenditures, we noted the following 4 exceptions:

- Of the expenditures from purchase orders or contracts between \$10,000 to \$72,400, which require either 3 written quotations or an approved waiver, we noted that neither the 3 required quotations nor a waiver were obtained and documented for 1 sample totaling \$45,000.
- Of the expenditures reviewed, we were not provided with any procurement documentation (i.e. Procurement Documentation/Certification form, bids/quotes, RFP, evaluation summary, score sheets, contract, etc) for 3 samples totaling \$142,015.

Total exceptions amounted to \$187,015 of the \$217,445 sampled from the \$2,972,712 of total procured expenditures for the fiscal year ended June 30, 2009.

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Safe and Drug-free Schools and Communities: In our sample of 29 expenditures, we noted the following 6 exceptions:

- Of the expenditures from professional services contracts over \$10,000 to below \$100,000, which selected the contractor based on a single source justification, we noted that the single source justifications did not have the proper approvals for 5 samples totaling \$135,921.
- Of the expenditures reviewed, we were not provided with any procurement documentation (i.e. Procurement Documentation/Certification form, bids/quotes, RFP, contract, etc.) for 1 sample totaling \$59,507.

Total exceptions amounted to \$195,428 of the \$1,729,208 sampled from the \$2,516,815 of total procured expenditures for the fiscal year ended June 30, 2009.

Fund for the Improvement of Education: In our sample of 16 expenditures, we noted the following 9 exceptions:

- Of the expenditures from purchase orders or contracts between \$10,000 to \$72,400, which require either 3 written quotations or an approved waiver, we noted that neither the 3 required quotations nor a waiver were obtained and documented for 3 samples totaling \$64,003.
- Of the expenditures reviewed, we were not provided with any procurement documentation (i.e. Procurement Documentation/Certification form, bids/quotes, RFP, contract, etc.) for 1 sample totaling \$15,715.
- Of the expenditures from professional services contracts, which selected a contractor based on a single source justification, we noted that the single source justifications did not have the proper approvals for 2 samples totaling \$34,460.
- Of the expenditures reviewed, we noted that items purchased from a Master contract which were charged to the program, were not included in the contract items awarded for 3 samples totaling \$60,902.

Total exceptions amounted to \$175,080 of the \$328,303 sampled from the \$1,775,780 of total procured expenditures for the fiscal year ended June 30, 2009.

Twenty-First Century Community Learning Centers: In our sample of 35 expenditures, we noted the following 13 exceptions:

- Of the expenditures from purchase orders or contracts between \$10,000 to \$72,400, which require either 3 written quotations or an approved waiver, we noted that neither the 3 required quotations nor a waiver were obtained and documented for 3 samples totaling \$23,294.
- Of the expenditures reviewed, we were not provided with any procurement documentation (i.e. Procurement Documentation/Certification form, bids/quotes, RFP, evaluation summary, score sheets, contract, etc.) for 5 samples totaling \$100,954.

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- Of the expenditures from professional services under non-competitive, which require an approved waiver, we noted that the waiver did not have the proper approval for 1 sample totaling \$15,600.
- Of the expenditures from professional services contracts over \$250,000, which require an executive administrator's approval and signature on RFCA or RFPA, we noted that the RFCA or RFPA did not have the proper approval and signature for 4 samples totaling \$138,653.

Total exceptions amounted to \$278,501 of the \$1,387,616 sampled from the \$15,702,344 of total procured expenditures for the fiscal year ended June 30, 2009.

Education Technology State Grants: In our sample of 10 expenditures, we noted the following 2 exceptions:

- Of the expenditures from purchase orders or contracts between \$10,000 to \$72,400, which require either 3 written quotations or an approved waiver, we noted that neither the 3 required quotations nor a waiver were obtained and documented for 1 sample totaling \$12,180.
- Of the expenditures reviewed, we were not provided with any procurement documentation (i.e. Procurement Documentation/Certification form, bids/quotes, RFP, evaluation summary, score sheets, contract, etc.) for 1 sample totaling \$35,625.

Total exceptions amounted to \$47,805 of the \$292,687 sampled from the \$766,969 of total procured expenditures for the fiscal year ended June 30, 2009.

GEAR-UP: In our sample of 25 expenditures, we noted the following 10 exceptions:

- Of the expenditures from purchase orders or contracts between \$10,000 to \$72,400, which require either 3 written quotations or an approved waiver, we noted that neither the 3 required quotations nor a waiver were obtained and documented for 1 sample totaling \$1,756.
- Of the expenditures from professional services over \$100,000 and below \$250,000, which require an approved waiver, we noted that the waiver did not have the proper approval for 8 samples totaling \$185,797.
- Of the expenditures from professional services contracts over \$250,000, which require an executive administrator's approval and signature on RFCA or RFPA, we noted that the RFCA or RFPA did not have the proper approval and signature for 1 sample totaling \$27,996.

Total exceptions amounted to \$215,549 of the \$467,456 sampled from the \$2,574,167 of total procured expenditures for the fiscal year ended June 30, 2009.

Reading First State Grants: In our sample of 25 expenditures, we noted the following 10 exceptions:

- Of the expenditures from purchase orders or contracts between \$10,000 to \$72,400, which require either 3 written quotations or an approved waiver, we noted the following:

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- Neither the 3 required quotations or a waiver was obtained and documented for 1 sample totaling \$19,530.
- Only 2 quotations were obtained and documented for 1 sample totaling \$20,449.
- Only 1 quotation was obtained and documented for 1 sample totaling \$13,547.
- Of the expenditures reviewed, we were not provided with any procurement documentation (i.e. Procurement Documentation/Certification form, bids/quotes, RFP, evaluation summary, score sheets, contract, etc.) for 3 samples totaling \$82,196.
- Of the expenditures from professional services under non-competitive situations, which require an approved waiver, we noted that the waiver did not have the proper approval for 2 samples totaling \$19,898.
- Of the expenditures reviewed, we noted that items purchased from a Master contract which were charged to the program, were not included in the contract items awarded for 2 samples totaling \$117,891.

Total exceptions amounted to \$273,511 of the \$910,495 sampled from the \$4,017,233 of total procured expenditures for the fiscal year ended June 30, 2009.

English Language Acquisition Grants: In our sample of 10 expenditures, we noted the following 4 exceptions:

- Of the expenditures reviewed, we were not provided with any procurement documentation (i.e. Procurement Documentation/Certification form, bids/quotes, RFP, evaluation summary, score sheets, contract, etc.) for 3 samples totaling \$136,459.
- Of the expenditures from purchase orders or contracts between \$10,000 to \$72,400, which require either 3 written quotations or an approved waiver, we noted that neither the 3 required quotations nor a waiver were obtained and documented for 1 sample totaling \$90,000.

Total exceptions amounted to \$226,459 of the \$352,112 sampled from the \$2,216,316 of total procured expenditures for the fiscal year ended June 30, 2009.

Improving Teacher Quality State Grants: In our sample of 10 expenditures, we noted the following 7 exceptions:

- Of the expenditures from professional services over \$100,000 and below \$250,000 situations, which require an informal request for proposals/pricing or an approved waiver, we noted that the waiver did not have the proper approval for 2 samples totaling \$51,822.
- Of the expenditures from professional services over \$10,000 and below \$100,000 situations, which require 3 written quotations or an approved waiver, we noted that the waiver did not have the proper approval for 5 samples totaling \$73,618.

Total exceptions amounted to \$125,440 of the \$187,420 sampled from the \$2,643,938 of total procured expenditures for the fiscal year ended June 30, 2009.

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Cause and Effect

There does not appear to be effective monitoring and enforcement of district procurement policies to ensure that sufficient and appropriate documentation is obtained to acquire the goods or services for the federally funded programs.

These findings are repeat findings, having been reported previously for June 30, 2005 to June 30, 2008 (F-05-20, F-06-20, F-07-20, and F-08-14).

Questioned Costs

\$2,907,885

Food Stamp Cluster: \$57,167

Child Nutrition Cluster: \$618,891

Title I Grants to LEA: \$199,744

Vocational Education Basic Grants to States: \$307,295

Special Education Cluster: \$187,015

Safe and Drug-free Schools and Communities: \$195,428

Fund for the Improvement of Education: \$175,080

Twenty-First Century Community Learning Centers: \$278,501

Education Technology State Grants: \$47,805

GEAR-UP: \$215,549

Reading First State Grants: \$273,511

English Language Acquisition Grants: \$226,459

Improving Teacher Quality State Grants: \$125,440

Recommendation

We recommend the District strengthen its controls over its procurement approval process and document retention policies to ensure that required policies of the District are being followed with proper documentation maintained in the procurement files.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the finding. The District updated its procurement manual in the Fall of 2009. The District will strengthen its controls over its procurement approval process and document retention procedures.

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Program Identification

Finding Reference Number:

F-09-11

Federal Program Title, Awarding
Agency, Pass-Through Entity,
CFDA Number, Award Number:

Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children, U.S. Department of Agriculture (USDA), Passed through the California Department of Education, CFDA No. 10.553, 10.555, and 10.559, Grant Agreement 19-64733-0000000-01.

Food Stamp Cluster: State Administrative Matching Grants for Food Stamp Program, U.S. Department of Agriculture (USDA), Passed through the California Department of Health Services, CFDA No. 10.561, Grant Agreement 19-64733-0000000-01;

Title I Grants to Local Educational Agencies: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.010, Grant Agreement 09-14329-6473;

Special Education Cluster: Grants to States, Preschool Grants, U.S. Department of Education, Passed through the California Department of Education, CFDA Nos. 84.027, and 84.173, Grant Agreement 08-13682-6473-01;

Vocational Education Basic Grants to States: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.048, Grant Agreement 08-14894-64733-00;

Twenty-First Century Community Learning Centers, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.287, Grant Agreements 07-14535-6473-4A and 08-14535-6473-5A;

English Language Acquisition Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.365, Grant Agreement 09-10084-6473;

Reading First State Grants; U.S. Department of

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Education (ED), Passed through the California Department of Education, CFDA No. 84.357, Grant Agreement 07-14328-6473-00;

Fund for the Improvement of Education, U.S. Department of Education (ED), CFDA No. 84.215, Grant Agreements U215X070162 and S215L080570;

Safe and Drug-Free Schools and Communities, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.186, Grant Agreement Q186A080005 and 08-14109-64733-00;

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP), U.S. Department of Education (ED), CFDA No. 84.334, Grant Agreements P334A050178 and P334A050008;

Improving Teacher Quality State Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.367, Grant Agreement PCA 14344/14341.

Compliance Requirement:

Procurement, Suspension, and Debarment

State Audit Guide Finding Code:

30000

Criteria

Code of Federal Regulations, Title 34 – Education, Part 80 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, Section 80.35, Subawards to debarred and suspended parties:

- Grantees and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in federal assistance programs under Executive Order 12549, “Debarment and Suspension.”

Condition

Child Nutrition Cluster: During our procedures performed over suspension and debarment, the District did not have documented evidence supporting investigation of suspension and debarment for 1 out of 40 samples we selected.

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Food Stamp Cluster: During our procedures performed over suspension and debarment, the District did not have documented evidence supporting investigation of suspension and debarment for 3 out of 13 samples.

Title I Grants to LEA: During our procedures performed over suspension and debarment, the District did not have documented evidence supporting investigation of suspension and debarment for 20 out of 40 samples.

Special Education Cluster: During our procedures performed over suspension and debarment, the District did not have documented evidence supporting investigation of suspension and debarment for 1 out of 6 samples.

Vocational Education Basic Grants to States: During our procedures performed over suspension and debarment, the District did not have documented evidence supporting investigation of suspension and debarment for 1 out of 40 samples.

Twenty-First Century Community Learning Centers: During our procedures performed over suspension and debarment, the District did not have documented evidence supporting investigation of suspension and debarment for 12 out of 35 samples.

English Language Acquisition Grants: During our procedures performed over suspension and debarment, the District did not have documented evidence supporting investigation of suspension and debarment for 1 out of 10 samples.

Reading First State Grants: During our procedures performed over suspension and debarment, the District did not have documented evidence supporting investigation of suspension and debarment for 4 out of 25 samples.

Fund for the Improvement of Education: During our procedures performed over suspension and debarment, the District did not have documented evidence supporting investigation of suspension and debarment for 2 out of 16 samples.

Safe and Drug-free Schools and Communities: During our procedures performed over suspension and debarment, the District did not have documented evidence supporting investigation of suspension and debarment for 2 out of 29 samples.

GEAR-UP: During our procedures performed over suspension and debarment, the District did not have documented evidence supporting investigation of suspension and debarment for 2 out of 25 samples.

Improving Teacher Quality State Grants: During our procedures performed over suspension and debarment, the District did not have documented evidence supporting investigation of suspension and debarment for 4 out of 10 samples.

Cause and Effect

There does not appear to be effective controls in place to ensure that all procurement files contain sufficient evidence to support investigation of the Excluded Parties List System website, to verify that the subgrantees or contractors are not debarred, suspended, or excluded/ineligible from participating in federally funded programs.

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These findings are repeat findings, having been reported previously for June 30, 2005 to June 30, 2008 (F-05-05, F-06-05, F-07-05, and F-08-15).

Questioned Costs

Not applicable. Alternative audit procedures were performed for all exceptions to verify contractors were not debarred or suspended.

Recommendation

We recommend that the District continue to monitor the internal controls as documented in the new procurement policy manual to ensure compliance with federal suspension and debarment regulations. It is also our recommendation that the District continue to provide training to the appropriate procurement staff on the new procurement manual and hold periodic meetings for any future updates or revisions.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the finding. The District uses a variety of sources of information to determine if a vendor has been debarred or suspended. The District will strengthen controls over retention of evidence in contract files to verify that subgrantees or contractors are not debarred, suspended, or excluded/ineligible from participating in federally funded programs.

Program Identification

Finding Reference Number:	F-09-12
Federal Catalog of Domestic Assistance Number(s):	10.553, 10.555, and 10.559
Federal Program Title(s):	Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children, U.S. Department of Agriculture (USDA)
Pass-Through Entity:	California Department of Education
Award Number:	Grant Agreement 19-64733-0000000-01
Compliance Requirement:	Program Income
State Audit Guide Finding Code:	30000 and 50000

Criteria

Title 7 – Agriculture, Chapter II – Food and Nutrition Service, Department of Agriculture, Part 210 – National School Lunch Program, Subpart B – Reimbursement Process for States and School Food Authorities, Section 210.8, Claims for reimbursement:

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- Internal controls. The school food authority shall establish internal controls which ensure the accuracy of lunch counts prior to the submission of the monthly Claim for Reimbursement. At a minimum, these internal controls shall include: an on-site review of the lunch counting and claiming system employed by each school within the jurisdiction of the school food authority; comparisons of daily free, reduced-price and paid lunch counts against data that will assist in the identification of lunch counts in excess of the number of free, reduced-price, and paid lunches served each day to children eligible for such lunches; and a system for following up on those lunch counts that suggest the likelihood of lunch-counting problems.

Condition

In our procedures in observing the cash and meal tickets collections process during our school visits at 17 schools (8 elementary and 9 secondary schools), we noted that the same employee who collects cash and meal tickets from the students, also prepares daily reports, inputs the data into the District's Food Services Data Capture (FSDC), and deposits collected cash to the bank in all 8 elementary schools.

The total cash collected from the 496 elementary schools amounted to \$8,485,355 for the fiscal year 2008-09. The total cash collections for the fiscal year 2008-09 for all 643 non Provision 2 schools operating the meal program amounted to \$14,280,413.

Total numbers of meals claimed for all of the elementary schools were 76,555,815 out of 119,424,137 for the fiscal year 2008-09.

Cause and Effect

There does not appear to be enforcement of controls designed by the District to ensure appropriate segregation of duties and adequate reviews of reconciliations are being performed for the elementary schools. Segregation of duties is critical to effective internal control because it reduces the risk of error or mistakes and inappropriate actions. It also helps fight fraud by discouraging collusion. Based on the estimated total cash collected for the fiscal year, control deficiencies could result in more than inconsequential noncompliance.

This is a repeat finding from June 30, 2005 to June 30, 2008 (F-05-23, F-06-23, F-07-22, and F-08-16).

Questioned Costs

The questioned cost is not applicable as it is an internal control deficiency weakness.

Recommendation

We recommend the District strengthen controls over cash and meal ticket collections and reporting process.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the finding. The process to have segregation of duties was started in August of 2009. The Division has changed the banking procedures to require two employees (cashier and manager/senior/designee) to count and verify and sign-off on tills, cash drawers and deposits. A Food Services Manager at a secondary school would also have a signature by the Financial Manager

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for the funds dropped off in the office. The Financial Manager will sign for the receipt of the locked bag(s). The FM will not be responsible for verifying the amount of cash in the bags. The training includes new "Sales and Cash Reconciliation Forms," "Till Worksheets" and "Banking Transfer Logs". Training was completed during employee orientation in August 2009 and again in September 2009 for year-round schools.

Food Services had to order supplies from two vendors (bank bags, locked cloth bags, deposit forms, deposit bags, safes, etc.) and because not all schools received the supplies in a timely manner, the new procedures were pushed forward till March however 8 schools are currently piloting this new banking procedure. Procurement had to be completed as well for the safes.

All supplies were received by the end of November, including the safes. eight schools began the new procedures on January 25th as pilot schools to test out the procedures before it is rolled out to all schools.

Program Identification

Finding Reference Number:	F-09-13
Federal Catalog of Domestic Assistance Number:	84.334
Federal Program Title:	Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)
Direct Funding Entity:	U.S. Department of Education
Award Number:	Grant Agreements P334A050008 and P334A050178
Compliance Requirement:	Reporting
State Audit Guide Finding Code:	30000 and 50000

Criteria

Code of Federal Regulations, Title 34 – Education, Part 80 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, Subpart C – Post – Award Requirements, Section 80.20, Standards for financial management systems – Financial Administration:

- A State must expand 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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- o 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:
 - o 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.
 - o Accounting records: Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

Condition

During our review of the Annual Performance Report for Partnership and State Projects reported for the fiscal 2007-08 (APRs) prepared by Local District 2, we noted that there was a discrepancy of \$10,017 between the APR and the report generated from the Financial Reporting Database (FRDB) for grant P334A050008. In addition, we also noted that the data reported on the APR was outside of the grant reporting period. According to the grant agreement, the grant period is from 9/1/2005 to 8/31/2011. However, based on our review of the 2007-08 APR submitted in April 2009, we noted that the financial information (except for matching contributions) reported on the 2007-08 APR was obtained from July 2008 to June 2009. Additionally, we also noted that the support for the reported matching contributions were from the period April 08 to March 2009.

Cause and Effect

Through discussions with the program director, it appears to us that Local District 2 misunderstood the reporting requirements.

This is a repeat finding from June 30, 2006 to June 30, 2008 (F-06-25, F-07-27, and F-08-17)

Questioned Costs

Questioned cost is not applicable. The deficiencies noted above did not result in over billing to the grantor. The Local District's program cost was reimbursed based on actual costs incurred and reported in the Financial Reporting Data Base (FRDB) for the period.

Recommendation

Local District 2 should strengthen its controls over APR reporting to ensure that reports are accurately reconciled to the actual expenditures for the correct reporting period. Local District 2 should contact the grantor for clarification and guidance for the reporting requirements. They should also consult with the grantor to determine if an amended report should be prepared to correct the prior periods.

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Views of Responsible Officials and Planned Corrective Actions

The District agrees with the finding. The program director will coordinate with the District's accounting department to obtain expenditure data for inclusion in their Annual Program Reports (ARP).

Program Identification

Finding Reference Number:	F-09-14
Federal Catalog of Domestic Assistance Number(s):	10.553, 10.555, and 10.559
Federal Program Title(s):	Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children, U.S. Department of Agriculture (USDA)
Pass-Through Entity:	California Department of Education
Award Number:	Grant Agreement 19-64733-0000000-01
Compliance Requirement:	Reporting
State Audit Guide Finding Code:	30000 and 50000

Criteria

Code of Federal Regulations Title 7 – Agriculture, Chapter II – Food and Nutrition Service, Department of Agriculture, Part 210 – National School Lunch Program, Subpart E – State Agency and School Food Authority Responsibilities, Section 210.23, Other Responsibilities:

- Retention of records. State agencies and school food authorities may retain necessary records in their original form or on microfilm. State agency records shall be retained for a period of 3 years after the date of submission of the final Financial Status Report for the fiscal year. *School food authority records shall be retained for a period of 3 years after submission of the final Claim for Reimbursement for the fiscal year.* In either case, if audit findings have not been resolved, the records shall be retained beyond the 3-year period as long as required for the resolution of the issues raised by the audit.

Condition

It is our understanding that the District's retention policy for the claimed meal tickets is 3 months plus the current month after they were collected. The Meal Ticket Reconciliation forms prepared by the school cafeteria personnel are retained for 3 years plus the year when they are prepared. The purpose of Meal Ticket Reconciliation forms is to serve as daily summary reports to summarize all meal tickets collected. Upon collection of all meals, a school cafeteria staff counts and reports the numbers of respective meals tickets collected during the day and records such data into the District's information system called Food Service Data Capture (FSDC). The data input by the school cafeteria

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personnel into FSDC is then fed into the District's claiming system called Unisys, which is used to prepare the monthly billing to California Department of Education (CDE).

From the audit perspective, the original meal tickets collected from the students are the main source to support the meal counts for each day. Since the tickets were not retained, we were unable to perform our verification of the initial input into the FSDC system.

Cause and Effect

Through our discussion with the District's responsible personnel, we noted that it was the District's policy to retain the meal tickets for three months plus the current month, as per a CDE-issued bulletin; however, we were unable to obtain specific documentation to support this policy.

This is a repeat finding from June 30, 2008 (F-08-20).

Questioned Costs

The questioned cost, if any, was undeterminable because we were unable to perform the verification procedures of the accuracy of the meal tickets reporting.

Recommendation

The District should revise its retention policies to comply with the federal compliance with respect to the retention period.

Views of Responsible Officials and Planned Corrective Actions

The District does not agree with the finding. The previous Food Services Administration received a verbal notification from the California Department of Education to keep meal tickets for three months, plus the current month. The State agreed as long as Food Services was following a "Food Services policy (memo attached)", the Division is in compliance.

Program Identification

Finding Reference Number:	F-09-15
Federal Catalog of Domestic Assistance Number:	84.048
Federal Program Title:	Vocational Education Basic Grants to States (Perkins III), U.S. Department of Education (ED)
Pass-Through Entity:	California Department of Education
Award Number:	Grant Agreement 08-14894-64733
Compliance Requirement:	Reporting
State Audit Guide Finding Code:	30000 and 50000

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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 expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:
- Permit preparation of reports required by this part and the statutes authorizing the grant, and
- Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions or applicable statutes.

The financial management systems of other grantees and subgrantees must meet the following standards:

- Financial reporting: Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- Accounting records: Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

Condition

Program Reporting: In our procedures performed over programmatic reporting, we noted that the District compiled CDE Form 101: E1 Report of Career Technical Education Enrollment and Program Completion (CDE Form 101 or E1) for both adult education and secondary education by retrieving data submitted by individual schools and the Student Information System (SIS). Further, we noted that the District class code was converted to the CBED code for secondary education.

In order to test the accuracy of the data reported on the E1, for Secondary Vocational Education, we traced 6 items of student population data reported on the E1 to SIS and noted discrepancies between the numbers of the students reported. In the E1 report for school year 2007-2008, we were unable to reconcile the data for 6 of the 6 line items sampled to the baseline information from SIS.

In order to test the accuracy of the data reported on the E2 for Secondary Vocational Education, we traced 3 items of student population data reported on the E2 to the data submitted by schools and the summary schedule prepared for E2 report. We were unable to reconcile the data for 3 of the 3 items sampled to the baseline information from the schools.

In order to test the reasonableness of the conversion table for secondary education codes used by the District, we compared the District course titles and numbers with the CBED description code. For 2 out of the 25 line items sampled, the District's secondary education course description did not match with the CDE course definition. The District was also unable to provide us with the definitions for 4

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out of 25 courses; as such, we were unable to verify if the data reported for those 4 courses were reported appropriately.

Cause and Effect

The District's policy does not require documentation to be maintained to support numbers reported or any reconciliation between the information submitted by the individual schools and SIS. The District does not have policies and procedures in place to ensure accuracy of the conversion from CDE course definition to the District secondary education class code.

This is a repeat finding from June 30, 2006 and June 30, 2008 (F-06-25, F-07-25 and F-08-18).

Questioned Costs

Not applicable. This finding is considered a programmatic non-compliance issue as well as a deficiency in the internal control system over the reporting to CDE.

Recommendation

The District should implement policies and procedures to strengthen its controls over reporting for the Secondary Vocational Education program, to ensure that reports are accurately reconciled to the actual data. The District should consult with CDE to determine if it is required to resubmit the revised reports with corrections.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the finding. Career Technical Education (CTE) staff will align the District's CTE course codes with the corresponding CBED codes. It is estimated that this could be completed by December 2010.

Program Identification

Finding Reference Number:	F-09-16
CFDA Numbers:	84.287
Federal Program Titles:	Twenty-First Century Community Learning Centers, U.S. Department of Education (ED)
Pass-Through Entity:	California Department of Education
Award Number:	Grant Agreements 07-14349-6473-4A, 08-14349-6473-3A, 08-14349-6473-4A and 08-14349-6473-5A.
Compliance Requirement:	Reporting

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State Audit Guide Finding Code: 30000 and 50000

Criteria

Code of Federal Regulations, Title 34 – Education, Part 80 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, Subpart C – Post – Award Requirements, Section 80.20, Standards for financial management systems – Financial Administration:

- A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:
 - Permit preparation of reports required by this part and the statutes authorizing the grant, and
 - Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions or applicable statutes.
- The financial management systems of other grantees and subgrantees must meet the following standards:
 - Financial reporting: Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
 - Accounting records: Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

Condition

In our procedure performed over the attendance reporting to California Department of Education (CDE), we sampled the first half year report to CDE and 30 schools to trace the reported attendance information from the District's Semiannual Attendance Report (SAR) submitted to CDE to the "Quarterly Attendance Report" (QAR), a report provided directly by the District's individual afterschool providers related to the school attendance data. We noted that the attendance was under-and-over-reported for 13 and 14 schools, respectively.

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Agency	School Name	Attendance to CDE	Attendance per QAR	Over- Reported
1 After School All Stars L.A.	Ochoa Learning Center	23,569	23,538	31
2 Keep Youth Doing Something, Inc.	R.A.Millikan MS.	30,928	25,733	5,195
3 Kids Protectors of the Environment	Brockton El.	20,326	20,317	9
4 Kids Protectors of the Environment	122ND St. El.	29,473	29,421	52
5 Para Los Niños	Palms El.	18,831	18,667	164
6 Ready, Set, Go!	24th St El.	13,255	4,414	8,841
7 Ready, Set, Go!	Ascot El.	5,680	4,873	807
8 Ready, Set, Go!	Grape El.	10,425	3,604	6,821
9 Ready, Set, Go!	Murchison El.	6,301	3,352	2,949
10 Woodcraft Rangers	Beachy El.	30,568	30,170	398
11 Woodcraft Rangers	State El.	51,853	51,712	141
12 Woodcraft Rangers	Woodcrest El.	35,854	35,522	332
13 Youth Development Program	Colfax El.	10,260	10,231	29
14 Youth Development Program	Corona El.	20,760	20,742	18
Total:		308,083	282,296	25,787

Agency	School Name	Attendance to CDE	Attendance Per QAR	(Under)- Reported
1 After School All Stars L.A.	Belvedere MS.	36,676	36,890	(214)
2 After School All Stars L.A.	Harte Prep MS.	29,979	30,412	(433)
3 After School All Stars L.A.	Vista MS.	21,609	22,700	(1,091)
4 Keep Youth Doing Something, Inc.	Purche El.	19,647	19,770	(123)
5 Para Los Niños	Hamasaki El.	15,814	15,855	(41)
6 Para Los Niños	White El.	18,066	18,179	(113)
7 Woodcraft Rangers	Carver MS.	63,943	71,489	(7,546)
8 Woodcraft Rangers	San Antonia El.	23,671	24,061	(390)
9 Woodcraft Rangers	San Gabriel El.	28,078	28,277	(199)
1 Woodcraft Rangers	Sharp El.	26,350	26,414	(64)
1 Youth Development Program	Alexandria El.	22,309	22,325	(16)
1 Youth Development Program	Apperson El.	10,410	10,441	(31)
1 Youth Development Program	Ascot El.	17,337	17,388	(51)
1 Youth Development Program	Eastman El.	15,446	15,495	(49)
Total		349,335	359,696	(10,361)

The District explained to us that the under-reporting was due to the eliminations on the duplicated attendance records reported on QARs by its sub-recipients. However, the District did not maintain supporting documentation to support the reconciliation process; therefore, we were unable to verify accuracy of the variances. With respect to the over-reporting, the District did not provide us with any

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explanations except for 1 school, Robert A. Millikan Middle School “Millikan”. The District’s Program Coordinator explained that they added approximately 5,000 attendance counts from another school called Romer Middle School “Roy Romer” to Millikan. However, based on our review of grant application number 08-14349-6473-4A which Millikan is funded, Roy Romer was not included in the grant; therefore, the attendance records of Roy Romer should not be added.

Cause and Effect

The District’s internal control policy and procedures do not require documentation to be maintained to support the reconciliation between the QAR and SAR and that SARs be reviewed and approved by the supervisor prior to submission.

This is a repeat finding from June 30, 2008 (F-08-19).

Questioned Costs

Questioned cost is not applicable as the payments for this program is not made based on the basis of attendance.

Recommendation

The District should strengthen its controls to ensure attendance data is compiled and reported accurately and include only schools authorized for the program. The District should also maintain sufficient documentation to support its results of the reconciliation between the SAR and QAR.

Views of Responsible Officials and Planned Corrective Actions

The District will work with the CDE to properly amend the grant to reflect the definition of the school community. The District will strengthen internal procedures to maintain required documentation to support the reconciliations between the SAR and the QAR.

Program Identification

Finding Reference Number:

F-09-17

Federal Program Title, Awarding Agency, Pass-Through Entity, Catalog of Federal Domestic Assistance (CFDA) Number, and Award Number:

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP), CDFA No. 84.334, U.S. Department of Education (ED), Grant Agreements P334A050008 and P334A050178.

Twenty-First Century Community Learning Centers, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.287, Grant Agreements 07-14349-6473-4A, 07-14535-6473-4A, 08-14349-6473-3A, 08-14349-6473-4A, 08-14535-

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6473-4A, 08-14349-6473-5A, and 08-14535-6473-5A.

Compliance Requirement:

Sub-recipient Monitoring

State Audit Guide Finding Code:

30000 and 50000

Criteria

United States Code, Title 31 – Money and Finance, Subtitle V – General Assistance Administration, Chapter 75 – Requirements for Single Audits, Section 7502, Audit requirements; exemptions:

- Each pass-through entity shall:
 - (a) provide such subrecipient the program names (and any identifying numbers) from which such assistance is derived, and the federal requirements which govern the use of such awards and the requirements of this chapter;
 - (b) monitor the subrecipient's use of federal awards through site visits, limited scope audits, or other means;
 - (c) review the audit of a subrecipient as necessary to determine whether prompt and appropriate corrective action has been taken with respect to audit findings, as defined by the Director, pertaining to federal awards provided to the subrecipient by the pass-through entity; and
 - (d) require each of its subrecipients of federal awards to permit, as a condition of receiving federal awards, the independent auditor of the pass-through entity to have such access to the subrecipient's records and financial statements as may be necessary for the pass-through entity to comply with this chapter.

Condition

GEAR-UP – In our procedures performed for the subrecipient monitoring, we noted the following discrepancies:

1. Local District 4 contracted with 4 subrecipients under grant number P334A050008. Based on our review of the agreements between District 4 and the subrecipients, we noted that none of the agreements contained the appropriate award identification information (i.e. CFDA No., federal awarding agencies, compliance requirements).
2. One of the subrecipient's Single Audit Report for 2007-08 disclosed 1 material weakness and 3 significant deficiencies findings on the internal control over financial reporting. However, through discussions with the program directors for both grants (P334A050008 and P334A050178), we noted that the District did not perform the following required actions with respect to the findings:
 - Issue a management decision on audit findings within 6 months after receipt of the subrecipient's audit report.
 - Ensure that the subrecipient takes timely and appropriate corrective action on all audit findings.

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3. The District's subrecipients for grant numbers P334A05008 and P334A050178 were contracted to provide matching contributions to the program. The subrecipients provided summary schedules and Personnel Activity Reports to the District to support their matching contributions. However, through our discussions with the program directors, we became aware that the District did not have formal monitoring policies and procedures in place which require monitoring reviews of its subrecipients' matching costs to ascertain whether or not (1) they were necessary and reasonable for proper and efficient accomplishment of the GEAR-UP program objectives; and, (2) if the cost were allowable under the applicable cost principles and conformed to the provisions of the OMB circular. For the grant year 2008-09 (September 08 – August 09), the total matching contributions derived from the subrecipients amounted to \$254,508 and \$523,751 for grant numbers P334A05008 and P334A050178, respectively. The District's total reported matching contributions for the 2 grants amounted to \$795,606 and \$3,408,491 for P334A05008 and P334A050178, respectively.

Twenty-First Century Community Learning Centers: The District contracted with 32 agencies under the Beyond the Bell program funded by the 21st Century Community Learning Centers. During our procedures performed over subrecipient monitoring, we noted the following:

Review of Subrecipients' Single Audit Report: Based on our review of the District's sub recipients Single Audit reports, we noted that 1 agency did not submit a copy of the financial audit report for the fiscal year 2007-08. In addition, we also noted that four (4) agencies which had submitted their 2006-07 Single Audit Reports, did not submit one for 2007-08. The District did not provide us with documentation supporting any follow-up action taken to determine if the four (4) agencies were required to have a Single Audit, or were exempt for 2007-08.

On-site Sub-recipients Monitoring Review: According to the District's inter-Office Correspondence regarding the on-site monitoring of its sub recipients, it is required by the District's policy to perform on-site visits of all elementary and middle schools at least once a month. The District maintains a log to track completion of the site visits for each school. Based upon our review of the log, we noted that the visit information was missing for 17 out of 127 elementary and middle schools. The District was unable to provide us with any documentation to substantiate the on-site visits. Therefore, we were not able to determine if site visits were ever performed.

There were no formal policies and procedures in place for those agencies which did have a Single Audit performed to (1) ensure that the required audits were completed within 9 months of the end of the subrecipients' audit period; (2) issue a management decision on audit findings within 6 months after receipt of the subrecipient's audit reports; and (3) ensure that the subrecipient takes timely and appropriate correction action on all audit findings.

Cause and Effect

Proper policies and procedures for subrecipient monitoring do not appear to be in place to ensure that the District is in compliance with the applicable OMB requirements.

These findings are repeat findings, having been previously reported for June 30, 2005 to June 30, 2008 (F-05-30, F-06-28, F-06-29, F-07-29, and F-08-21).

Questioned Costs

Not applicable.

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Recommendation

We recommend that the District establish policies and procedure to ensure that the subrecipient monitoring compliance requirement be met with the federal requirements.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the finding. The District will work closely with our contracts department to include the required information on sub-recipient contracts. Policies and procedures related to sub-recipient monitoring have been updated to include a determination of whether the sub-recipient is required to have an A-133 audit, a review of relevant findings, management decision relative to the findings, and follow up on corrective actions taken by the sub-recipient.

Program Identification

Finding Reference Number:

F-09-18

Federal Program Title, Awarding Agency, Pass-Through Entity, Catalog of Federal Domestic Assistance (CFDA) Number, and Award Number:

Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children, U.S. Department of Agriculture (USDA), Passed through the California Department of Education, CFDA No. 10.553, 10.555, and 10.559, Grant Agreement 19-64733-0000000-01.

Child and Adult Care Food Program, U.S. Department of Agriculture (USDA), Passed through the California Department of Education, CFDA No. 10.558, Grant Agreement 19-2016-3A.

Compliance Requirement:

Special Tests and Provisions – Annual Verification of Eligibility

State Audit Guide Finding Code:

30000

Criteria

Title 7 – Agriculture, Chapter II – Food and Nutrition Service, Department of Agriculture Subchapter A – Child Nutrition Programs – Part 245 Determining Eligibility for Free and Reduced Price Meals and Free Milk in schools – Section 245.6a - Verification Requirements:

- *General.* The local educational agency must verify eligibility of children in a sample of household applications approved for free and reduced price meal benefits for that school year.
- *Standard sample size.* Unless eligible for an alternative sample size under paragraph (d) of this section, the sample size for each local educational agency shall equal the lesser of:
 - (i) Three (3) percent of all applications approved by the local educational agency for the school year, as of October 1 of the school year, selected from error prone applications; or

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- (ii) 3,000 error prone applications approved by the local educational agency for the school year, as of October 1 of the school year.
- (iii) Local educational agencies shall not exceed the standard sample size in paragraphs (c)(3)(i) or (c)(3)(ii) of this section, as applicable, and, unless eligible for one of the alternative sample sizes provided in paragraph (c)(4) of this section, the local educational agency shall not use a smaller sample size than those in paragraphs (c)(3)(i) or (c)(3)(ii) of this section, as applicable.
- (iv) If the number of error-prone applications exceeds the required sample size, the local educational agency shall select the required sample at random, i.e., each application has an equal chance of being selected, from the total number of error-prone applications.
- *Eligibility changes.* Based on the verification activities, the local educational agency shall make appropriate modifications to the eligibility determinations made initially. The local educational agency must notify the household of any change. Households must be notified of any reduction in benefits in accordance with paragraph (j) of this section. Households with reduced benefits or that are longer eligible for free or reduced price meals must be notified of their right to reapply at any time with documentation of income or participation in one of the eligible programs in paragraph (a)(1) of this section.

Condition

The student's eligibility determination for the school meal programs are processed automatically by a software called Meal Compliance Software "MCS". MCS is also programmed to upload the updated eligibility status of the student to the District's Student Information System (SIS) for meal ticket issuance purposes. The information provided by MCS is also being used for ranking procedures for the No Child Left Behind programs.

When an applicant fails to respond to the District's requests for submission of his income verification by October 31st, the status of the family is automatically updated on MCS as "no response" which results in terminating the student from the free or reduced meal status. In our procedures performed over the eligibility verification in accordance with 7 CFR section 245 as quoted under the criteria, we became aware that when the applicant failed to respond to the District's requests for income verification, MCS only changed the status of the eligibility for the student who was originally selected from the sampling; however, the eligibility status of the other siblings on the same application was not changed appropriately for 4 out of 420 applications from a total of 1,075 applications which had more than one child listed and with a status of no-response. The District had performed an extensive review of 980 applications that had more than one child and with no response status. The result of their review also disclosed 4 exceptions where the eligibility status of the siblings was not terminated accordingly.

Cause and Effect

The District continued to extend meal benefits to children who should have been denied benefits resulting from failure by households to respond to the income verification.

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Questioned Costs

Not applicable as the estimated questioned costs was less than \$10,000.

Recommendation

We recommend the District's Information Technology staff ascertain the reason for the malfunction and modify the software suitably to resolve this issue.

Views of responsible Officials and Planned Corrective Actions

The District agrees with the finding. Food Services submitted a request to the developers of the MCS software on February 1st to have them review our software and determine the reasoning for the malfunction.

Program Identification

Finding Reference Number:	F-09-19
Federal Catalog of Domestic Assistance Number(s):	84.010
Federal Program Titles:	Title I Grants to LEAs, U.S. Department of Education (ED)
Pass-Through Entity:	California Department of Education
Award Number	Grant Agreement 09-14329-6473
Compliance Requirement:	Special Tests and Provisions – Highly Qualified Teachers and Paraprofessionals
State Audit Guide Finding Code:	30000 and 50000

Criteria

Title 34 – Education, Secondary Education, Department of Education, Part 200, Title I – Improving The Academic Achievement of the Disadvantaged, Subpart A – Improving Basic Programs Operated by Local Educational Agencies, Section 200.55, Qualifications of teachers:

- All teachers of core academic subjects. (1) Not later than the end of the 2005 – 2006 school year, each State that receives funds under subpart A of this part, and each LEA in that State, must ensure that all public elementary and secondary school teachers in the State who teach core academic subjects, including teachers employed by an LEA to provide services to eligible private school students under Section 200.62, are highly qualified as defined in Section 200.56.

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Title 34 – Education, Secondary Education, Department of Education, Part 200 – Title I – Improving The Academic Achievement of the Disadvantaged, Subpart A – Improving Basic Programs Operated by Local Educational Agencies, Section 200.58, Qualifications of paraprofessionals:

- New paraprofessionals. A paraprofessional covered under paragraph (a) of this section, who is hired after January 8, 2002, must have:
 - (1) Completed at least two years of study at an institution of higher education;
 - (2) Obtained an associate's or higher degree; or
 - (3) (i) Met a rigorous standard of quality, and can demonstrate through a formal State or local academic assessment knowledge of, and the ability to assist in instructing, as appropriate:
 - (a) Reading/language arts, writing, and mathematics or
 - (b) Reading readiness, writing readiness, and mathematics readiness.
 - (ii) A secondary school diploma or its recognized equivalent is necessary, but not sufficient, to meet the requirement in paragraph (c)(3)(i) of this section.
- Existing paraprofessionals. Each paraprofessional, who was hired on or before January 8, 2002, must meet the requirements in paragraph (c) of this section no later than January 8, 2006.

Condition

During procedures we performed to ascertain if the District was in compliance with the highly qualified teacher and paraprofessional requirements, we made inquiries with the District as to its compliance status for the school year 2008-09.

Teachers: The District provided us with a copy of its California Basic Education Data System (CBEDS) report submitted to the California Department of Education (CDE) in October 2008. According to CBEDS, the District reached 84.8% highly qualified teachers overall for the fiscal year starting 2008-09.

Paraprofessionals: During our review, we were provided a listing of all non-highly qualified paraprofessionals totaling 423 for the school year 2008-09. According to the list, it appeared that the District had 45 non-highly qualified paraprofessionals who were assigned to Title I schools operating schoolwide programs. As this finding was in the 2007-2008 audit issued August 15, 2009, the District was unable to implement a tracking system as recommended in the prior year audit to monitor the placement/transfer of non-highly qualified paraprofessionals hired before January 8, 2002 to ensure that they were not assigned to Title I schools.

Cause and Effect

The District indicated challenges in hiring and placement of prospective teachers who might have been hesitant to serve at low-performing schools. It was this inability to attract desirable candidates that appeared to contribute to the number of non-highly qualified teachers.

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In addition, the District indicated lack of funds for administrative personnel necessary to track placement of non-highly qualified paraprofessionals.

This is a repeat finding from June 30, 2006 to June 30, 2008 (F-06-33, F-06-34, F-07-34, and F-08-23).

Questioned Costs

Not applicable. This finding is considered a programmatic non-compliance issue as well as a deficiency in the internal control system to properly track highly qualified paraprofessionals assigned to Title I schools.

Recommendation

We recommend that the District continue to implement policies and procedures to ensure the remainder of its teachers obtain their highly qualified status to comply with NCLB requirements.

We also recommend that the District implement policies and procedures to ensure that non-highly qualified paraprofessionals hired before January 8, 2002 are not placed in Title I schools where a highly qualified status is required to comply with NCLB requirements.

Views of responsible Officials and Planned Corrective Actions

The District agrees with the finding. The District continues in its effort to increase the percentage of teachers meeting NCLB requirements. The strategic steps taken to achieve the requirement are included in the recruitment plan and the Equitable Distribution Plan that were previously provided to the auditors. In prior years, the percentage of highly qualified teachers in the District, 92.3% , was based upon a manually prepared report and is considered to be very accurate. The current percentage, 84.8%, is based upon the automated CBEDS report. However, this report does not take into account teachers at special education schools or teachers at alternative sites and therefore reflects a lower figure. That information is gathered manually and due to reduced staff, the information was not gathered in the year being audited. The District believes that the percentage of highly qualified teachers is much greater due to the fact that budget reductions have forced the District to lay off teachers who are not highly qualified. Furthermore, the District is in regular contact with CDE to inform them of the progress being made to meet the requirement.

Highly Qualified Paraprofessionals

The District agrees with the finding. As of June 2009, the number of non-highly qualified paraprofessionals assigned to Title 1 schools operating the schoolwide program has been reduced to about 40 paraeducators. The District will continue to move these individuals into positions that are not in Title 1 schools.

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Program Identification

Finding Reference Number:	F-09-20
Federal Catalog of Domestic Assistance Number(s):	84.365
Federal Program Titles:	English Language Acquisition Program, U.S. Department of Education (ED)
Pass-Through Entity:	California Department of Education
Award Number:	Grant Agreement 09-10084-6473-00
Compliance Requirement:	Special Tests and Provisions – Parental Notification
State Audit Guide Finding Code:	30000 and 50000

Criteria

Elementary & Secondary Education Act, Subpart 5 – Administration, Part C – General Provisions, Section 3302, Parental Notification:

In General – Each eligible entity using funds provided under this title to provide a language instruction educational program shall, not later than 30 days after the beginning of the school year, inform a parent or the parents of a limited English proficient child identified for participation in, or participating in, such program of:

- (1) The reasons for the identification of their child as limited English proficient and in need of placement in a language instruction educational program;
- (2) The child's level of English proficiency, how such level was assessed, and the status of the child's academic achievement;
- (3) The method of instruction used in the program in which their child is, or will be, participating, and the methods of instruction used in other available programs, including how such programs differ in content, instruction goals, and use of English and a native language in instruction;
- (4) How the program in which their child is, or will be participating will meet the educational strengths and needs of the child;
- (5) How such program will specifically help their child learn English, and meet age-appropriate academic achievement standards for grade promotion and graduation;
- (6) The specific exit requirements for such program, the expected rate of transition from such program into classrooms that are not tailored for limited English proficient children, and the expected rate of graduation from secondary school for such program if funds under this title are used for children in secondary schools;
- (7) In the case of a child with a disability, how such program meets the objectives of the individualized education program of the child; and

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- (8) Information pertaining to parental rights that includes written guidance:
- a) Detailing:
 - The right that parents have to have their child immediately removed from such program upon their request and
 - The options that parents have to decline to enroll their child in such program or to choose another program or method of instruction, if available and
 - Assisting parents in selecting among various programs and methods of instruction, if more than one program or method is offered by the eligible entity.
 - b) Separate Notification – In addition to providing the information required to be provided under subsection (a), each eligible entity that is using funds provided under this title to provide a language instruction educational program, and that has failed to make progress 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.

Condition

In our procedures performed over participating limited English proficiency (LEP) students, we requested copies of the required parental notifications for the students participating in the program during the 2008-2009 school year. We also requested copies of the school certification forms for notification sent to parents for failure of Annual Measurable achievement Objectives (AMAO).

In our sample of 40 participating students for the initial parent notifications, we noted the following:

- 8 notification forms were not provided;
- 1 notification form was not dated;
- 11 notification forms were dated either later than 30 days after the beginning of the school year or 2 weeks of the child's enrollment;
- 2 notification forms were not completed to inform the parents of the result of the initial testing;
- 6 notification forms were dated before the children's enrollment dates.

In our sample of 40 participating students for annual parental notifications, we noted the following:

- 5 annual parent notifications were not provided;
- 16 annual parent notifications were dated later than 30 days after the beginning of the school year.

In our samples of certifications of AMAO from 40 schools, we noted the following:

- 14 certifications were dated after October 3, 2008;

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- 1 certification was not dated;
- 2 certifications were not provided.

Cause and Effect

In general, effective controls are not in place to ascertain that sufficient documentation is maintained to support compliance.

This is a repeat finding from June 30, 2006 – June 30, 2008 (F-06-36, F-07-33, and F-08-22).

Questioned Costs

Not applicable. This finding is considered a programmatic non-compliance issue as well as a deficiency in the internal control system to properly monitor the parental notification process.

Recommendation

We recommend the District continue to strengthen its policies and procedures to ensure that the schools comply with the requirement that all parental notifications are made in a timely manner and that supporting documentation be maintained on file to support the schools' compliance.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with this finding. The District has established policies and procedures in place to communicate program requirements to school personnel. The District updated its policies in September 2009. Secondary Schools use BUL-4871.01 titled Annual Parent Notification Requirements Under Title III of the No Child Left Behind Act for Secondary Schools, dated September 3, 2009. Elementary schools use BUL-4872.0, titled Annual Parent Notification Requirements Under Title III of the No Child Left Behind Act for Elementary Schools, dated September 3, 2009. The District will provide additional training to school administrators.

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Findings and Questioned Costs Relating to State Awards

S-09-01 Regular and Special Day Classes – Elementary Schools – Attendance Computations

State Audit Guide Finding Codes: 10000 and 40000

Schools Affected

Carson Elementary School	Hammel Elementary School
Allesandro Elementary School	Sheridan Elementary School
Pomelo Elementary School	Arroyo Seco Museum Science Elementary School
54 th Elementary School	Castle Heights Elementary School
West Hollywood Elementary School	Eagle Rock Elementary School
Bright Elementary School	Middleton Elementary School
107 th Street Elementary School	Lankershim Elementary School
Humphreys Elementary School	Mariposa Nabi PC

Criteria

California Education Code, Section 46300(a) – in computing average daily attendance of a school district or county office of education, there shall be included the attendance of pupils while engaged in educational activities required of those pupils under the immediate supervision and control of an employee of the district or county office who possessed a valid certification document, registered as required by law.

Condition, Cause and Effect

In our sample of 25 schools, we traced daily attendance records for a sample of teachers to the monthly teacher control card. We then traced the monthly control cards to the monthly school Statistical Report totals, which in turn were traced to the *Second Principal Report* (P2) and the *Annual Principal Report* (P3). We also traced the days reported on the monthly teacher control cards to the Student Apportionment Attendance Record Card, which is completed by the classroom teacher daily for a total of 19,315 days of attendance, 632 days of excused absences, and 335 days of unexcused absences, and noted differences for 16 of the 25 schools sampled.

- **Carson Elementary School** – Of 1,088 days of attendance, 75 excused and 17 unexcused absences sampled, we noted the following differences for 3 of 57 students sampled:
 - One student was understated by one day of attendance and overstated by one day of excused absence.
 - Two students were understated by one day of excused absence and overstated by one day of unexcused absence.
- **Allesandro Elementary School** – Of 239 days of attendance, 7 excused and 1 unexcused absences sampled, we noted the following differences for 1 of 13 students sampled:
 - One student was understated by one day of excused absence and overstated by one day of unexcused absence.

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- **Pomelo Elementary School** – Of 961 days of attendance, 28 excused and 11 unexcused absences sampled, we noted the following differences for 2 of the 50 students sampled:
 - One student was overstated by one day of attendance and understated by one day of excused absence.
 - One student was understated by five days of excused absences and overstated by five days of unexcused absences.
- **54th Street Elementary School** – Of 603 days of attendance, 1 excused and 17 unexcused absences sampled, we noted the following differences for 1 of 32 students sampled, as well as differences affecting the entire school for school month seven:
 - One student was understated by one day of attendance and overstated by one day of excused absence.
 - The monthly control cards totals did not agree to the monthly school Statistical Report totals. The monthly school Statistical Report was overstated by seven days of attendance.
- **West Hollywood Elementary School** – Of 509 days of attendance, 10 excused and 21 unexcused absences sampled, we noted the following differences for 1 of 26 students, as well as differences affecting the entire school for school month seven:
 - The totals in the daily attendance record for one teacher were incorrect. The monthly school Statistical Report was understated by one day of excused absence and overstated by one day of unexcused absence.
 - One student was understated by two days of excused absences and overstated by two days of unexcused absences.
- **Bright Elementary School** – Of 1759 days of attendance, 77 excused and 38 unexcused absences sampled, we noted the following differences for 1 of 58 students:
 - One student was overstated by two days of excused absences and understated by two days of unexcused absences.
- **107th Street Elementary School** – Of 352 days of attendance, 29 excused and 18 unexcused absences sampled, we noted the following differences for 3 of 21 students sampled, as well as differences affecting the entire school for school month seven:
 - The monthly control cards totals did not agree to the monthly school Statistical Report totals. The monthly school Statistical Report was overstated by five days of attendance.
 - The total in the daily attendance record for one teacher was incorrect. The monthly school Statistical Report was overstated by one day of attendance and understated by one day of unexcused absence.
 - One student was overstated by one day of attendance and understated by one day of unexcused absence.
 - One student was overstated by two days of excused absences and understated by two days of unexcused absences.
 - One student was overstated by one day of excused absence and understated by one day of unexcused absence.

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- **Humphreys Elementary School** – Of 1,049 days of attendance, 40 excused and 12 unexcused absences sampled, we noted the following differences for 1 of 58 students sampled:
 - One unexcused absence for one student was recorded on 3/18/2009 instead of 3/16/2009.
- **Hammel Elementary School** – Of 1,149 days of attendance, 80 excused and 12 unexcused absences sampled, we noted the following differences for 3 of 65 students sampled:
 - One student was understated by one day of excused absence and overstated by one day of unexcused absence.
 - One student was overstated by three days of attendance, understated by five days of excused absences and overstated by two days of unexcused absences.
 - Two unexcused absences for one student were recorded on 3/19/2009 and 3/20/2009 instead of 3/26/2009 and 3/27/2009.
- **Sheridan Elementary School** – Of 1812 days of attendance, 25 excused and 43 unexcused absences sampled, we noted the following differences for 5 of 94 students:
 - Two students were understated by one day of excused absence and overstated by one day of unexcused absence.
 - One student was overstated by one day of attendance and understated by one day of unexcused absence.
 - One student was understated by two days of excused absences and overstated by two days of unexcused absences.
 - One student was understated by four days of excused absences and overstated by four days of unexcused absences.
- **Arroyo Seco Museum Science Elementary School** – Of 408 days of attendance, 12 excused and 0 unexcused absences sampled, we noted the following differences for 1 of 30 students sampled:
 - One student's unexcused absence was recorded on 3/13/2009 instead of 3/17/2009.
- **Castle Heights Elementary School** – Of 936 days of attendance, 25 excused and 19 unexcused absences sampled, we noted the following differences for 4 of 49 students sampled:
 - One student was overstated by one day of attendance and understated by one day of unexcused absence.
 - Two students were understated by one day of excused absence and overstated by one day of unexcused absence.
 - One student was understated by three days of excused absences and overstated by three days of unexcused absences.
- **Eagle Rock Elementary School** – Of 1099 days of attendance, 46 excused and 23 unexcused absences sampled, we noted the following differences for the 1 of 68 students sampled as well as differences affecting the entire school for school month seven:
 - The totals in the daily attendance record for one teacher were incorrect. The monthly school Statistical Report was overstated by one day of attendance and understated by one day of unexcused absence.

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- The totals in the daily attendance record for one teacher were incorrect. The monthly school Statistical Report was overstated by one day of attendance, understated by two days of excused absence and overstated by one day of unexcused absence.
- One student was understated by one day of excused absence and overstated by one day of unexcused absence.
- **Middleton Elementary School** – Of 698 days of attendance, 18 excused, and 13 unexcused absences sampled, we noted the following differences for 1 of 36 students sampled, as well as differences affecting the entire school for school month seven:
 - The monthly control cards totals did not agree to the monthly school Statistical Report totals. The monthly school Statistical Report was understated by two days of attendance and overstated by two days of excused absence.
 - One student was understated by one day of excused absence and overstated by one day of unexcused absence.
- **Lankershim Elementary School** – Of 871 days of attendance, 13 excused, and 18 unexcused absences sampled, we noted the following differences for 3 of 46 students sampled:
 - One student was overstated by two days of attendance and understated by two days of unexcused absences.
 - One student was overstated by one day of attendance and understated by one day of unexcused absence.
 - One student was overstated by one day of attendance and understated by one day of excused absence.
- **Mariposa Nabi PC** – Of 332 days of attendance, 5 excused, and 3 unexcused absences sampled, we noted the following differences for 1 of 17 students sampled:
 - One student was understated by one day of attendance and overstated by one day of unexcused absence.

These findings are repeat findings, having been reported previously for June 30, 2008 (S-08-1) but for different schools.

Questioned Costs:

\$ 898 = [0.1590 Total ADA overstated x \$5,645]

- 1 day Carson understated/131 days in single-track school year = (0.0076) ADA
- 1 day Pomelo overstated/131 days in single-track school year = 0.0076 ADA
- 6 days 54th Street overstated/131 days in single-track school year = 0.0458 ADA
- 7 days 107th Street overstated /131 days in 4 track-B school year = 0.0534 ADA
- 3 days Hammel overstated/131 days in single-track school year = 0.0229 ADA
- 1 day Sheridan overstated/131 days in single-track school year = 0.0076 ADA
- 1 day Castle Heights overstated/131 days in single-track school year = 0.0076 ADA
- 2 days Eagle Rock overstated/131 days in single-track school year = 0.0153 ADA
- 2 days Middleton understated/121 days in 4 track-A school year = (0.0165) ADA
- 4 days Lankershim overstated/131 days in single-track school year = 0.0305 ADA
- 1 day Mariposa Nabi PC understated/131 days in single-track school year = (0.0076) ADA

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Recommendation

We recommend that the District ensure that its schools strengthen the review process over student attendance reporting, which includes but is not limited to the compilation of the Student Apportionment Attendance Cards, Monthly Control Cards, and Monthly Statistical Reports so that they accurately reflect student attendance data.

Views of Responsible Officials and Planned Corrective Actions

Schools will in-service staff on attendance recording and reporting procedures and discuss the importance of keeping the attendance records consistent and accurate. Attendance records will also be reviewed to help ensure accuracy. Revised statistical reports will be submitted, as needed.

In addition, the new attendance system (ISIS) has been rolled out to all elementary schools for the 2009-2010 school year. Implementation of the ISIS and its procedures will help ensure consistency and accuracy of attendance data.

S-09-02 Regular and Special Day Classes – Secondary Schools – Attendance Computations

State Audit Guide Finding Codes: 10000 and 40000

Schools Affected:

- Bancroft Middle School
- Porter Middle School
- Widney High School
- Gardena High School
- Washington Preparatory Senior High School
- Cleveland Senior High School

Criteria

California Education Code, Section 46300(a) – in computing average daily attendance of a school district or county office of education, there shall be included the attendance of pupils who were engaged in educational activities required of those pupils under the immediate supervision and control of an employee of the district or county office who possessed a valid certification document, registered as required by law.

Condition, Cause and Effect

In our sample of 12 schools, we traced the schools' monthly Statistical Report to the Revised Annual Attendance Legers (i.e., ACES Dump Report) for the school month seven, which in turn were traced to the *Second Principal Report* (P2) and the *Annual Principal Report* (P3). To test for attendance data integrity, consistency and documents of origination support, we traced the attendance reported on the Teacher's Sign-off reports to the Student Attendance Update Report (AT06) in combination with the Student Attendance Record (AT10) from the ISIS and SSIS.

We also tested the District's absence recording for accuracy and support by various documents of origination through our random selections of recorded absences and tracing our sample selections to absence notes, logs and other evidentiary matter to ensure that absences were not included in the Average Daily Attendance reporting.

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We selected a sample of 7,206 days of attendance; 725 population of students; 443 excused absences and 501 unexcused absences for testing. We noted differences and observations for 6 of the 12 schools sampled, which are summarized and described as follows:

- **Bancroft Middle School** – Of 428 days of attendance, 28 excused absences and 4 unexcused absences sampled, we noted the following observations for 23 of 23 students sampled:
 - The original Teacher's Sign-offs for school month seven were not available for testing. Even though we were provided copies of the unsigned Teacher's Sign-off reports, Teacher's Sign-offs were required to be printed and signed by the teacher as evidence of certifying the correctness of the attendance entered by teacher to the Integrated Student Information System (ISIS) of attendance. However, since the computerized ISIS system is designed to log and track the user (teacher) who entered the attendance data by name, date and time, as an alternative audit procedure, we were able to verify the daily attendance reporting entries from the ISIS and substantiate that the daily entries were entered by the classroom teacher or authorized school administrative school staff. Based on the evidence provided by these alternative procedures, we do not question the attendance reported associated with those students. However, it is required by CDE as part of the attendance reporting procedures for the District that the teacher sign and certify the Teacher's Sign-off reports and retain origination documentation for attendance. In this regard, the school was not in compliance with such requirements.
- **Porter Middle School** - Of 726 days of attendance, 17 excused absences and 14 unexcused absences sampled, we noted the following observations for 11 of 156 students:
 - The original Teacher's Sign-offs for one teacher for March 23 to March 27, 2009 were not available for testing. Even though we were provided copies of the unsigned Teacher's Sign-off reports, Teacher's Sign-offs were required to be printed and signed by the teacher as evidence of certifying the correctness of the attendance entered by teacher to the Integrated Student Information System (ISIS) of attendance. However, since the computerized ISIS system is designed to log and track the user (teacher) who entered the attendance data by name, date and time, , as an alternative audit procedure, we were able to verify the daily attendance reporting entries from the ISIS and substantiated that the daily entries were entered by the classroom teacher or authorized school administrative school staff. Based on the evidence provided by these alternative procedures we do not question the attendance reported associated with those students. However, it is required by CDE as part of the attendance reporting procedures for the District that the teacher sign and certify the Teacher's Sign-off reports and retain origination documentation for attendance. In this regard, the school was not in compliance with such requirements.
- **Widney High School** – Of 462 days of attendance, 116 excused and 1 unexcused absences sampled, we noted that 12 out of 30 students sampled:
 - Twelve students were overstated by one day of excused absence and understated by one day of unexcused absence. There was no documentation on file to support the excused absences.
- **Gardena High School** – Of 1201 days of attendance, 25 excused and 219 unexcused absences sampled, we noted the following differences for 14 out of 77 students sampled:

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- One student was overstated by one day of attendance and understated by one day of unexcused absence.
- Thirteen students were overstated by one day of excused absence and understated by one day of unexcused absence. There was no documentation on file to support the excused absences.
- The District's attendance reporting procedures require the teacher to sign the Teacher Sign-off by the next school day after the school week ends. There were several Teacher's Sign-offs that were signed and back dated much later than the required signing dates:

	<u>Required Signed Date</u>	<u>Signed Date</u>
Week of March 9 to March 13	March 16	May 11
Week of March 16 to March 20	March 23	May 11
Week of March 23 to March 27	March 30	May 11
Week of March 30 to April 4	April 6	May 11

- Since the computerized ISIS system is designed to log and track the user (teacher) who entered the attendance data by name, date and time, as an alternative audit procedure, we were able to verify the daily attendance reporting entries from the ISIS and substantiated that the daily entries were entered by the classroom teacher or authorized school administrative school staff. Based on the evidence provided by these alternative procedures we do not question the attendance reported associated with those students. However, it is required by CDE as part of the attendance reporting procedures for the District that the teacher sign and certify the Teacher's Sign-off reports by the next school day after the school week ends. In this regard, the school was not in compliance with such requirements.
- During our testing, we also noted that there were a certain number of teachers that did not submit attendance for certain days. On a sample basis, we selected ten (10) teachers that did not submit attendance and reviewed the ISIS screen prints to verify how attendance was reported for the students of those teachers. Since attendance was not reported by those teachers, the students' attendance for the day was relied upon by other teachers' attendance submission. Even though we have no exceptions on the attendance reported as a result of verifying supporting documentation from the Secondary Student Information System and the Integrated Student Information System, there could be a potential under reporting of attendance due to teachers not submitting attendance. In cases where other teachers also may not submit attendance for that day or the student was absent from all the other classes except for the class of the teacher which did not submit attendance, the system would not report attendance for that student. Therefore, attendance would be under reported in those circumstances.
- **Washington Preparatory Senior High** – Of 659 days of attendance, 63 excused and 123 unexcused absences sampled, we noted the following differences and observations for 29 of 45 students:
 - One student was overstated by one day of attendance and understated by one day of unexcused absence.

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- The District's attendance reporting procedures require the teacher to sign the Teacher Sign-off by the next school day after the school week ends. There were several Teacher's Sign-offs that were signed and back dated much later than the required signing dates:

	<u>Required Signed Date</u>	<u>Signed Date</u>
Week of March 9 to March 13	March 16	May 28
Week of March 16 to March 20	March 23	June 3
Week of March 16 to March 20	March 23	May 12
Week of March 23 to March 27	March 30	May 12
Week of March 23 to March 27	March 30	not signed
Week of March 30 to April 4	April 6	April 13
Week of March 30 to April 4	April 6	May 28
Week of March 30 to April 4	April 6	June 3

- Since the computerized ISIS system is designed to log and track the user (teacher) who entered the attendance data by name, date and time, as an alternative audit procedure, we were able to verify the daily attendance reporting entries from the ISIS and substantiated that the daily entries were entered by the classroom teacher or authorized school administrative school staff. Based on the evidence provided by these alternative procedures we do not question the attendance reported associated with those students. However, it is required by CDE as part of the attendance reporting procedures for the District that the teacher sign and certify the Teacher's Sign-off reports by the next school day after the school week ends. In this regard, the school was not in compliance with such requirements.
- **Cleveland Senior High School** – Of 1,631 days of attendance, 125 excused and 90 unexcused absences sampled, we noted the following differences for 4 of 93 students:
 - One student was overstated by one day of excused absence and understated by one day of unexcused absence.
 - Three students were overstated by two days of excused absence and understated by two days of unexcused absence.

These findings are repeat findings, having been reported previously for June 30, 2008 (S-08-02), June 30, 2007 (S-07-15), but for different schools.

Questioned Costs:

\$ 87 = [0.0154 Total ADA overstated x \$5,645]

- 1 day Gardena High School overstated/131 days in single-track school year = 0.0077 ADA
- 1 day Washington Preparatory Senior High School overstated/131 days in single-track school year = 0.0077 ADA

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Recommendation

We recommend that the District strengthen its review process over the compilation of the *Monthly Statistical Reports* to ensure that the report accurately reflects student attendance data. Also, we recommend that the District implement procedures to ensure original attendance documentation are signed timely and retained for the required period of time; implement procedures to strengthen the controls to ensure teacher submitting attendance daily as required. Furthermore, we recommend that the District provide adequate attendance reporting training to the schools so that proper attendance reporting procedures are adhered to.

Views of Responsible Officials and Planned Corrective Actions

Schools will in-service teachers and office personnel on attendance procedures, including consistency of attendance records and record retention. Attendance records will also be reviewed to help ensure accuracy.

In addition, CDE had approved the District's use of electronic certification beginning with the 2009-10 school year for schools using the ISIS system. Certification will be maintained in the attendance system, thus eliminating paper certifications for these schools.

S-09-03 Attendance Accounting – Continuation Education – Attendance Computations

State Audit Guide Finding Codes: 10000 and 40000

School Affected

- Independence High School
- Pueblo de Los Angeles High School

Criteria

Title 5, California Code of Regulations, Section 401(d) – in all classes for adults, continuation schools, and classes, and regional occupational centers and programs, attendance shall be reported to the supervising administrator at least once each school month.

California Education Code, Section 46300(a) – in computing average daily attendance of a school district or county office of education, there shall be included the attendance of pupils while engaged in educational activities required of those pupils and under the immediate supervision and control of an employee of the district or county office who possessed a valid certification document, registered as required by law.

California Education Code, Section 46170 – in continuation high schools and continuation education classes, a day of attendance is 180 minutes of attendance but no pupil shall be credited with more than 15 hours of attendance per school per week, proportionately reduced for those school weeks having weekday holidays on which classes are not held.

Condition, Cause and Effect

In our sample of two continuation schools, we traced the total on *Worksheet for Completing the Statistical Report* and compared the totals to the monthly school's *Statistical Report* totals, which in turn were traced to the *Second Principal Report* (P2) and the *Annual Principal Report* (P3) for the seventh school month. We also employed the same sample of two continuation schools, and traced

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the days reported on the Monthly School *Statistical Report* and compared the totals to the *Student Apportionment Attendance Cards*.

We noted the following differences as follows:

- **Independence High School** – Of 3,039 hours (1,013 days) of attendance, 312 hours (104 days) excused absences sampled, we noted difference for 22 of the 34 students:
 - Twenty-two students' attendance was overstated by an aggregate total of 93 hours (31 days).
- **Pueblo de Los Angeles High School** – Of 4,557 hours (1,519 days) of attendance, 7 hours (2.33 days) excused we noted difference for 62 of the 74 students:
 - Sixty-two students' attendance were understated by an aggregate total of 372 hours (124 days), excused absence was overstated by an aggregate total of 117 hours (39 days), and unexcused absence was overstated by an aggregate total of 240 hours (125 days).

This is a repeat finding from June 30, 2008 (S-08-03), June 30, 2007 (S-07-02) and June 30, 2006 (S-06-08), but for different schools.

Questioned Costs

\$(4,038) [(0.7153) Total ADA understated x \$5,645]

- 372 hours Pueblo De Los Angeles High School understated/3 hours per day/130 days in single track school year = (0.9538) ADA
- 93 hours Independence High School overstated/3 hours per day/130 days in single track school year = 0.2385 ADA

Recommendation

We recommend that the District strengthen its review process over the compilation of the *Monthly Statistical Reports* to ensure that the report accurately reflects student attendance data.

Views of Responsible Officials and Planned Corrective Actions

The schools have strengthened their practices in the proper attendance reporting for continuation students. Schools also implemented additional measures to tighten the attendance review process and improve accuracy of attendance data.

S-09-04 Attendance Accounting – Independent Study – Attendance Computations

State Audit Guide Finding Codes: 10000 and 40000

School Affected

- Youth Opportunity Unlimited

Criteria

California Education Code, Section 51747(c) – a requirement that a current written agreement for each independent study pupil shall be maintained on file including, but not limited to, all the following:

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- The manner, time, frequency, and place for submitting a pupil's assignments and for reporting his or her progress.
- A statement of the number of course credits or, for the elementary grades, other measures of academic accomplishment appropriate to the agreement, to be earned by pupil upon completion.

Condition, Cause and Effect

In our sample of 3 schools with independent study programs, we noted 5 students, whose work assignments, were either on file but not completed, or not maintained on file. For the few that were on file, there were no hours earned or due dates on the work assignments. As a result, the attendance reporting was impacted as follows:

- One student was overstated by one day of attendance.
- Three students were overstated by six days of attendance.
- One student was overstated by seven days of attendance.

Questioned Costs:

\$ 917 = [0.1625 Total ADA overstated x \$5,645]

- 26 days Youth Opportunity Unlimited overstated /160 days in single track school year = 0.1625 ADA

Recommendation

We recommend that the District strengthen its review process over independent study to ensure all required documentation on file for students in order for proper reporting of attendance.

Views of Responsible Officials and Planned Corrective Actions

The school had discontinued its Independent Study Program. If the school decides to reinstate an Independent Study Program, it would follow all District and state policies and guidelines as stated in the California Education Code, Section 51747(c).

S-09-05 Attendance Accounting – Dependent Charter School – Attendance Computations

State Audit Guide Finding Codes: 10000 and 40000

Schools Affected

- Canyon Elementary School
- Westwood Elementary School

Criteria

California Education Code, Section 46300(a) – in computing average daily attendance of a school district or county office of education, there shall be included the attendance of pupils while engaged in educational activities required of those pupils and under the immediate supervision and control of an employee of the district or county office who possessed a valid certification document, registered as required by law.

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Condition, Cause and Effect

- **Canyon Elementary School** – Of 519 days of attendance, 8 excused and 13 unexcused absences sampled, we noted the following differences affecting the entire school for school month seven:
 - The monthly control cards totals did not agree to the monthly school Statistical Report totals. The monthly school Statistical Report was understated by five days of attendance, overstated by three days of excused absences and over by four days of unexcused absences.
- **Westwood Elementary School** – Of 1,239 days of attendance, 42 excused and 19 unexcused absences sampled, we noted the following differences for 4 of 65 students sampled:
 - One student was understated by one day of attendance and overstated by one day of unexcused absence.
 - Two students were overstated by one day of attendance and understated by one day of excused absence.
 - One student was understated by one day of attendance and overstated by one day of excused absence.

Questioned Costs:

(\$ 216) = [(0.0382Total ADA understated x \$5,645]

- 5 days Canyon understated /131 days in single track school year = (0.0382) ADA

Recommendation

We recommend that the District strengthen its review process over dependent charter schools to ensure accuracy of supporting documentation in order for proper reporting of attendance.

Views of Responsible Officials and Planned Corrective Actions

Schools will in-service staff on attendance recording and reporting procedures and discuss the importance of keeping the attendance records consistent and accurate. Attendance records will also be reviewed to help ensure accuracy. Revised statistical reports will be submitted, as needed.

In addition, the new attendance system (ISIS) has been rolled out to all elementary schools for the 2009-2010 school year. Implementation of the ISIS and procedures will help ensure consistency and accuracy of attendance data.

S-09-06 – After School Education and Safety Program

State Audit Guide Finding Codes: 40000

School Affected

• Playa Del Rey Elementary School	Miller Elementary School
• Brockton Elementary School	Broadous Elementary School
• 10 th St Elementary School	Byrd Middle School
• Eagle Rock Elementary School	Henry Middle School

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• Budlong Elementary School	Lawrence Middle School
• Pio Pico Elementary School	Virgil Middle School
• Fernangeles Elementary School	Clinton Middle School
• 135 th Elementary School	Sun Valley Middle School
• Langdon Elementary School	Woodland Hills Middle School
• 75 th Street Elementary	Griffith Middle School
• Danube Elementary	Edison Middle School
• Coughlin Elementary	Wright Middle School
• 122 nd Elementary	Carver Middle School
• Sixty-Six Street Elementary	
• Beachy Ave. Elementary	

Criteria

California Education Code 8483(a)(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 8482 – The purpose of this program is to create incentives for establishing locally driven before and after school enrichment programs both during schooldays and summer, intersession, or vacation days that partner public schools and communities to provide academic and literacy support and safe, constructive alternatives for youth. The applicants for grants pursuant to this article agree to provide schoolday attendance rates and Program attendance to the Department of Education.

Condition, Cause and Effect

On a sample basis, we tested attendance documentation of thirty-six (36) schools and one hundred and eight (108) students who participated in the After School Education and Safety Program. We noted the following exceptions:

After Schools

There were 29 of students who did not have complete sign-in and sign-out time on the sign-in/sign-out sheets. Some students either didn't have 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 could not determine whether the elementary school students participated in the full day of after school program on everyday during which students participated except as consistent with the established early release policy; and whether students in middle or junior high schools attended the after school program a minimum of nine hours a week and three days a week, except as consistent with the established early release policy. The following are the details of the exceptions:

- Playa Del Rey Elementary School - one student did not have complete sign-in/sign-out time for 3 days.

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- Brockton Elementary School - 3 students did not have complete sign-in/sign-out time for a total of 15 days.
- 10th Street Elementary School - 1 student did not have complete sign-in/sign-out time for 5 days.
- Eagle Rock Elementary School - 3 students did not have complete sign-in/sign-out time for a total of 15 days.
- Budlong Elementary School - 3 students did not have complete sign-in/sign-out time for a total of 15 days.
- Pico Elementary School - 2 students did not have complete sign-in/sign-out time for a total of 9 days.
- Byrd Middle School - 1 student did not have complete sign-in/sign-out time for 1 day.
- Henry Middle School - 3 students did not have complete sign-in/sign-out time for a total of 13 days.
- Lawrence Middle School - 3 students did not have complete sign-in/sign-out time for a total of 15 days.
- Virgil Middle School - 3 students did not have complete sign-in/sign-out time for a total of 15 days.
- Clinton Middle School - 3 students did not have complete sign-in/sign-out time for a total of 5 days.
- Bret Harte Prep Middle School - 2 students did not have complete sign-in/sign-out time for a total of 2 days.

There were 17 schools that reported attendance inconsistent 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 :

- 75th Street Elementary School – One student was released inconsistent with the early release policy for a total of 4 days.
- Danube Elementary School – Three students were released inconsistent with the early release policy for a total of 10 days.
- Coughlin Elementary School – Two students were released inconsistent with the early release policy for a total of 5 days.
- Playa Del Rey Elementary School – Three students were released inconsistent with the early release policy for a total of 12 days.
- 122nd Elementary School – Three students were released inconsistent with the early release policy for a total of 11 days.
- Pio Pico Elementary School- Two students were released inconsistent with the early release policy for a total of 4 days.

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- Sixty-Six Street Elementary School- One student was released inconsistent with the early release policy for a total of 1 day.
- Beachy Ave. Elementary School- One student was released inconsistent with the early release policy for a total of 1 day.
- Byrd Middle School – Three students were released inconsistent with the early release policy for a total of 12 days.
- Sun Valley Middle School – Three students were released inconsistent with the early release policy for a total of 9 days.
- Woodland Hills Middle School- Three students were released inconsistent with the early release policy for a total of 9 days.
- Griffith Middle School- Three students were released inconsistent with the early release policy for a total of 5 days.
- Edison Middle School- Three students were released inconsistent with the early release policy for a total of 12 days.
- Clinton Middle School- Three students were released inconsistent with the early release policy for a total of 9 days.
- Wright Middle School- Three students were released inconsistent with the early release policy for a total of 10 days.
- 10th Street Middle School- One student was released inconsistent with the early release policy for a total of 3 days.
- Carver Middle School- Two students were released inconsistent with the early release policy for a total of 9 days.

Before Schools

There were 2 students who attended less than one-half of the daily program hours. The following are the details of the exceptions:

- Fernangeles Elementary School - One Student (1 attendance day) attended less than one half of the daily program hours.
- Langdon Elementary School - One Student (1 attendance day) attended less than one-half of the daily program hours.

There was one student that was absent for one day but was reported as in attendance from the following school:

- Miller Elementary School

During our procedures performed over the Before and After School attendance reporting to California Department of Education (CDE), we noted variances between the District's Semiannual Attendance Report (SAR) to the Quarterly Attendance Reports which were the source documentation of the attendance data. However, the District did not maintain supporting documentation of the reconciliation process; therefore, we were unable to determine the extent of the variances.

LOS ANGELES UNIFIED SCHOOL DISTRICT

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As a result of the above testing, the total over reporting of attendance was 129 days. The California Department of Education will determine the impact of the above exceptions on the After School Education and Safety funding if there is any.

Recommendation

We recommend that the District strengthen its procedures on attendance documentation for the After School Education and Safety program. Furthermore, the District should provide more training on the policies and procedures to the after school providers.

Views of Responsible Officials and Planned Corrective Actions

Beyond The Bell (BTB) agrees with the recommendation. BTB staff will help ensure that agencies maintain accurate attendance records pursuant to the terms of the contract, which includes review and verification of actual Weekly Attendance Rosters against the documents prepared by the Site Coordinator prior to completing the Monthly Attendance Report. BTB will also ensure that the Program Director of the afterschool program makes site visits frequently to comply with attendance policies. BTB has increased oversight of agencies attendance functions and will notify them of the requirements to have accurate and timely attendance data in its next audit findings letter.

S-09-07 - Teacher Credentialing

State Audit Guide Finding Codes: 40000 and 71000

Schools Affected

- Independence High School
- Pueblo De Los Angeles High School

Criteria

California Education Code, Section 44253.3

(a) the commission shall issue a certificate that authorizes the holder to provide all of the following services to limited-English-proficient pupils:

- (1) Instruction for English language development in preschool, kindergarten, grades 1 to 12, inclusive, and classes organized primarily for adults, except when the requirement specified in paragraph (1) of subdivision (b) is satisfied by the possession of a children's center instructional permit pursuant to Sections 8363 and 44252.7, a children's center supervision permit pursuant to Section 8363, or a designated subjects teaching credential in adult education pursuant to Section 44260.2. If the requirement specified in paragraph (1) of subdivision (b) is satisfied by the possession of a children's center instructional permit, or a children's center supervision permit, instruction for English language development is limited to the programs authorized by that permit. If the requirement specified in paragraph (1) of subdivision (b) is satisfied by the possession of a designated subjects teaching credential in adult education, instruction for English language development is limited to classes organized primarily for adults.

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- (2) Specially designed content instruction delivered in English in the subjects and at the levels authorized by the teacher's prerequisite credential or permit used to satisfy the requirement specified in paragraph (1) of subdivision (b). The minimum requirements for the certificate shall include all of the following:
- 1) Possession of a valid California teaching credential, services credential, visiting faculty permit, children's center instructional permit, or children's center supervision permit, which credential or permit authorizes the holder to provide instruction to pupils in preschool, kindergarten, any of grades 1 to 12, inclusive, or classes primarily organized for adults, except for any of the following:
 - (A) Emergency credentials or permits.
 - (B) Exchange credentials as specified in Section 44333.
 - (C) District intern credentials as specified in Section 44325.
 - (D) Sojourn certificated employee credentials as specified in Section 44856.
 - (E) Teacher education internship credentials as specified in Article 3 (commencing with Section 44450) of Chapter 3.
 - 2) Passage of one or more examinations that the commission determines are necessary for demonstrating the knowledge and skills required for effective delivery of the services authorized by the certificate.
 - 3) Completion of at least six semester units, or nine quarter units, of coursework in a second language at a regionally accredited institution of postsecondary education. The commission shall establish minimum standards for scholarship in the required coursework. The commission shall also establish alternative ways in which the requirement can be satisfied by language-learning experience that creates an awareness of the challenges of second-language acquisition and development.
- (c) Completion of coursework in human relations in accordance with the commission's standards of program quality and effectiveness that includes, at a minimum, instruction in the following:
- (1) The nature and content of culture.
 - (2) Cross-cultural contact and interactions.
 - (3) Cultural diversity in the United States and California.
 - (4) Providing instruction responsive to the diversity of the pupil population.
 - (5) Recognizing and responding to behavior related to the characteristics listed in Section 220.
 - (6) Techniques for the peaceful resolution of conflict.
- (d) The commission shall establish alternative requirements for a teacher to earn the certificate, which shall be awarded as a supplementary authorization pursuant to subdivision (e) of Section 44225. (e) A teacher who possesses a credential or permit described in paragraph (1) of subdivision (b) and is able to present a valid out-of-state credential or certificate that authorizes the instruction of English language learners may qualify for the certificate issued under this section by submitting an

LOS ANGELES UNIFIED SCHOOL DISTRICT

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application and fee to the commission. (f) The certificate shall remain valid as long as the prerequisite credential or permit specified in paragraph (1) of subdivision (b) remains valid.

Condition, Cause and Effect

During our procedures performed for each class sampled for attendance procedures for regular and special day classes, adult education, continuation, and community day school, we reviewed the classroom teacher's credentials to determine if they possessed valid credentials and if their teaching position assigned was consistent with the certification. We tested a total of 111 teachers and noted two (2) exceptions for K-12 teachers without an English instruction certification that taught a class in which more than 20% of the pupils were English learners:

- Independence High School – 1 teacher taught a class with more than 20% of English learners without a proper English instruction certification.
- Pueblo De Los Angeles High School - 1 teacher taught a class with more than 20% of English learners without proper English instruction certification.

Questioned Costs

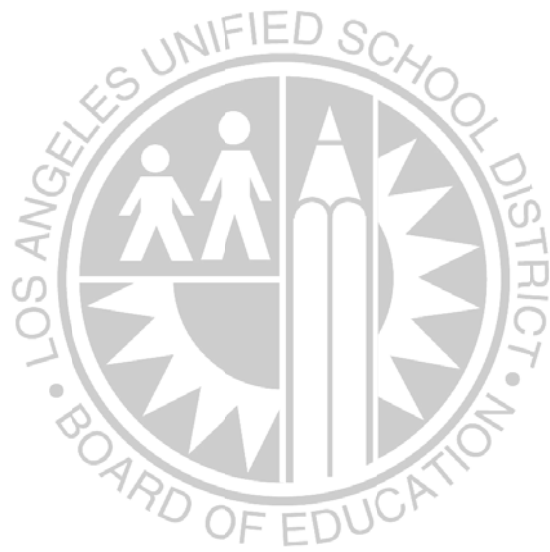
Not Applicable

Recommendation

We recommend that the school and District implement controls to ensure that the teachers who provide instruction to classes with over 20% English learners have the required English teaching credentials.

Views of Responsible Officials and Planned Corrective Actions

On August 25, 2009 the Board of Education adopted Board Rule 1918, whereby "All teachers assigned to K-12 schools shall be prepared to meet the needs of English Learners. Effective September 1, 2009, all newly hired K-12 teachers shall be required to hold an authorization to teach English Learners (EL Authorization) to be eligible to receive an offer of probationary employment. By March 1, 2010, all teachers assigned to K-12 schools shall hold an EL authorization. An authorization to teach English Learners shall be required of all teachers assigned to K-12 schools to be eligible for continued employment after June 30, 2010." This policy provides the District with the ability to dismiss teachers who do not hold an EL authorization. Planning is currently taking place on the implementation of Board Rule 1918. To date this school year, teachers without an EL authorization or holding an Emergency CLAD have received three reminder letters of the District EL policy. The first letter was sent through regular mail, with the second letters being sent certified mail. Principals were copied on all mailings.



INDEPENDENT AUDITOR'S MANAGEMENT LETTER



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February 19, 2010

The Honorable Board of Education
Los Angeles Unified School District
Los Angeles, California

Members of the Board:

We have audited the financial statements of the **Los Angeles Unified School District** (the District) as of and for the year ended June 30, 2009, and have issued our report thereon dated February 19, 2010. In planning and performing our audit of the basic financial statements of the District, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider items FS-09-01 and FS 09-02 to be significant deficiencies in internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe item FS-09-01 constitutes a material weakness.

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 317 - 325.

We did not audit the District's response to the findings and comments identified in our audit, and accordingly, we express no opinion on it.



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,

Simpson & Simpson

Current Year Management Letter Comments

ML-09-01 - CICS System Access

Observation

CICS (Customer Information Control System) facilitates on-line transaction processing and database access functionality for the IFS application system. As such, CICS plays an integral role in the operation of IFS. IFS is the District's legacy book of record for the comprehensive financial report (CAFR). CICS has a series of operator transactions to include CEDA (perform define, modify or delete user profiles, transactions, program definitions, etc), CEMT (perform master terminal transactions to include shutting down a CICS region) and CEDF (perform application program interception and testing to support trouble shooting). Accordingly, these transactions are sensitive and warrant prudent access security restriction. However, the following was noted:

- Sixteen (16) RACF user accounts assigned to retired/terminated employees have CEMT and CEDF CICS transactions access.
- Five (5) ITD-BTS personnel who do not support IFS have CEMT and CEDF CICS transactions.
- One (1) RACF user account assigned to a contractor who no longer works with LAUSD has CEDA CICS transaction access.

Impact

Inappropriate access to CICS operator transactions could adversely impact the integrity of IFS accounting data and system operations.

Recommendation

We recommend that unnecessary and excessive CICS transaction access be deleted. We also recommend that CICS transaction access be reviewed by ITD management on a periodic basis, at least annually, to ensure that inappropriate access is removed/disabled in a timely manner.

Management Response

While ITD agrees that unnecessary and excessive transaction access should be deleted in a timely manner, management feels that the existing RACF policy of revoking accounts after 90 days of non-use mitigates to some extent the identified risk. ITD is committed to removing access for the 17 RACF user accounts belonging to separated employees and contractors by February 28, 2010, and will review the accounts of the 5 ITD-BTS personnel for appropriate access levels.

ML-09-02 - SAP to IFS System Interface Controls

Observation

Payroll transaction expenditures detail is sent from SAP to IFS via a series of daily application interface programs. This interface is critical to financial reporting as it updates IFS with payroll expenditures processed in SAP. Accordingly, to ensure payroll expense data has been captured accurately and completed by IFS, a year-end SAP to IFS system reconciliation is performed by the Controller's Office Accounting Control function. However, this reconciliation process is not formally documented.

Impact

System reconciliation procedures may not be performed consistently and in accordance with management's criteria.

Recommendation

We recommend that the year-end SAP to IFS system reconciliation process be documented to ensure management's criteria are consistently applied in the reconciliation process.

Management Response

ITD management agrees with the recommendation and will work with the business departments to document the SAP to IFS reconciliation process for fiscal year 2010 closing. We have identified a series of software changes specifically to aid the reconciliation of SAP payroll expenditures to IFS. Also, this reconciliation process will be performed more frequently on a periodic basis as oppose to once at year end.

ML-09-03 - UNIX-AIX Root Password Security

Observation

UNIX-AIX is the operating system for the District's SAP application. As such, it plays a critical role relative to controlling and managing system resources for SAP. The root account is a privileged UNIX account that possesses access to all UNIX commands, files and is able to grant access permissions for UNIX users. As a result, root is a powerful account that warrants strong password protection. However, the UNIX root password is not changed periodically (i.e., every 60 - 90 days).

Impact

Lack of stringent root password security controls could result in unauthorized access and changes to accounting (e.g., payroll) data.

Recommendation

We recommend that the UNIX root account password be set to expire every 90 days.

Management Response

ITD management agrees with this finding and will take the following actions by February 28, 2010:

- 1) Lock the root account on the in-scope AIX servers, effectively preventing logins with the root account. ITD staff would continue to login to the AIX servers with non-root accounts and use sudo to perform root-level actions. This change will remove the need to:
 - a. set a password for the root account;
 - b. reset the root password at regular intervals.
- 2) Update the AIX security hardening document (ITD Security Procedure ITD-SEC-005) to reflect new policy.

ML-09-04 - UNIX-AIX User Account Security

Observation

An effective mechanism for combating DoS (Denial of Service) or brute force attacks is to enable UNIX-AIX's "Logindisable" parameter to a level that sufficiently restricts the entering of a bad or invalid password for a user account. However, the District's "Logindisable" parameter is currently set to allow five (5) invalid or bad passwords before the account is disabled instead of three (3) attempts.

Impact

Allowing excessive invalid password attempts increases UNIX's susceptibility to unauthorized system intrusion.

Recommendation

We recommend that the UNIX "logindisable" parameter be changed to three (3) invalid attempts.

Management Response

ITD management disagrees with this finding. By definition, a brute force attack is an exhaustive attempt to guess the correct password credentials by enumerating all possibilities. Based on the current AIX hardening document, logins are limited to 5 failed attempts before the account is locked. ITD management feels this policy mitigates against a brute force attack against an account.

ML-09-05 - Oracle Security Logging

Observation

Oracle is the relational database management system for SAP, as such, it is the central storage location where SAP payroll data resides. When database audit logging is enabled for Oracle, critical configuration changes made by users with system level privileges can be detected and reviewed by management periodically to ensure all changes were expected and follow the change management process. However, Oracle database audit logging is not enabled for monitoring the use of system level privileges.

Impact

Lack of security logging could result in unauthorized system configuration changes not being detected in an effective and timely manner.

Recommendation

We recommend that ITD management evaluate an efficient method/process for enabling the audit logging of system privilege use.

Management Response

ITD-BTS team is researching enabling audit logging on the Oracle DB and the impact to SAP. If SAP does not have any issues with enabling audit logging on the Oracle DB we will enable auditing logging (target date July 1, 2010).

ML-09-06 - Oracle Security Patch Management

Observation

Security patches are periodically released by Oracle to facilitate protecting the confidentiality, integrity and availability of the Oracle database management system. Although security patches are currently being implemented by ITD management, patch management procedures are not formally documented for Oracle database operations.

Impact

Security patches may not be applied in a consistent and timely manner when patch management procedures are not documented.

Recommendation

We recommend that ITD management document security patch application management procedures for Oracle.

Management Response

ITD management has documented the security patch application management procedures for Oracle databases as recommended.

ML 09-07 - Construction in Progress and Transfers to Depreciable Capital Assets

Observation

Every year, the District undertakes numerous construction projects to either modernize existing school facilities or build new ones. Facilities Support Services, a branch within the District's Facilities Services Division (FSD) facilitates the proper accumulation and recording of the costs related to these construction projects. Also, part of the department's responsibilities is to inform the General Accounting Branch whenever a construction of an asset is completed. The General Accounting Branch is in charge of the proper accounting of these assets, once they are put in service.

Construction in progress (CIP) is a District general ledger account that refers to the temporary classification of capital assets that are being built/assembled before being placed in service. The District tracks all its costs related to the building/assembly of such assets until the asset is completed. When the asset is completed or substantially completed, all these accumulated costs are transferred to another account, to indicate that such assets are ready to be put in service and as such, are to be depreciated. Subsequently, depreciation is accounted for using the most appropriate method to properly account for the asset's wear and tear.

Upon testing the correctness of the amounts accumulated in CIP and subsequently transferred to depreciable capital assets, we noted that some costs are already transferred to completed projects even before the construction of the related asset is finished or substantially finished. Consequently, depreciation of such assets is prematurely recorded. We noted about \$340,134,075 in CIP that were prematurely classified as completed, which resulted in an overstatement of depreciation expenses of about \$ 4,618,014. Moreover, we noted certain indirect labor expenses unrelated to the construction of the related assets and expenses below the internal capitalization threshold of \$25,000 amounting to \$41,269,122 that were improperly accumulated in CIP. The District properly adjusted its financial statements to correct the above errors.

***The Honorable Board of Education
Los Angeles Unified School District
February 19, 2010***

Impact

Lack of written guidelines led to incorrect information submitted to General Accounting Branch from Facilities Services Division, which in turn resulted in a significant misstatement of construction in progress, depreciable capital assets and depreciation expenses.

Recommendation

We recommend that the FSD perform more thorough analysis and work more closely with General Accounting Branch when deciding whether expenses are to be capitalized as part of construction in progress. In addition, the District should establish and implement a clearer policy that addresses proper identification of completed projects. This policy should be agreed to by both the General Accounting Branch and FSD.

Management Response

LAUSD concurs with the audit recommendation. Facilities Services Division will enhance controls and procedures and perform a more thorough analysis to appropriately determine expenses to be capitalized as part of Construction in Progress and to properly transfer CIP to Depreciable Capital Assets.

ML 09-08 - Third Party Payroll Deductions

Observation

Financial Accounting/Controlling (FI/CO) module in SAP is designed to provide automatic third party transaction posting from SAP-Payroll to SAP-General Ledger. Every payroll cycle, the payroll data is interfaced between the Payroll and Accounting modules in SAP through the FI/CO process. In this process, the salary expenditures and payroll liabilities are posted to the appropriate general ledger accounts. The reclassification posting from payroll payable to third party deductions payable, to reflect amounts to be deducted from employee payroll for payment of third party deductions is created through the FI/CO process.

The SAP-Payroll module generates a Third Party Transaction Report which is designed to reflect summarized payroll deductions by vendor, for amounts withheld from employees' pay checks, from which vendor payments are made. This functionality did not work as originally designed, so the Third Party Transaction Report was not used as the basis of the vendor payments, except for the wage garnishments deductions. This was a control deficiency noted in the prior year audit and the District concurred with it. During the fiscal years 2007-08 and 2008-09, manual controls were implemented to ensure timely payments to third parties.

Due to the volume of transactions related to third party deductions, manual controls implemented were insufficient to prevent or monitor inaccuracies of payments to third parties and inaccuracies in the reclassifications from payroll payable to third party deductions payable. In our audit of payroll payable at June 30, 2009, we were unable to identify the cause of the understatement of \$14,489,040 in the account due to inability of the current procedures to timely identify inaccuracies.

Impact

Lack of proper review and timely analysis of payroll payable and third party deductions payable resulted in misstatements in the accounts.

***The Honorable Board of Education
Los Angeles Unified School District
February 19, 2010***

Recommendation

We recommend that the District analyze and identify inaccuracies in the third party liabilities in a timely manner.

The District is aware of the functionality issues of the third party deductions report and the third party postings generated by FI/CO posting process. Also, the Office of Inspector General (OIG) had issued detailed audit report on the Third Party Payroll Deductions process and controls. We recommend that the District implement fully all recommendations in the OIG report.

Management Response

The District agrees that the third party liabilities must be reconciled in a timely manner. The District recently implemented the Third Party Remittance (3PR) Completeness Check Report and SAP FI Completeness Check Report. These reports allow the District to accurately identify unevaluated and un-posted payroll transactions in a more efficient and timely manner. Currently, we have cleared the remaining unevaluated transactions for fiscal year 2008-2009.

In addition, full implementation of 3PR functionality is underway, which will allow automated reporting and posting of taxes, deductions, retirement, benefits, and garnishments.

The District also agrees to fully implement all recommendations in the OIG report. Currently, the District has implemented 9 of the 10 recommendations.

Status of Prior Year Management Letter Comments

ML 08-01 – Inappropriate Update/Delete access to System Resources in the Production Environment

Recommendation

A review of access to critical SAP privilege functions should be performed periodically by management to ensure access is valid and appropriately restricted.

Current Status

As stated in the prior year report, BTS has removed all update capability to all user roles in production. BIWREMOTE has been modified and no longer has access to SAP_ALL, SAP_NEW or PFCG. SAP Security has removed RZ10 access to all business users in the system. BTS provided evidence supporting removal of access from BTS.

ML 08-02 – Non-compliance with ITD Security Policy for SAP User Accounts

Recommendation

The SAP Payroll password parameter setting should be modified to ensure compliance with the District's password policy and IT best practices.

Current Status

As stated in the prior year report, BTS has modified the password for those accounts that have back-end access to SAP to comply with ITD security standards. BTS provided a copy of RSPARM report reflecting current SAP password parameter settings from BTS.

ML-08-03 Excessive Assignment of SAP Payroll Batch Job Execution Amortization Privileges

Recommendation

Develop and implement an SAP Payroll task procedure for pre-scheduled or on-request batch job submissions. Also, District management should consider having the BTS BASIS Operations group own the scheduling, execution, and monitoring of batch processes. Policies and procedures should also be developed to govern these processes.

Current Status

As stated in the prior year report, BTS has removed the ability of business users to schedule batch jobs by removing access to SM36. BTS recognizes the need for developing policies and procedures to manage the submissions of batch jobs and will work with the business units to develop the process to manage risk and support their business needs.

ML -08-04 – Inadequate SAP Default Account Password Setting

Recommendation

SAP default system settings (e.g. default passwords) and unnecessary system services should be disabled and/or modified to include changing vendor default passwords, deleting or renaming default IDs, disabling unnecessary system services, etc.

Current Status

As stated in the prior year report, The SAP delivered default IDs have been locked and their passwords changed. In addition, BTS has established a two-step process to manage the usage of these IDs. The required system IDs have been locked by the SAP Security team and their passwords are only known by the BASIS team.

ML-08-05 Excessive Number of Customized T-Codes in SAP

Recommendation

ITD-BTS and Accounting management should review the 650 custom t-codes to determine which T-codes are no longer required and should be removed from the production environment. We also recommend that more complete descriptions of the custom t-code functionality be documented for these transactions.

Current Status

No progress has been made in the review of the custom T-codes. This activity is being postponed due to staffing and other business priorities around calendar year-end of 2009, this is contingent upon funding. This is a process that may require joint ownership between ITD and payroll operations.

ML-08-06 - Review of SAP Payroll User Access

Recommendations

Management should review the SAP Payroll roles and assigned transactions to ensure system access is restricted to users solely based on what is required for their respective job functions. A tool can be used to help facilitate identifying and correcting potential segregation of duties conflict.

Current Status

ITD-BTS is working with the payroll area to provide signoff for the review of security roles in SAP to be completed by January 2, 2010. The ITD-BTS team and Payroll are meeting regularly to determine proper procedures. The review of the security payroll rules has been completed manually as a one-time activity. However, the SAP SOD tool has not been procured to practically monitor SOD and role.

ML-08-07 - Lack of a Business Continuity Plan

Recommendation

Although a Business Impact Analysis (BIA) was completed, a Business Continuity Plan based on risks and threats identified in the BIA should be developed. This plan should address the requirements for alternative processing and timely recovery of mission critical IT services. The plan should be tested on a regular basis to ensure that IT systems can be effectively recovered, shortcomings are addressed and the plan remains relevant.

Current Status

There is no documented business continuity plan although funding is incorporated in Measure “Q” funding. However, funding is contingent upon issuance of the bond.

ML-08-08 – Outdated Policies and Procedures

Recommendation

We recommended that IT policies and procedures providing overall direction for the implementation of IT General Computer Controls be centrally managed, reviewed by management on a timely basis (e.g. annually) and made easily accessible to the District’s IT personnel.

Current Status

ITD agrees with this recommendation. Remediation is in process. ITD Security provided a sample updated policy.

*The Honorable Board of Education
Los Angeles Unified School District
February 19, 2010*

ML-08-09 - Network Vulnerability Monitoring

Recommendation

ITD management should periodically run vulnerability scans of the network to ensure network vulnerabilities are identified and contained in a timely manner. Also, ITD management should consider having a periodic (e.g., annual) independent network vulnerability assessment performed to ensure the network is sufficiently hardened against the latest known network vulnerabilities.

Current Status

No progress has been made in contracting for an independent network vulnerability assessment. An effort has been started by ITD to identify funding and procure such services by 6/30/2010.

ML - 08-10 Third Party Payroll Deductions – This remains a management letter comment for fiscal year 2008-09. **See ML 09-08.**

ML -08-11 – Delay of Reconciliation of Accounts Payable Accrual Accounts

Recommendation

The District should establish controls to ensure that appropriate procedures for accuracy of the year-end accruals based upon the open Pos be established to avoid over-accrual. The District should update their written policies and procedures to require reconciliation of the subsequent payments of the accruals in a timely manner.

Current Status

As mentioned in the 2007-08 audit, the Accounts Payable accruals for 1994-95 (\$61,000), 2002-03 (\$24,000), and 2004-05 (\$13,348,000) were reconciled and closed as of the audit date of August 15, 2009.

The Accounts Payable accruals for 2005-2006 (\$18,443,000) have been reconciled and closed as of September 2009.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2009

Findings Related to the Basic Financial Statements Reporting in Accordance with *Government Auditing Standards*

FS-08-01 - Inadequate Documentation for Program Changes to the Production System – Material Weakness

State Audit Guide Finding Code: 30000

Recommendation

The requirement for documenting and approving application changes should be consistently followed to prevent unauthorized program changes. This includes documenting and retaining management approvals to confirm that program changes are aligned with management intentions and user requirements.

Current Status

ITD-BTS has implemented a governance process to provide a consistent procedure that provides business owners oversight and approval of changes to the SAP system. These procedures and controls are documented and managed using “TransportConnect” to track and log change requests and transports to the SAP system.

FS-08-02 - Lack of IFS Security Reporting – Material Weakness

State Audit Guide Finding Code: 30000

Recommendation

IFS user access security reports be developed to facilitate management review of user access to IFS transactions. These reports should be reviewed periodically by Accounting Department management to ensure access to sensitive accounting system transactions is appropriate and restricted based upon the user’s job function.

Current Status

Module/transaction level user access rights security reports have not yet been developed for the IFS accounting application, a service request will be issued in February 2010 to develop the required report.

FS-08-03 - Developers with Update Access to IFS Production Data - Significant Deficiency

State Audit Guide Finding Code: 30000

Recommendation

Access to the IFS.SAPPRD.*.* and IFS.LEF10.*.* IFS datasets should be reviewed by both the Data Owner (Accounting Department management) and ITD management to indentify and remove inappropriate access.

Current Status

Inappropriate RACF user account access was reviewed and removed for the indicated IFS datasets.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2009

FS-08-04 - Lack of Logging and Security Monitoring Control Processes - Significant Deficiency

State Audit Guide Finding Code: 30000

Recommendations

SAP Payroll Security logging should be activated to enable the monitoring and review of security violations and privileged user access. Incidents should be investigated until final resolution and if necessary escalated to the District management.

Windows network logs which capture critical activities should be reviewed on a timely basis. If necessary, log filtering tools can be used to enable efficient monitoring and review of access.

Current Status

ITD-BTS has enabled logging to tract inappropriate access attempts to all SAP T-codes. These logs are reviewed and stored per LAUSD ITD standard of 90 days. ITD-BTS will formally document these reviews and obtain formal signoff from business owners.

Windows network logging has not been enabled. However, ITD management is currently configuring a network log tool, e.g., MARS (Monitoring Analysis & Response System) for June 1, 2010 implementation.

FS-08-05 - Lack of User Access Review and Certification - Significant Deficiency

State Audit Guide Finding Code: 30000

Recommendations

Management should review the SAP Payroll roles and assigned transactions to ensure system access is restricted to users solely based on what is required for their respective job functions. A tool can be used to help facilitate identifying and correcting potential segregation of duties conflict.

Users defined to RACF should be reviewed with an objective to validate group assignments and revoke users should be purged following confirmation from business owners that their status warrants purging.

RACF system attributes/privileges (e.g., Special attribute) should be restricted to personnel responsible for security administration. Also, such privileges should be reviewed by ITD management on a periodic basis to ensure access remains appropriate and properly restricted.

Current Status

ITD-BTS has not completed a review of SAP Payroll user roles. Also, ITD-BTS has not procured a SAP SOD tool. However, ITD-BTS is working with the payroll area to provide signoff for the review of security Payroll roles in SAP to be completed by January 2, 2010. The review of the security Payroll roles has been completed, manually as a one-time activity. However, the SAP SOD tool has not been procured to proactively monitor SOD and roles.

The approximately 3,000 accounts in revoked status have been reviewed and purged from the RACF system.

ITD has reviewed the accounts identified as having the Special attribute and has verified that access for each account holder is appropriate.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2009

FS-08-06 - Time Management Segregation of Duties (SOD) Conflict - Significant Deficiency

State Audit Guide Finding Code: 30000

Recommendation

We recommend that a review of the remaining personnel with conflicting SAP access be performed to ensure an adequate level of segregation of duties is maintained. The review should include verification of role and transaction assignments and management's acceptance of the associated risks. Any remaining instances of conflicting access should be addressed with countermeasures (e.g., review of audit logging activity) that sufficiently mitigate the risk associated with such access.

Current Status

A review of personnel with conflicting Time Management access has been performed. Those with continuing conflicting access have been documented indicating the business need/rationale for the access and management's acceptance of the associated risk.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2009

(1) Finding F-08-01 – Allowable Costs – Payroll Certifications and Documentation for Specially Funded Employee Positions

Finding F-07-01 – Allowable Costs – Payroll Certifications and Documentation for Specially Funded Employee Positions

Finding F-06-01 – Allowable Costs – Payroll Certifications and Documentation for Specially Funded Employee Positions

Finding F-05-01 – Allowable Costs – Payroll Certifications and Documentation for Specially Funded Employee Positions

Program Identification:

State Administrative Matching Grants for Food Stamp Program, U.S. Department of Agriculture (USDA), Passed through the California Department of Health Services, CFDA No. 10.561, Grant Agreement 07-65325;

Child Nutrition Cluster Programs: *U.S. Department of Agriculture (USDA)*, School Breakfast Program (CFDA 10.553), National School Lunch Program (CFDA 10.555), and Summer Food Service Program for Children (CFDA 10.559), Passed through the California Department of Education (CDE), Agreement No. 19-64733-0000000-01;

Child and Adult Care Food Program, *U.S. Department of Agriculture (USDA)*, Passed through the California Department of Education, CFDA No. 10.558, Grant Agreement 19-2016-3;

Title I Grants to Local Educational Agencies: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.010, Grant Agreement S010A070005 (07-14329-6473);

Special Education Cluster: Grants to States, Preschool Grants, U.S. Department of Education, Passed through the California Department of Education, CFDA No. 84.027, and 84.173, Grant Agreements 07-13430-6473-01 and 07-13682-64733-01;

Vocational Education Basic Grants to States: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.048, Grant Agreements 07/08-14893-74435-00, 07/08-14893-64733-00 and 07-14894-64733-00;

Safe and Drug-Free Schools and Communities, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.186, Grant Agreement Q186A070005;

Fund for the Improvement of Education, U.S. Department of Education (ED), CFDA No. 84.215, Grant Agreements Q215E060268, V215L052108, and S215L060084;

Twenty-First Century Community Learning Centers, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.287, Grant Agreements 07-14349-6473-3A and 07-14349-6473-4A;

State Grants for Innovative Programs, U.S. Department of Education (ED), Passed Through the California Department of Education, CFDA No. 84.298, Pass-Through Identification No. 1964733, Grant Agreement S298A060005;

LOS ANGELES UNITED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2009

Education Technology State Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.318, Grant Agreements 07-14368-6437, 06-14368-6473-14368 and 2006/07-14334-6437;

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP), U.S. Department of Education (ED), CFDA No. 84.334, Grant Agreements P334A050178-07 and P334A050205-07;

Reading First State Grants; U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.357, Grant Agreement 07-14328-6473-00;

English Language Acquisition Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.365, Grant Agreement T365A070005;

Improving Teacher Quality State Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.367, Grant Agreement S367A070005A;

Child Care Cluster: U.S. Department of Health and Human Services (HHS), Child Care and Development Block Grant (CFDA 93.575), Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CFDA 93.596), Passed through the California Department of Education (CDE), General Child Care and Development Programs, Contract No. CCTR-5163, Project No. 19-6473-00-5;

Recommendation

We recommend that the District continue to provide ongoing training to appropriate personnel on the updated procedures. We also recommend that the District meet with the School Administrative Assistants who oversee time reporting in schools, and inform them of the changes.

Current Status

Implemented for F-05-01 and F-08-01

Partially Implemented for F-06-01

Not Implemented for F-07-01

District's Explanation If Not Implemented

The District is revising its time reporting bulletin. Local Districts, schools, and offices will be sent a file of federally funded employees working at their site. They will be required to certify the correctness of the file and to keep these certifications on file for audit purposes. The District has met with and trained School Administrative Assistants from all eight Local Districts who are responsible for time reporting.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2009

(2) Finding F-07-02 – Allowable Costs – Unsupported Adjusting Journal Vouchers Recorded to Payroll Expenditure

Program Identification:

Title I Grants to Local Educational Agencies, *U.S. Department of Education* (ED), Passed through the California Department of Education, CFDA No. 84.010, Grant Agreement 06-14329-6473;

Vocational Education Basic Grants to States: *U.S. Department of Education* (ED), Passed through the California Department of Education, CFDA No. 84.048, Grant Agreements 06/07-13924-64733-00 and 06-13923-64733-00;

Twenty-First Century Community Learning Centers, *U.S. Department of Education* (ED), Passed through the California Department of Education, CFDA No. 84.287, Grant Agreements 05-14349 6473-2A, 05 14349-6473-3A, and 06-14349-6473-1A;

Reading First State Grants, *U.S. Department of Education* (ED), Passed through the California Department of Education, CFDA No. 84.357, Grant Agreement 04-14328-6473-00;

English Language Acquisition Grants, *U.S. Department of Education* (ED), Passed through the California Department of Education, CFDA No. 84.365, Grant Agreements 03-14346-6473-00 and 10084-6474-00;

Improving Teacher Quality State Grants, *U.S. Department of Education* (ED), Passed through the California Department of Education, CFDA No. 84.367, Grant Agreement S367A040005A;

Child Care and Development Fund: Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund; U.S. Department of Health and Human Services, Passed through the California Department of Education, CFDA Nos. 93.575 and 93.596, Contract CCTR-6164;

Recommendation

We recommend that the District enhance policies and procedures to ensure that all payment vouchers are adequately supported before recording them in the general ledger. We also recommend the District establish policies and procedures to ensure that salary allocations are made based on actual time and effort documentation and not based on estimated budgeted information.

Current Status

Implemented

(3) Finding F-08-02 – Allowable Costs – Prior Year's Cost was Included in the Current Year's Program Expenditure

Program Identification:

Twenty-First Century Community Learning Centers, *U.S. Department of Education* (ED), Passed through the California Department of Education, CFDA No. 84.287, Grant Agreements 07-14349-6473-3A and 07-14349-6473-4A;

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2009

Recommendation

We recommend that the District establish policies to strengthen controls to ensure that only costs resulting from obligations of the funding period can be charged to the program.

Current Status

Implemented

(4) Finding F-07-03 – Allowable Costs – Approval of Nonpayroll Expenditures

Finding F-06-02 – Allowable Costs – Approval of Nonpayroll Expenditures

Program Identification:

Special Education Cluster: Grants to States, Preschool Grants; *U.S. Department of Education*, Passed through the California Department of Education, CFDA Nos. 84.027 and 84.173, Grant Agreements 06-13430-6473-01, 06-13682-6473-01, 06-23761-6473-01, and 06-13379-6473-01;

Vocational Education – Basic Grants to States: *U.S. Department of Education* (DOE), Passed through the California Department of Education (CDE), Carl D. Perkins Vocational and Technical Education Act of 1998 (CFDA 84.048), PCA 13924 and 13923;

Reading First State Grants: *U.S. Department of Education* (DOE), Elementary and Secondary Act Title I, Part B; Passed through the California Department of Education (CDE) as Reading First (CFDA 84.357), PCA 14328;

English Language Acquisition Grants: *U.S. Department of Education* (DOE), Elementary and Secondary Act Title III, Part A; Passed through the California Department of Education (CDE) as Limited English Proficient Student Program (CFDA 84.365), PCA 14346;

Improving Teacher Quality State Grants: *U.S. Department of Education* (DOE), Elementary and Secondary Act Title II, Part A; Passed through the California Department of Education (CDE) as Teacher and Principal Training and Recruiting (CFDA 84.367), PCA 14341;

Child Care Cluster: U.S. Department of Health and Human Services (HHS), Child Care and Development Block Grant (CFDA 93.575), Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CFDA 93.596), Passed through the California Department of Education (CDE), General Child Care and Development Programs, Contract No. CCTR-5163, Project No. 19-6473-00-5;

Recommendation

We recommend that the District strengthen controls to ensure that all expenditures contain evidence of appropriate review and approval to ensure only allowable expenditures are charged to federally funded programs.

Current Status

Not implemented

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2009

District's Explanation if Not Implemented

The District is finalizing Internal Control Guidelines to adhere to the effectiveness of the internal controls over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs.

(5) Finding F-08-03 – Allowable Costs – No Control to Adjust the Year-End Over Accrued Expenditures

Program Identification:

Title I Grants to Local Educational Agencies: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.010, Grant Agreement S010A070005 (07-14329-6473);

Vocational Education Basic Grants to States: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.048, Grant Agreement 07/08-14893-74435-00, 07/08-14893-64733-00 and 07-14894-64733-00;

Safe and Drug-Free Schools and Communities: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.186, Grant Agreement Q186A070005;

Fund for the Improvement of Education, U.S. Department of Education (ED), CFDA No. 84.215, Grant Agreements Q215E060268, V215L052108 and S215L060084;

State Grants for Innovative Programs, U.S. Department of Education (ED), Passed Through the California Department of Education, CFDA No. 84.298, Pass-Through Identification No. 1964733, Grant Agreement S298A06005;

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP), U.S. Department of Education (ED), CFDA No. 84.334, Grant Agreements P334A050205-07 and P334A050205-07;

Improving Teacher Quality State Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.367, Grant Agreement S367A070005A;

English Language Acquisition Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.365, Grant Agreement T365A070005;

Recommendation

We recommend that the District establish controls to ensure that appropriate procedures for accuracy of the year-end accruals be established to avoid over accrual. The District should consider revising its policies and procedures to reconcile the subsequent payments of accruals in a more timely manner to avoid overcharging expenditures to Federal programs.

Current Status

Partially implemented

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2009

District's Explanation if Not Implemented

The District's revised policies and procedures were not implemented until fiscal year 2009-2010 and therefore, the process of reconciling accruals has not been completed.

(6) Finding F-07-05 – Allowable Costs – Entertainment and Travel Costs

Program Identification:

Fund for the Improvement of Education, U.S. Department of Education (ED) Grant Agreements 05-14349-6473-2A and 06-14349-6473-1A;

Recommendation

We recommend the District provide additional guidance/training to ensure appropriate documentation is maintained to support expenditure charged to federally funded programs.

Current Status

Implemented

(7) Finding F-07-06 – Allowable Costs – Classification of Indirect Program Expenditure as Direct

Finding F-06-05 – Allowable Costs – Classification of Indirect Program Expenditure as Direct

Program Identification:

Safe and Drug-Free Schools and Communities: U.S. Department of Education (DOE), Passed through the California Department of Education (CDE), Title VI, Part A, Safe and Drug-Free

Twenty-First Century Community Learning Centers: U.S. Department of Education (DOE), Elementary and Secondary Act Title IV, Part B; Passed through the California Department of Education (CDE) as 21st Century Community Learning Centers Grant (CFDA 84.287), PCA 14349

State Grants for Innovative Programs: U.S. Department of Education (DOE), Passed through the California Department of Education (CDE), Title V, Part A, Innovative Education Program Strategies (CFDA 84.298)

Recommendation

We recommend that the District provide additional guidance/training to ensure program personnel have sufficient information to assist them with classifying its federally funded expenditures.

Current Status

Implemented for F-07-06

Not implemented for F-06-05

LOS ANGELES UNITED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2009

District's Explanation in Not Implemented

The District continues to provide training/workshops for program people and staff on the appropriate charging methodologies.

(8) Finding F-05-02 – Allowable Costs – Missing Documentation to Support Program Expenditures

Program Identification:

Child Nutrition School Programs: *U.S. Department of Agriculture (USDA)*, Passed through the California Department of Education (CDE), School Breakfast Program (CFDA 10.553), National School Lunch Program (CFDA 10.555), Donated Commodities (CFDA 10.555), Summer Food Service Program for Children (CFDA 10.559), Agreement #19-64733-0000000-01

Recommendation

We recommend that the District strengthen its controls over its document retention policies to ensure that sufficient documentation is maintained to support expenditures charged to its federal funded program in accordance with federal guidelines.

Current Status

Partially implemented

District's Explanation if Not Implemented

The District will repay the questioned costs of \$979.

(9) Finding F-07-08 – Allowable Costs – Controls over Calculation of Indirect Costs Charged to Program

Program Identification:

Twenty-First Century Community Learning Centers, *U.S. Department of Education (ED)*; Passed through the California Department of Education, CFDA No. 84.287, Grant Agreements 05-14349-6473-2A and 06-14349-6473-1A;

GEAR-UP, *U.S. Department of Education (ED)*, CFDA No. 84.334, Grant Agreements P334A000061-05, P334A050178-06, and P334A050205

Recommendation

We recommend that the District provide additional guidance/training to its accountants to ensure that grants required to use the restricted indirect cost rate are calculated using the appropriate direct cost base in accordance with federal guidelines.

Current Status

Partially implemented

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2009

District Explanation if Not Implemented

The District continues to train and instruct accounting personnel to ensure the proper use calculation in accordance with federal guidelines.

(10) Finding F-08-04 – Cash Management – Interest Income from Advances not Returned to Federal Government

Finding F-07-09 – Cash Management – Interest Income from Advances not Returned to Federal Government

Finding F-06-07 – Cash Management – Interest Income from Advances not Returned to Federal Government

Program Identification:

Public Assistance Grants: Department of Homeland Security (DHS), (CFDA 83.544), Passed through the California Governor's Office of Emergency Services (OES), FEMA 1008-DR, P.A. 037-91146, OES 93708.4;

WIA - Adult Basic Education: *U.S. Department of Education (ED)*, Passed through the California Department of Education (CDE) Adult Education – State Grant Program (CFDA 84.002), Grant ID#29-R419-06AF;

Title I Grants to Local Educational Agencies: *U.S. Department of Education (ED)*, Elementary and Secondary Act Title I, Part A; Passed through the California Department of Education (CDE) as Title I, Part A of the No Child Left Behind Act of 2001 (CFDA 84.010), PCA 14329;

Vocational Education Basic Grants to States: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.048, Grant Agreements 07/08-14893-74435-00, 07-14894-64733-00 and 07/08-14893-64733-00;

Safe and Drug-Free Schools and Communities: *U.S. Department of Education (ED)*, Passed through the California Department of Education (CDE), Title VI, Part A, Safe and Drug-Free Schools & Communities (CFDA 84.186);

Twenty-First Century Community Learning Centers: *U.S. Department of Education (ED)*, Elementary and Secondary Act Title IV, Part B; Passed through the California Department of Education (CDE) as 21st Century Community Learning Centers Grant (CFDA 84.287), PCA 14349;

State Grants for Innovative Programs, U.S. Department of Education (ED), Passed Through the California Department of Education, CFDA No. 84.298, Pass-Through Identification No. 1964733; Grant Agreement S298A06005;

Education Technology State Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.318, Grant Agreements 07-14368-6437, 06-14368-6473-14368 and 2006/07-14334-6437;

Reading First State Grants; *U.S. Department of Education (ED)*, Passed through the California Department of Education, CFDA No. 84.357, Grant Agreement 04-14328-6473-00;

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2009

English Language Acquisition Grants: *U.S. Department of Education (ED), Elementary and Secondary Act Title III, Part A; Passed through the California Department of Education (CDE) as Limited English Proficient Student Program (CFDA 84.365), PCA 14346;*

Improving Teacher Quality State Grants: *U.S. Department of Education (ED), Elementary and Secondary Act Title II, Part A; Passed through the California Department of Education (CDE) as Teacher and Principal Training and Recruiting (CFDA 84.367), PCA 14341;*

Recommendation

We recommend that the District strengthen controls to ensure the accuracy of the interest income calculation. The District may also consider recouping the interest income of \$118,309 from CDE.

Current Status

Implemented for 08-04

Partially implemented for F-07-09 and F-06-07

District's Explanation if Not Implemented

In March 2007, the District has issued additional procedure bulletin ADD-007, which requires additional procedures be performed for calculation of interest earned, interest returned, and remaining unremitted interest and be reviewed by management. The District will provide its calculations and supporting documentation for repayment to CDE at a later date.

(11) Finding F-08-05 – Eligibility- Unsupported Academic Assessment Data

Program Identification:

Title I Grants to Local Educational Agencies: *U.S. Department of Education (ED), Elementary and Secondary Act Title I, Part A; Passed through the California Department of Education (CDE) as Title I, Part A of the No Child Left Behind Act of 2001 (CFDA 84.010), PCA 14329;*

Recommendation

We recommend that the District strengthen controls to ensure that academic assessment data is properly selected and retained according to District policy to ascertain that only eligible students are selected for participation in targeted-assistance programs.

Current Status

Implemented

(12) Finding F-08-06 – Equipment – Equipment Management Policies

Finding F-07-10 – Equipment – Equipment Management Policies

Finding F-06-09 – Equipment – Equipment Management Policies

Finding F-05-14 – Equipment – Equipment Management Policies

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2009

Finding F-05-15 – Equipment – Program Equipment Disposals

Program Identification:

Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children, U.S. Department of Agriculture (USDA), Passed through the California Department of Education, CFDA No. 10.553, 10.555, and 10.559, Grant Agreement 19-64733-0000000-01;

Child and Adult Care Food Program, U.S. Department of Agriculture (USDA), Passed through the California Department of Education, CFDA No. 10.558, Grant Agreement 19-2016-3A;

State Administrative Matching Grants for Food Stamp Program, U.S. Department of Agriculture(USDA), Passed through the California Department of Health Services, CFDA No. 10.561, Grant Agreement 04-354450;

Title I Grants to Local Educational Agencies: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.010, Grant Agreement S010A070005;

Special Education Cluster: Grants to States, Preschool Grants, U.S. Department of Education, Passed through the California Department of Education, CFDA No. 84.027, and 84.173, Grant Agreements 07-13430-6473-01 and 07-13682-64733-01;

Vocational Education Basic Grants to States: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.048, Grant Agreements 07/08-14893-74435-00, 07/08-14893-64733-00 and 07-14894-64733-00;

Safe and Drug-Free Schools and Communities, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.186, Grant Agreement Q186A070005;

Fund for the Improvement of Education, U.S. Department of Education (ED), CFDA No. 84.215, Grant Agreements Q215E060268, V215L052108, and S215L060084;

Twenty-First Century Community Learning Centers, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.287, Grant Agreements 07-14349-6473-3A and 07-14349-6473-4A;

State Grants for Innovative Programs, U.S. Department of Education (ED), Passed Through the California Department of Education, CFDA No. 84.298, Pass-Through Identification No. 1964733, Grant Agreement S298A060005;

Education Technology State Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.318, Grant Agreements 07-14368-6437, 06-14368-6473-14368 and 2006/07-14334-6437;

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP), U.S. Department of Education (ED), CFDA No. 84.334, Grant Agreements P334A050178-07 and P334A050205-07;

Reading First State Grants; U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.357, Grant Agreement 07-14328-6473-00;

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2009

English Language Acquisition Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.365, Grant Agreement T365A070005;

Improving Teacher Quality State Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.367, Grant Agreement S367A070005A;

Child Care and Development Fund: Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund; U.S. Department of Health and Human Services, Passed through the California Department of Education, CFDA Nos. 93.575 and 93.596, Contract CCTR-7163;

Recommendation

We recommend that the District consider implementing a more automated system of accounting for equipment inventory with a software program, which should have the capabilities to capture all equipment over the federal equipment threshold of \$5,000. These detailed equipment records should be used both by the District to reconcile its equipment recorded in the general ledger for financial reporting purposes and at the schools to support the accuracy and completeness of the school classroom inventory equipment listing.

The software should also have the ability to generate reports to detail annual equipment acquisitions and dispositions by federal program and by school site location.

Current Status

Implemented with alternative policies and procedures

District's Explanation if Not Implemented

The District issued BUL-3508.1 – Inventory for Equipment Purchased through Categorical Programs on February 4, 2008 and updated and re-issued it as BUL-3508.2 under the same title on February 16, 2010. These bulletins implement new procedures that address the requirements for inventory control. Local District categorical coordinators provide training on the bulletin to school-site categorical program advisors. The District continues to train School Administrative Assistants in equipment inventory requirements.

(13) Finding F-08-07 – Matching, Level of Effort, and Earmarking – Administrative Cost

Finding F-07-15 – Matching, Level of Effort, and Earmarking – Administrative Cost

Finding F-06-15 – Matching, Level of Effort, and Earmarking – Administrative Cost

Program Identification:

Vocational Education Basic Grants to States: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.048, Grant Agreements 07-14894-64733-00, 07/08-14893-74435-00 and 07/08-14893-64733-00;

Twenty-First Century Community Learning Centers, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.287, Grant Agreements 07-14349-6473-3A and 07-14349-6473-4A;

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2009

Reading First State Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.357, Grant Agreements 07-14328-6473-00;

English Language Acquisition Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.365, Grant Agreement T365A070005;

Recommendation

We recommend that the District strengthen its policies and procedures to ensure that administrative costs are appropriately computed and not charged over the allowable maximum per grant.

Current Status

Partially implemented

District's Explanation if Not Implemented

The District believes that it is correctly accounting for all administrative costs. It has developed additional measures to assist in accounting for these costs by creating unique program codes. This additional measure will be fully implemented in the 2010-2011 fiscal year.

(14) Finding F-08-08 – Matching, Level of Effort, Earmarking, and Reporting – Matching Funds Reported

Finding F-07-12 – Matching, Level of Effort, Earmarking, and Reporting – Matching Funds Reported

Finding F-06-13 – Matching, Level of Effort, Earmarking, and Reporting – Matching Funds Reported

Finding F-05-16 – Matching, Level of Effort, Earmarking, and Reporting – No Support for District Matching Funds Reported

Program Identification:

State Administrative Matching Grants for Food Stamp Program: U.S. Department of Agriculture (USDA), CFDA 10.561, Passed through the California Department of Health Services (DHS) as California Nutrition Network, Agreement No. 04-35450;

Fund for the Improvement of Education: U.S. Department of Education (ED), Elementary and Secondary Act Title V, Part D; Project Title: Smaller Learning Communities (CFDA 84.215), Award No. V215L032230;

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP), U.S. Department of Education (ED), CFDA No. 84.334, Grant Agreements P334A050178-07 and P334A050205-07;

Recommendation

We recommend that the District develop procedures to capture the District's matching expenditures and to report those actual amounts on the grant performance reports to the awarding agencies. We also recommend that supporting documentation for these matching contributions be retained for audit purposes.

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Current Status

Partially implemented

District's Explanation if Not Implemented

The District has revised its Personnel Activity Report for its GEAR-UP programs to accurately account for matching funds. Policies and procedures have been revised for the Nutrition Network program to verify that matching funds are not from federal sources.

(15) Finding F-08-09 – Matching, Level of Effort, and Earmarking – Administrative Cost over the Restricted 2% Limit

Finding F-07-16 – Matching, Level of Effort, and Earmarking – Program Administrative Costs plus the Indirect Cost Rate Limitation

Finding F-06-14 – Matching, Level of Effort, and Earmarking – Administrative Cost

Finding F-05-17 – Matching, Level of Effort, and Earmarking – Administrative Cost over the Restricted 2% Limit

Program Identification:

Safe and Drug-Free Schools and Communities, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.186, Grant Agreement Q186A070005;

Gaining Early Awareness and Readiness for Undergraduate Programs, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.334, Grant Agreements P334A050205-07 and P334A050178-07;

English Language Acquisition Grants: U.S. Department of Education (ED), Elementary and Secondary Act Title III, Part A; Passed through the California Department of Education (CDE) as Limited English Proficient Student Program (CFDA 84.365), PCA 14346;

Recommendation

We recommend that the District strengthen its policies and procedures to ensure that administrative costs are appropriately computed and not charged over the allowable maximum.

Current Status

Partially implemented

District's Explanation if Not Implemented

The District believes that it is correctly accounting for all administrative costs. It has developed additional measures to assist in accounting for these costs by creating unique program codes. This additional measure will be fully implemented in the 2010-2011 fiscal year.

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(16) Finding F-07-17 – Matching, Level of Effort, and Earmarking – Professional Development Earmark

Finding F-06-16 – Matching, Level of Effort, and Earmarking – Highly Qualified Professional Development Earmark

Program Identification:

Education Technology State Grants: U.S. Department of Education (DOE), Elementary and Secondary Act Title II, Part D; Passed through the California Department of Education (CDE) as Enhancing Education through Technology (CFDA 84.318);

Recommendation

We recommend that the District strengthen controls to ensure that only allowable expenditures are reported as professional development and that all documentation required to support the amounts claimed is maintained and available for audit.

Current Status

Not implemented

District's Explanation if Not Implemented

The District was unable to provide documentation supporting the direct benefit of the questioned costs. The District will continue to work with program personnel to document and support the proper use of program funds.

(17) Finding F-08-10 – Matching, Level of Effort, and Earmarking – Supplement not Supplant

Program Identification:

Title I Grants to Local Educational Agencies: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.010, Grant Agreement S010A070005;

Recommendation

The District should strengthen procedures and controls over expending Title 1 funds to Targeted Assistance Schools to ensure that expenditures are appropriately incurred to supplement, not supplant, the state/local funds at the schools.

Current Status

Not implemented

District's Explanation if Not Implemented

The District continues to train school personnel regarding the requirements of Targeted Assistance Schools to ensure funds are spent appropriately. Liechty Middle School had a student body that was 93% Title 1 eligible and was approved to become a School Wide Plan school beginning in the 2008-09 fiscal year.

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(18) Finding F-08-11 – Matching, Level of Effort, and Earmarking – Supplement not Supplant

Finding F-07-13 – Matching, Level of Effort, and Earmarking – Supplement not Supplant

Program Identification:

Title I Grants to Local Educational Agencies: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.010, Grant Agreement S010A070005 (07-14329-6473);

Vocational Education Basic Grants to States: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.048, Grant Agreements 07/08-14893-64733-00, 07/08-14893-74435-00 and 07/08-14894-64733-00;

Safe and Drug-Free Schools and Communities, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.186, Grant Agreement Q186A070005;

Fund for the Improvement of Education, U.S. Department of Education (ED), CFDA No. 84.215, Grant Agreements Q215E060268, V215L052108, and S215L060084;

Twenty-First Century Community Learning Centers, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.287, Grant Agreements 07-14349-6473-3A and 07-14349-6473-4A;

State Grants for Innovative Programs, U.S. Department of Education (ED), Passed Through the California Department of Education, CFDA No. 84.298, Pass-Through Identification No. 1964733, Grant Agreement S298A06005;

Education Technology State Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.318, Grant Agreements 07-14368-6437, 06-14368-6473-14368 and 2006/07-14334-6437;

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP), U.S. Department of Education (ED), CFDA No. 84.334, Grant Agreements P334A050178-07 and P334A050205-07;

Reading First State Grants; U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.357, Grant Agreement 07-14328-6473-00;

English Language Acquisition Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.365, Grant Agreement T365A070005;

Improving Teacher Quality State Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.367, Grant Agreement S367A070005A;

Recommendation

It is highly important that the District develop and maintain sufficient documentation that can be used to rebut the supplement, not supplant presumption, as stated above.

In the following instances, pursuant to guidance from the U.S. Office of Management and Budget (OMB) and the U.S. Department of Education (USED), it is presumed that supplanting has occurred if the District:

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- Uses Federal funds (except Bilingual) to provide services that the District is required to make available under other Federal, State, or local laws;
- Uses Federal funds to provide services that the District provided with non-Federal funds in the prior year;
- Uses Title I, Part A or MEP funds to provide services for participating children that the District provides with non-Federal funds for nonparticipating children.
- However, according to the OMB guidance, “These presumptions are rebuttable if the SEA or LEA can
- Demonstrate that it would not have provided the services in question with non-Federal funds had the Federal funds not been available.”
- For schoolwide programs (approximately 90% of all of the District’s Title I schools), the distinction between state/local funds and Federal funds – and hence the notion of supplantation – becomes unclear. In general, when services are delivered through schoolwide programs, Federal, State, and local funds are pooled, making it difficult to distinguish among funding streams in an audit because a schoolwide school does not have to:
 - (1) Show that Federal funds used within the school are paying for additional services that would not otherwise be provided; or
 - (2) Demonstrate that Federal funds are used only for specific target populations, or
 - (3) Separately track Federal program funds once they reach the school.

Such a school, however, is required to use funds available under Title I and any other Federal programs to supplement the total amount of funds that would, in the absence of the Federal funds, be made available from non-Federal sources for that school, including funds needed to provide services that are required by law for children with disabilities and children with limited English proficiency.

Although there is no precise formula for determining what kinds of records will overcome a presumption of supplanting, or otherwise demonstrate that Federal funds were used in a supplemental manner, we recommend that the District develop additional analysis and procedures to determine for each of their schools where the presumption of supplanting and/or the reduction in general funding has occurred and Federal funding has increased, to demonstrate that they believe the school could not maintain services previously paid with State or local funds had Federal program funds not been available. We also recommend that the District implement policies and procedures to perform such analysis on a quarterly basis to closely monitor the District’s compliance and documentation to support any exceptions noted from their review. The analysis should be reviewed and approved formally by the officials.

Current Status

Implemented with alternative policies and procedures

District Explanation if Not Implemented

During the fiscal year 2008-09 audit, the auditors were provided additional information regarding the District’s policies and procedures over the Supplement, Not Supplant provisions. We were able to demonstrate how the budgeting process at the local school level provides support of specific program expenses which are over and above the general revenue funds the schools receive to support the core program.

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(19) Finding F-07-14 – Matching, Level of Effort, and Earmarking – Transferability

Program Identification:

State Grants for Innovative Programs, U.S. Department of Education, Passed through the California Department of Education, CFDA No. 84.298, Pass-Through Identification 1964733;

Education Technology State Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.318, Grant Agreements 05-14334-6473 and 2004-05-14332-6473;

Recommendation

We recommend the District ensure transferability limitations based on the District's improvement status are effectively communicated to all applicable employees and appropriate controls are in place to ensure that federal limitations are not exceed.

Current Status

Implemented with alternative procedures

District's Explanation if Not Implemented

The auditor was provided information to support the transfer of funds from the 2004-05 grant year allocation. In 2004-05, the District was not identified by CDE as a program improvement district; therefore, the transfer was in compliance with the transferability provision.

(20) Finding F-08-12 – Period of Availability – Program Code Controls

Finding F-07-18 – Period of Availability – Program Code Controls

Finding F-06-17 – Period of Availability – Program Code Controls

Program Identification:

Title I Grants to Local Educational Agencies: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.010, Grant Agreement S010A070005 (07-14329-6473);

Special Education Cluster: Grants to States, Preschool Grants, U.S. Department of Education, Passed through the California Department of Education, CFDA No. 84.027, and 84.173, Grant Agreements 07-13430-6473-01 and 07-13682-64733-01;

Vocational Education – Basic Grants to States: U.S. Department of Education (ED), Passed through the California Department of Education (CDE), Carl D. Perkins Vocational and Technical Education Act of 1998 (CFDA 84.048), PCA 13924 and 13923;

Safe and Drug-Free Schools and Communities, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.186, Grant Agreement Q186A060005;

State Grants for Innovative Programs, U.S. Department of Education (ED), Passed Through the California Department of Education, CFDA No. 84.298, Pass-Through Identification No. 1964733, Grant Agreement S298A060005;

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Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP): U.S. Department of Education (ED), Higher Education Act Title IV, Part A; (CFDA 84.334), Project Title: Gear-up, Award No. P334A000061;

English Language Acquisition Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.365, Grant Agreements T365A070005 (03-14346-6473-00 and 10084-6474-00);

Improving Teacher Quality State Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.367, Grant Agreement S367A070005A;

Recommendation

We recommend that the District establish separate program/project codes for each grant award for each award year to ensure that reported program expenditures for each grant award year can be appropriately supported in the general ledger for each grant award. We further recommend that the District strengthen controls over its monitoring of outstanding obligations to ensure that they are liquidated within the required periods in accordance with federal program requirements.

Current Status

Partially implemented

District's Explanation if Not Implemented

The District will work with its Information Technology Division (BTS/SAP) team to ensure that accounting expenditures for the programs are posted to the appropriate fiscal/grant year except for Title I, which will track program costs based on the First-in and First-out methodology.

(21) Finding F-08-13 – Period of Availability – Expenses Not Claimed in Proper Period and Liquidation of Obligations

Finding F-07-19 – Period of Availability – Expenses Not Claimed in Proper Period and Liquidation of Obligations

Finding F-06-18 – Period of Availability – Expenses Not Claimed in Proper Period

Finding F-06-19 – Period of Availability – Liquidation of Obligations

Finding F-05-19 – Period of Availability – Expenses Not Claimed in Proper Period

Program Identification:

Special Education Cluster: U.S. Department of Education (ED), Special Education – Grants to States (84.027) and Special Education – Preschool Grants (84.173), Passed through the California Department of Education (CDE) as Local Assistance Entitlements (PCA 13379), Preschool Local Entitlements (PCA 13682), and Federal Preschool Grant (PCA 13430);

Education Technology State Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.318, Grant Agreements 06-14368-6473, 07-14368-6437, and 2006/07-14334-6437;

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English Language Acquisition Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.365, Grant Agreements T365A070005 (03-14346-6473-00 and 10084-6474-00);

Title I Grants to Local Educational Agencies: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.010, Grant Agreement S010A070005 (07-14329-6473);

Vocational Education Basic Grants to States: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.048, Grant Agreements 07/08-14893-74435-00, 07/08-14893-64733-00, and 07/08-14894-64733-00;

Safe and Drug-Free Schools and Communities, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.186, Grant Agreement Q186A070005;

Twenty-First Century Community Learning Centers: *U.S. Department of Education* (ED), Elementary and Secondary Act Title IV, Part B; Passed through the California Department of Education (CDE) as 21st Century Community Learning Centers Grant (CFDA 84.287), PCA 14349;

State Grants for Innovative Programs, U.S. Department of Education (ED), Passed Through the California Department of Education, CFDA No. 84.298, Pass-Through Identification No. 1964733, S298A060005;

Reading First State Grants: *U.S. Department of Education* (ED), Elementary and Secondary Act Title I, Part B; Passed through the California Department of Education (CDE) as Reading First (CFDA 84.357), PCA 14328;

Child Care and Development Fund: Child Care and, Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund; U.S. Department of Health and Human Services, Passed through the California Department of Education, CFDA Nos. 93.575 and 93.596, Contract CCTR-6164;

Recommendation

We recommend that the District establish separate program/project codes for each grant award for each award year to ensure that reported program expenditures for each grant award year can be appropriately supported by the general ledger for each grant award. We further recommend that the District strengthen controls over its monitoring of outstanding obligations to ensure that all obligations are liquidated under the award not later than 90 days after the end of the funding periods; and unliquidated obligations are reconciled and adjusted so that the balance remaining in encumbrance is properly returned to the grantor.

Current Status

Partially implemented

District's Explanation if Not Implemented

The District will work with its Information Technology Division (BTS/SAP) team to ensure that accounting expenditures for the programs are posted to the appropriate fiscal/grant year except for Title I, which will track program costs based on the First-in and First-out methodology.

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(22) Finding F-08-14 – Procurement, Suspension, and Debarment – No Evidence of Required Quotations or Waivers for Competitive Bidding

Finding F-07-21 – Procurement, Suspension, and Debarment – No Evidence of Required Quotations or Waivers for Competitive Bidding

Finding F-06-21 – Procurement, Suspension, and Debarment – No Evidence of Required Quotations or Waivers for Competitive Bidding

Finding F-05-21 – Procurement, Suspension, and Debarment – No Evidence of Required Quotations or Waivers for Competitive Bidding

Program Identification:

Food Stamp Cluster: State Administrative Matching Grants for Food Stamp Program, U.S. Department of Agriculture (USDA), Passed through the California Department of Health Services, CFDA No. 10.561, Grant Agreement 07-65328;

Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children: *U.S. Department of Agriculture (USDA)*, Passed through the California Department of Education, CFDA Nos. 10.553, 10.555 and 10.559, Grant Agreement 19-64733-0000000-01;

Child and Adult Care Food Program: *U.S. Department of Agriculture (USDA)*, Passed through the California Department of Education, CFDA 10.558, Grant Agreement 19-2016-3A;

Title I Grants to Local Educational Agencies: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.010, Grant Agreement S010A070005;

Vocational Education Basic Grants to States: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.048, Grant Agreement 07-14894-64733-00;

Special Education Cluster: Grants to States, Preschool Grants, U.S. Department of Education, Passed through the California Department of Education, CFDA Nos. 84.027, and 84.173, Grant Agreement 07-13682-6473-01;

Safe and Drug-Free Schools and Communities, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.186, Grant Agreement Q186A070005;

Fund for the Improvement of Education, U.S. Department of Education (ED), CFDA No. 84.215, Grant Agreements Q215E060268, V215L052108 and S215L060084;

Twenty-First Century Community Learning Centers, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.287, Grant Agreements 06-14349-6473-2A, 07- 14349-6473-3A, 07-14349-6473-2A and 07-14349- 6473-4A;

State Grants for Innovative Programs, U.S. Department of Education (ED), Passed Through the California Department of Education, CFDA No. 84.298, Pass-Through Identification No. 1964733, Grant Agreement S298A06005;

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Education Technology State Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.318, Grant Agreements 05-14334-6473, 06-14368-6473 and 07- 14368-6437;

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP), U.S. Department of Education (ED), CFDA No. 84.334, Grant Agreements P334A050178-07 and P334A050205-07;

Reading First State Grants; U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.357, Grant Agreement 07-14328-6473-00;

English Language Acquisition Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.365, Grant Agreement T365A070005;

Improving Teacher Quality State Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.367, Grant Agreement S367A070005A;

Child Care and Development Fund: Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund; U.S. Department of Health and Human Services, Passed through the California Department of Education, CFDA Nos. 93.575 and 93.596, Contract CCTR-6164;

Recommendation

We recommend that the District strengthen its controls over its procurement approval process and document retention policies to ensure that required policies of the District are being followed with proper documentation maintained in the procurement files.

Current Status

Partially implemented

District's Explanation if Not Implemented

The District issued a Procurement Manual in 2008 and updated it in 2009. The manual consolidates numerous individual bulletins, reference guides, and memorandums regarding procurement policies and procedures. The District is developing internal standard operating procedures that include document retention policies.

(23) Finding F-08-15 – Procurement, Suspension, and Debarment – No Certification and No Documentation to Investigation

Program Identification:

Title I Grants to Local Educational Agencies: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.010, Grant Agreement 07-14329-6473;

Vocational Education Basic Grants to States: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.048, Grant Agreements 07/08-14893-74435-00 and 07-14894-64733-00;

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Safe and Drug-Free Schools and Communities, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.186, Grant Agreement Q186A070005;

Fund for the Improvement of Education, U.S. Department of Education (ED), CFDA No. 84.215, Grant Agreements Q215E060268, V215L052108 and S215L060084;

Twenty-First Century Community Learning Centers, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.287, Grant Agreements 06-14349-6473-1A, 06- 14349-6473-3A, and 06-14349-6473-2A, 07-14535- 6473-4A, 07-14349-6473-3A;

Education Technology State Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.318, Grant Agreements 05-14334-6473 and 06-14368-6473, 07- 14368-6437;

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP), U.S. Department of Education (ED), CFDA No. 84.334, Grant Agreements P334A050178-07 and P334A050205-07;

Reading First State Grants; U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.357, Grant Agreement 07-14328-6473-00;

Improving Teacher Quality State Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.367, Grant Agreement S367A040005A;

Recommendation

We recommend that the District monitor the internal controls as documented in the new procurement policy manual to ensure compliance with federal suspension and debarment regulations. It is also our recommendation that the District provide training to the appropriate procurement staff on the new procurement manual and hold periodic meetings for any future updates or revisions.

Current Status

Implemented

(24) Finding F-08-16 – Program Income – Incorrect Computation of Parent Fees and Controls over Cash Receipts Collected at School Sites

Finding F-07-22 – Program Income – Controls over Cash Receipts Collected at School Sites

Finding F-06-23 – Program Income – Controls over Cash Receipts Collected at School Sites

Finding F-05-23 – Program Income – Controls over Cash Receipts Collected at School Sites

Program Identification:

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Child Care and Development Fund: Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund; U.S. Department of Health and Human Services, Passed through the California Department of Education, CFDA Nos. 93.575 and 93.596, Contract CCTR-7163;

Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children, U.S. Department of Agriculture (USDA), Passed through the California Department of Education, CFDA Nos. 10.553, 10.555, and 10.559, Grant Agreement 19-64733- 0000000-01;

Recommendation

We recommend that the District strengthen controls over cash collection and reporting process.

Current Status

Not implemented

District's Explanation if Not Implemented

The Branch has strengthened controls over cash collections by developing worksheets to assist schools to reconcile the cash collection to sales. The worksheets are kept at the school site where the manager has easy access to discuss information when a Financial Accountant contacts them regarding their cash collections.

Food Services has improved the reporting accuracy in the implementation of a web-based Food Services Data Capture System (FSDC) to automate the Cafeteria Managers' data entry of weekly meal counts/sales and monthly inventory tracking and cash collections. All schools have been on the current system since April 2008. All Cafeteria Personnel have undergone training prior to the system being implemented at their school site. Cafeteria Managers, Senior Cafeteria Workers, and Financial Managers attend a mandatory 4-hour training course (Financial Managers training is 1-2 hours). Ongoing training of newly promoted managers and senior workers is also available.

(25) Finding F-08-17 – Reporting – Discrepancies between APRs and the Report generated from the FRDB

Program Identification:

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP), U.S. Department of Education (ED), CFDA No. 84.334, Grant Agreements P334A050178-07 and P334A050205-07;

Recommendation

We recommend that the District strengthen its current controls over reporting to ensure that reports are completed accurately and budgeted numbers are reconciled to the actual expenditures and amended reports are properly submitted to the federal funding agency upon finalization of the expenditures.

Current Status

Partially implemented

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District's Explanation if Not Implemented

The GEAR-UP program directors will coordinate with the District's accounting department to obtain financial information needed to complete their Annual Program Reports (APR).

(26) Finding F-08-18 – Reporting – Financial and Performance Reporting

Finding F-07-25 – Reporting – Performance Reporting

Finding F-07-27 – Reporting – Performance Reporting

Finding F-06-25 – Reporting – Financial and Performance Reporting

Program Identification:

State Administrative Matching Grants for Food Stamp Program: U.S. Department of Agriculture (USDA), CFDA 10.561, Passed through the California Department of Health Services (DHS) as California Nutrition Network, Agreement No. 04-35450;

Vocational Education Basic Grants to States: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.048, Grant Agreements 07/08-14893-74435-00 and 07-14894-64733-00;

Fund for the Improvement of Education: U.S. Department of Education (ED), Elementary and Secondary Act Title V, Part D; (CFDA 84.215), Project Title: Teaching American History, Award No. U215X030096;

Gaining Early Awareness and Readiness for Undergraduate Programs, U.S. Department of Education (ED) Pass-Through Entity: California Department of Education Award Number: Grant Agreements P334A050178, and P334A050205;

Recommendation

We recommend that the District maintain evidence from the individual schools and the Student Information System used to support the CDE Form 101: E1 Report of Career Technical Education Enrollment and Program Completion.

Current Status

Partially implemented

District's Explanation if Not Implemented

The District is updating the description of the classes to match the CDE titles. This will ensure the E1 Report of Career Technical Education Enrollment and Program Completion is accurate and will be supported by the raw data captured by the reporting system. It is anticipated that the update could be completed by December of 2010.

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(27) Finding F-08-19 – Reporting – Not Sufficient Control over the Review and Approval of Monthly Attendance Sheets

Program Identification:

Twenty-First Century Community Learning Centers, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.287, Grant Agreements 06-14349-6473-1A, 06-14349-6473-3A, and 06-14349-6473-2A, 07-14535-6473-4A, 07-14349-6473-3A;

Recommendation

We recommend that the District strengthen its controls over the review of the Quarterly and Final Expenditure Reports and the Semiannual Attendance Reports to ensure data used to prepare the reports is complete and accurate.

Current Status

Partially implemented

District's Explanation if Not Implemented

The District continues to review/monitor attendance reports provided by agencies running the afterschool programs. Controls will be strengthened for oversight of the accuracy of these reports.

(28) Finding F-08-20 – Reporting – Monthly Claim Report

Finding F-07-24 – Reporting – Monthly Claim Report

Finding F-07-23 – Reporting – Monthly Claim Report

Program Identification:

Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children, *U.S. Department of Agriculture (USDA)* Pass-Through Entity: California Department of Education Award Number: Grant Agreement 19-64733-0000000-01;

Child and Adult Care Food Program: *U.S. Department of Agriculture (USDA)* Pass-Through Entity: California Department of Education Award Number: Grant Agreement 19-2016-3A;

Recommendation

We recommend the District strengthen controls to ensure claims are compiled and reported accurately. We also recommend that the District maintain sufficient documentation to support the manually adjustments for audit purposes.

Current Status

Implemented

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(29) Finding F-07-28 – Reporting – Financial Reporting

Program Identification:

Special Education Cluster: Grants to States Preschool Grants, U.S. Department of Education (ED) Pass-Through Entity: California Department of Education Award Number and Year Awarded: Grant Agreements 06-13430-6473-01 and 06-13682-6473-01;

Recommendation

We recommend that the District strengthen its current controls over reporting to ensure that supporting documentation is maintained for all reports submitted. Furthermore, we recommend that the District perform reconciliation of expenditures reported on the mid-year expenditure report and the year-end expenditures per the general ledger.

Current Status

Partially implemented

District's Explanation if Not Implemented

Documentation for two of the grants has been provided to the auditors. The District continues to strengthen controls over reporting to ensure the information reported will agree with the general ledger.

(30) Finding F-08-21 – Subrecipient Monitoring – Monitoring Procedures Performed

Finding F-07-29 – Subrecipient Monitoring – Monitoring Procedures Performed

Finding F-06-28 – Subrecipient Monitoring – Monitoring Procedures Performed

Finding F-05-30 – Subrecipient Monitoring – Monitoring Procedures over Subrecipients

Program Identification:

Twenty-First Century Community Learning Centers, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.287, Grant Agreements 07-14349-6473-3A and 07-14349-6473-4A;

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP), U.S. Department of Education (ED), CFDA No. 84.334, Grant Agreement P334A050205-07 and P334A050205-07;

Recommendation

We recommend that the District provide additional guidance/training to ensure subrecipient awards are properly identified and monitored to ensure their compliance with federal guidelines.

Current Status

Partially implemented

District's Explanation if Not Implemented

The Programs have updated their procedures to ensure proper monitoring of sub-recipients.

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(31) Finding F-07-29 – Subrecipient Monitoring – Monitoring Procedures Performed

Finding F-06-29 – Subrecipient Monitoring – Monitoring Procedures Performed

Program Identification:

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP), U.S. Department of Education (ED), CFDA No. 84.334, Grant Agreements P334A000061-05, P334A050178-06, and P334A050205;

Recommendation

We recommend the District revise its current contract template to include the required references for Federal pass-through funds and also issue addendums to existing contracts to ensure that the subrecipients are properly notified of the various requirements of participating in federally funded programs. We also recommend that the District implement policies and procedures to identify subrecipients that will be subject to their own A-133 audit and the collection of those audits with follow-up on any findings related to the pass-through program.

Current Status

Partially implemented

District's Explanation if Not Implemented

The Programs have updated their procedures to ensure proper monitoring of sub-recipients.

(32) Finding F-08-22 – Special Tests and Provisions (Parent Notification Letters) – Support for Notifications

Finding F-07-33 – Special Tests and Provisions (Parent Notification Letters) – Support for Notifications

Finding F-06-36 – Special Tests and Provisions (Parent Notification Letters) – Support for Notifications

Program Identification:

English Language Acquisition Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.365, Grant Agreement T365A070005 (03-14346-6473-00 and 10084-6474-00);

Recommendation

We recommend the District 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.

Current Status

Implemented

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(33) Finding F-07-31 – Special Tests and Provisions (Participation of Private School Children) – Per-Pupil Allocations offered to Participating Private Schools

Program Identification:

Safe and Drug Free Schools and Communities, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.186, Grant Agreement Q186A060005;

English Language Acquisition Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.365, Grant Agreements 03-14346-6473-00, and 10084-6474-00;

Improving Teacher Quality State Grants, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.367, Grant Agreement S367A040005A;

Recommendation

We recommend that the District enhance its policies and procedures to ensure participating private schools are timely notified of any changes in per-pupil allocation amounts available.

Current Status

Not implemented

District's Explanation if Not Implemented

The District disagrees with this finding. The District believes it is in full compliance with the notification requirements related to allocations of funds.

(34) Finding F-08-23 – Special Tests and Provisions Highly Qualified Teachers and Paraprofessionals

Finding F-07-34 – Special Tests and Provisions Highly Qualified Teachers and Paraprofessionals

Finding F-06-33 – Special Tests and Provisions (Highly Qualified Teachers) – Qualifications

Finding F-06-34 – Special Tests and Provisions (Highly Qualified Paraprofessionals) – Qualifications

Program Identification:

Title I Grants to Local Educational Agencies: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.010, Grant Agreement S010A070005 (07-14329-6473);

Recommendation

We recommend the District continue to implement policies and procedures to ensure the remainder of its teachers obtain their highly qualified status to comply with NCLB requirements. We also recommend the District implement policies and procedures to ensure that non-highly

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qualified paraprofessionals hired before January 8, 2002 are not placed in Title I schools where a highly qualified status is required to comply with NCLB requirements.

Current Status

Partially implemented

District's Explanation if Not Implemented

The District continues implementation of its Plan for Equitable Distribution of Highly Qualified Teachers and Administrators for full compliance of all teachers. The District has established policies for paraprofessionals to be highly qualified upon hiring. The District has monitored a group of paraprofessionals previously hired who are not highly qualified to ensure they are not placed in Title I, Part A positions.

(35) Finding F-07-35 – Other –Unallowable Expenditures per the Damage Survey Report and the Grant Acceleration Program

Program Identification:

Public Assistance Grants Pass-Through Entity: State of California Governor's Office of Emergency Services Award Number: FEMA-1008-DR-CA and P.A. 037-91146;

Recommendation

We recommend the District establish segregation of accounts to ensure allowable and unallowable expenditures are recorded to allow for more accurate reporting of federal expenditures on its SEFA.

Current Status

Partially implemented

District's Explanation if Not Implemented

The District has established "Public Assistance Grant Award Process" to separate responsibilities to ensure allowable costs be correctly charged to Public Assistance Grants.

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Findings and Questioned Costs Relating to State Awards

(1) S-08-01 Regular and Special Day Classes – Elementary Schools – Attendance Computations

State Audit Guide Finding Codes: 10000 and 40000

Schools Affected

10th Street Elementary	Chase Elementary School
122 nd Street Elementary School	Crescent Heights Elementary School
Canfield Elementary School	El Dorado Elementary School
Richard Riordan Primary Center	Halldale Elementary School
Russell Elementary School	Kester Elementary School
Shenandoah Elementary School	Lockwood Elementary School
Wadsworth Elementary School	Noble Yrs Elementary School
59 th Street Elementary School	Purche Sci/Tech Elementary School

Recommendation

We recommend that the District ensure that its schools strengthen the review process over student attendance reporting, which includes but not limited to the compilation of the Student Apportionment Attendance Cards, Monthly Control Cards, and Monthly Statistical Reports so that they accurately reflect student attendance data.

Current Status

Corrective actions were implemented for the subject schools.

(2) S-08-02 Regular and Special Day Classes – Secondary Schools – Attendance Computations

State Audit Guide Finding Codes: 10000 and 40000

Schools Affected

Sylmar High School
Woodland Hills Academy
Fremont High School
Mann Middle School
McAlister High School

Recommendation

We recommend that the District strengthen its review process over the compilation of the *Monthly Statistical Reports* to ensure that the report accurately reflects student attendance

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data. Also, we recommend that the District implement procedures to ensure original attendance documentation are retained for the required period of time. Furthermore, we recommend that the District provide adequate attendance reporting training to the schools so that proper attendance reporting procedures are adhered to.

Current Status

Corrective actions were implemented for the subject schools.

(3) S-08-03 Attendance Accounting – Continuation Education – Attendance Computations

State Audit Guide Finding Codes: 10000 and 40000

Schools Affected

Duke Ellington Continuation High School

San Antonio Continuation High School

Recommendation

We recommend that the District strengthen its review process over the compilation of the *Monthly Statistical Reports* to ensure that the report accurately reflects student attendance data.

Current Status

Corrective actions were implemented for the subject schools.

(4) S-08-04 Attendance Accounting – Adult Education – Concurrently Enrolled Students

State Audit Guide Finding Codes: 10000 and 40000

Schools Affected

Garfield Education & Career Center

North Hollywood Polytechnic

Recommendation

We recommend that the school strengthen the review process over the Concurrently Enrolled Student Agreements and the attendance reporting to ensure that: (a) they retain original documentation as evidence of counseling sessions; (b) the compilation of attendance accurately reflects student attendance data; and (c) they retain evidence of certified representative's signature to the Concurrent Student Enrollment Permit.

Current Status

Corrective actions were implemented for the subject schools.

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(5) S-08-05 Attendance Accounting – Regional Occupational Schools – Documentations on Teacher Certified Records

State Audit Guide Finding Codes: 10000 and 40000

School Affected

Pacoima Skill Center

Recommendation

We recommend that the school stress to staff and certificated employees the importance of Student Record Sheets being fully completed in all respects for all appropriate sections of the report.

Emphasis should be placed on properly documenting on the form that the students' work product was graded by a certificated teacher and that attendance hours had been valued and assigned accordingly.

Current Status

Corrective actions were implemented for the subject school.

(6) S-08-06 Attendance Accounting – Regional Occupational Schools – Attendance Computations

State Audit Guide Finding Codes: 10000 and 40000

School Affected

Pacoima Skill Center

Recommendation

We recommend that the District ensure that its schools strengthen the review process over the compilation of the Monthly Statistical Reports so that they accurately reflect student attendance data.

Current Status

Corrective actions were implemented for the subject school.

(7) S-08-07 Attendance Accounting – Community Day Schools – Attendance Computations

State Audit Guide Finding Codes: 10000 and 40000

School Affected

CDS Secondary Community Day School

Recommendation

We recommend that the District ensure that its schools strengthen the review process over the student attendance reporting, including compilation of the Monthly Statistical Report and its related supporting worksheets so that they accurately reflect student attendance data.

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Current Status

Corrective actions were implemented for the subject school.

(8) S-08-08 Kindergarten Continuance

State Audit Guide Finding Codes: 10000 and 40000

School Affected

Marianna Elementary School

Recommendation

We recommend that the District strengthen the reviewing process on student enrollment procedures to ensure that students are enrolled in the correct grade levels.

Current Status

Corrective actions were implemented for the subject school.

(9) S-08-09 Instructional Materials – Sufficiency of Laboratory Science Equipment

State Audit Guide Finding Codes: 40000 and 70000

Schools Affected

Annenberg (Wallis) High	Francis (John H.)	North Hollywood
Imagine Academy Charter	Franklin (Benjamin)	Reseda Senior High
Central City Value	Fremont (John C.)	Roosevelt (Theodore)
Crenshaw Arts-Technology	Gardena Senior High	San Fernando Senior
Heritage College-Ready High	Garfield (James A.)	San Pedro Senior High
Huntington Park College-	Grant (Ulysses S.)	South Gate Senior High
South LA Area New High #1	Hamilton (Alexander)	Sylmar Senior High
South East High	Hollywood Senior High	University Senior High
Southeast Area New Learning	Huntington Park Senior	Van Nuys Senior High
Banning (Phineas) Senior High	Jefferson (Thomas)	Washington
Bell Senior High	Jordan (David Starr)	Westchester Senior
Belmont Senior High	Lincoln (Abraham)	Wilson (Woodrow)
Birmingham Senior High	Locke (Alain Leroy)	Kennedy (John F.)
Canoga Park Senior High	Los Angeles Senior	Discovery Charter
Carson Senior High	Manual Arts Senior	Los Angeles
Crenshaw Senior High	Marshall (John) Senior	
Dorsey (Susan Miller) Senior	Monroe (James) High	
Fairfax Senior High	Narbonne (Nathaniel)	

Recommendation

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We recommend that the District take steps to ensure noted science laboratory materials insufficiency are timely remedied.

Current Status

Corrective actions were implemented.

(10) S-08-10 Instructional Materials – Textbook Purchase

State Audit Guide Finding Codes: 40000 and 70000

School Affected

Hooper Avenue Elementary School

Recommendation

We recommend that the District strengthen its review process over the book purchases to ensure that book purchases are accurate and supportive.

Current Status

Corrective actions were implemented.

(11) S-08-11 School Accountability Report Card – Availability of Sufficient Science Laboratory Equipment

S-07-16 School Accountability Report Card - Availability of Sufficient Textbooks

State Audit Guide Finding Codes: 40000 and 72000

Schools Affected

Fremont Senior High School

Abraham Lincoln Senior High

Westchester High School

Recommendation

We recommend that the District ensure any insufficiencies noted in the instructional materials including science laboratory equipments are accurately reflected on the School Accountability Report Card so that accurate information and data are provided to parents for comparison and making informed decisions on the school his or her children are enrolled. We also recommend that the District enhance the SARC to include the specific measurement dates for its various components (i.e., sufficiency of textbooks, facility repairs, etc.) and subject areas: i) core curriculum areas of reading/language arts, mathematics, science, and history/social science; ii) Foreign language and health; iii) Science laboratory equipment for grades 9 to 12, inclusive, as appropriate; and iv) Visual and performing arts.

Current Status

Corrective actions were implemented.

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(12) S-08-12 Math & Reading Professional Development

State Audit Guide Finding Codes: 10000 and 40000

Schools Affected

Hazeltine Ave Elementary

Aragon Ave Elementary

Fletcher Drive Elementary

Olympic Primary Center

Harvard Elementary

Canfield Ave Elementary

John Burroughs Middle School

Paseo Del Rey Elementary

Recommendation

We recommend that the District strengthen its review procedures over the Math & Reading Professional Development program to ensure accuracy in the amounts claimed for reimbursement.

Current Status

Corrective actions were implemented.

(13) S-08-13 After School Education and Safety Program

State Audit Guide Finding Codes: 40000

Schools Affected

Bell High School

Fremont High School

Recommendation

We recommend that the District strengthen its procedures on attendance documentation for the After School Education and Safety program.

Current Status

This finding was deleted.

(14) S-08-14 Teacher Credentialing

S-07-08 Attendance Reporting - Teacher Credentialing

State Audit Guide Finding Codes: 40000 and 71000

Schools Affected

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Fremont Senior High School

Lanterman High School

Recommendation

We recommend that the schools and District implement controls to ensure that the teachers who provide instruction to classes with over 20% English learners have the required English teaching credentials.

Current Status

Corrective actions were implemented for the subject schools. However, the District is continuing its efforts on strengthening the controls over teacher credentialing.
