



See "Miscellaneous – Ratings" herein.

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

**\$1,622,200,000****LOS ANGELES UNIFIED SCHOOL DISTRICT****(County of Los Angeles, California)****2014 General Obligation Refunding Bonds****\$196,850,000****Series A****\$323,170,000****Series B****\$948,795,000****Series C****\$153,385,000****Series D****Dated: Date of Delivery****Due: As shown on inside cover**

The Los Angeles Unified School District (the "District") is issuing its \$196,850,000 2014 General Obligation Refunding Bonds, Series A (the "Series A Bonds"), \$323,170,000 2014 General Obligation Refunding Bonds, Series B (the "Series B Bonds"), \$948,795,000 2014 General Obligation Refunding Bonds, Series C (the "Series C Bonds"), and \$153,385,000 2014 General Obligation Refunding Bonds, Series D (the "Series D Bonds" and, together with the Series A Bonds, the Series B Bonds, and the Series C Bonds, the "Bonds"). The Bonds are general obligation bonds of the District approved by voters within the District and are payable from *ad valorem* property taxes levied by the County of Los Angeles on property within the District which the Board of Supervisors of the County of Los Angeles is empowered and obligated to levy upon all property within the District subject to taxation by the District without limitation of rate or amount (except as to certain personal property which is taxable at limited rates) for the payment of the principal of and redemption premium, if any, and interest on the Bonds, all as more fully described herein. The Bonds are being issued pursuant to the laws of the State of California (the "State") and a resolution adopted by the Board of Education of the District on November 12, 2013, as supplemented on May 13, 2014.

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

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

The Bonds will be initially issued in book-entry form only, in denominations of \$5,000 principal amount, or integral multiples thereof, and will be initially issued and registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds. Owners will not receive certificates representing their interests in the Bonds. Payments of principal, premium, if any, and interest on the Bonds will be made by U.S. Bank National Association, as agent to the Treasurer and Tax Collector of the County of Los Angeles, California, as the initial paying agent, to DTC, which is obligated to remit such payments to its DTC Participants for subsequent disbursement to the beneficial owners of the Bonds. See Appendix C – "Book-Entry Only System" attached hereto.

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

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

*The Bonds will be offered when, as and if issued by the District, and received by the Underwriters, subject to the approval as to their legality by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel to the District, and certain other conditions. Certain legal matters will also be passed upon for the District by the General Counsel to the District and by its Disclosure Counsel, Hawkins Delafield & Wood LLP, Los Angeles, California, and for the Underwriters by their counsel, Squire Patton Boggs (US) LLP, Los Angeles, California. Tamalpais Advisors-KNN Public Finance, a Joint Venture, Sausalito, California and Oakland California are serving as Financial Advisor to the District in connection with the issuance of the Bonds. The Bonds, in book-entry form, will be available for delivery through the facilities of DTC on or about June 26, 2014.*

**J. P. Morgan****BofA Merrill Lynch****Goldman, Sachs & Co.****Fidelity Capital Markets****Siebert Brandford Shank & Co., L.L.C.****Backstrom McCarley Berry & Co., LLC**

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

**\$196,850,000**

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
(COUNTY OF LOS ANGELES, CALIFORNIA)  
2014 General Obligation Refunding Bonds, Series A**

**Base CUSIP Number: 544646**

<b><u>Maturity Date</u></b> <b><u>(July 1)</u></b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Interest Rate</u></b>	<b><u>Initial Public</u></b> <b><u>Offering Yield</u></b>	<b><u>Price</u></b>	<b><u>CUSIP</u></b> <b><u>Suffix</u></b>
2015	\$18,520,000	1.00%	0.12%	100.891%	M66
2016	35,915,000	3.00	0.26	105.500	M74
2017	32,475,000	5.00	0.69	112.833	M82
2018	33,655,000	5.00	1.08	115.357	M90
2019	17,705,000	5.00	1.45	117.107	N24
2020	18,590,000	5.00	1.74	118.537	N32
2021	19,510,000	5.00	2.04	119.252	N40
2022	20,480,000	5.00	2.30	119.657	N57

**\$323,170,000**

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
(COUNTY OF LOS ANGELES, CALIFORNIA)  
2014 General Obligation Refunding Bonds, Series B**

**Base CUSIP Number: 544646**

<b><u>Maturity Date</u></b> <b><u>(July 1)</u></b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Interest Rate</u></b>	<b><u>Initial Public</u></b> <b><u>Offering Yield</u></b>	<b><u>Price</u></b>	<b><u>CUSIP</u></b> <b><u>Suffix</u></b>
2017	\$40,035,000	5.00%	0.69%	112.833%	N65
2018	108,595,000	5.00	1.08	115.357	N73
2019	23,600,000	5.00	1.45	117.107	N81
2020	24,775,000	5.00	1.74	118.537	N99
2021	26,010,000	5.00	2.04	119.252	P22
2022	27,305,000	5.00	2.30	119.657	P30
2023	28,675,000	5.00	2.51	119.974	P48
2024	30,165,000	5.00	2.65	120.549	P55
2025	6,835,000	5.00	2.79	119.191 <sup>(c)</sup>	P63
2026	7,175,000	5.00	2.89	118.232 <sup>(c)</sup>	P71

<sup>(c)</sup> Priced at the stated yield to the July 1, 2024 optional call date.

**\$948,795,000**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**(COUNTY OF LOS ANGELES, CALIFORNIA)**  
**2014 General Obligation Refunding Bonds, Series C**  
**Base CUSIP Number: 544646**

<b>Maturity Date (July 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Initial Public Offering Yield</b>	<b>Price</b>	<b>CUSIP Suffix</b>
2015	\$ 1,555,000	1.000%	0.120%	100.891%	P89
2016	12,965,000	3.000	0.260	105.500	P97
2017	18,355,000	5.000	0.690	112.833	R87
2017	6,560,000	2.000	0.690	103.900	Q21
2018	24,825,000	5.000	1.080	115.357	R95
2018	8,790,000	3.000	1.080	107.522	T36
2018	675,000	2.000	1.080	103.604	Q39
2019	49,870,000	5.000	1.450	117.107	S29
2019	2,635,000	3.000	1.450	107.469	T44
2019	580,000	2.000	1.450	102.650	Q47
2020	50,830,000	5.000	1.740	118.537	S37
2020	1,615,000	4.000	1.740	112.851	T51
2020	2,295,000	2.000	1.740	101.478	Q54
2021	52,900,000	5.000	2.040	119.252	S45
2021	495,000	3.000	2.040	106.244	Q62
2022	60,520,000	5.000	2.300	119.657	S52
2022	1,185,000	3.000	2.300	105.096	Q70
2023	80,140,000	5.000	2.510	119.974	S60
2023	1,835,000	3.000	2.510	103.930	Q88
2024	84,435,000	5.000	2.650	120.549	S78
2024	1,665,000	3.000	2.650	103.060	Q96
2025	89,860,000	5.000	2.790	119.191 <sup>(c)</sup>	S86
2025	595,000	3.000	2.890	100.950 <sup>(c)</sup>	R20
2026	84,010,000	5.000	2.890	118.232 <sup>(c)</sup>	S94
2026	1,945,000	3.000	3.090	99.102	R38
2027	53,620,000	5.000	2.990	117.283 <sup>(c)</sup>	T28
2027	16,670,000	3.125	3.290	98.264	R46
2028	75,500,000	5.000	3.050	116.717 <sup>(c)</sup>	R53
2029	56,585,000	5.000	3.140	115.875 <sup>(c)</sup>	R61
2030	80,385,000	5.000	3.210	115.225 <sup>(c)</sup>	R79
2031	24,900,000	4.000	3.570	103.593 <sup>(c)</sup>	T69

<sup>(c)</sup> Priced at the stated yield to the July 1, 2024 optional call date.

**\$153,385,000**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**(COUNTY OF LOS ANGELES, CALIFORNIA)**  
**2014 General Obligation Refunding Bonds, Series D**  
**Base CUSIP Number: 544646**

<b>Maturity Date (July 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Initial Public Offering Yield</b>	<b>Price</b>	<b>CUSIP Suffix</b>
2018	\$ 9,830,000	5.00%	1.08%	115.357%	T77
2019	13,510,000	5.00	1.45	117.107	T85
2020	15,005,000	5.00	1.74	118.537	T93
2021	19,610,000	5.00	2.04	119.252	U26
2022	15,010,000	5.00	2.30	119.657	U34
2023	14,930,000	5.00	2.51	119.974	U42
2024	15,600,000	5.00	2.65	120.549	U59
2025	15,955,000	5.00	2.79	119.191 <sup>(c)</sup>	U67
2026	25,030,000	5.00	2.89	118.232 <sup>(c)</sup>	U75
2027	3,755,000	5.00	2.99	117.283 <sup>(c)</sup>	U83
2028	2,200,000	5.00	3.05	116.717 <sup>(c)</sup>	U91
2029	1,450,000	5.00	3.14	115.875 <sup>(c)</sup>	V25
2030	1,500,000	5.00	3.21	115.225 <sup>(c)</sup>	V33

<sup>(c)</sup> Priced at the stated yield to the July 1, 2024 optional call date.

**Los Angeles Unified School District**

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

- Schools & Offices:**
  - Elementary School (Red dot)
  - Middle School (Blue square)
  - High School (Green triangle)
  - Span School (Black diamond)
  - Magnet School (Black star)
  - Closed Sites (Grey square with 'X')
  - Planned Sites (Red star)
  - Administration (Black circle with dot)
  - Affiliated Independent Charter School (Black plus sign)
  - Adult Education, Skills Center, Opportunity School, Occupational Center, Community Day School (Black star)
- City Boundary:** Indicated by a yellow line.
- City of Los Angeles:** Shaded in light blue.
- Area Outside of LAUSD:** Shaded in light grey.
- Los Angeles Unified School District:** Shaded in light pink.

The map also shows the Pacific Ocean to the west and south. Major cities and areas labeled include Burbank, Glendale, Pasadena, San Marino, San Gabriel, Alhambra, Monterey Park, Montebello, Pico Rivera, Downey, Bellflower, Lakewood, Long Beach, Compton, Torrance, Gardena, Lynwood, Paramount, Bell, South Gate, West Athens, West Covina, San Dimas, San Juan Capistrano, Orange, Fullerton, Anaheim, and Santa Ana.

**Legend:**

- Elementary School
- Middle School
- ▲ High School
- ◆ Span School
- ★ Magnet School
- ⊠ Closed Sites
- ★ Planned Sites
- City Boundary
- City of Los Angeles
- Area Outside of LAUSD
- Los Angeles Unified School District

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

**Scale:** 0 to 5 Miles

**Logos:** LAUSD, MPD, and a compass rose.

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Prepared by Master Planning and Demographics Branch  
Facilities Services Division  
August 2009



A horizontal scale bar with a black background and white markings. The bar is divided into five equal segments by white vertical lines. Below the bar, the numbers 0, 1, 2, 3, 4, and 5 are printed in white, corresponding to the segment boundaries. To the right of the number 5, the word "Microns" is printed in white.



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

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

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

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

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

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

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

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

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## BOARD OF EDUCATION

<b><u>District</u></b>	<b><u>Member</u></b>	<b><u>Term Ending</u></b>
7	Richard Vladovic, President	June 30, 2015
1 <sup>(1)</sup>	[Vacant]	June 30, 2015
2	Mónica García	June 30, 2017
3	Tamar Galatzan	June 30, 2015
4	Steve Zimmer	June 30, 2017
5	Bennet Kayser	June 30, 2015
6	Mónica Ratliff	June 30, 2017

## DISTRICT OFFICIALS

John Deasy, Ed.D Superintendent  
David Holmquist, General Counsel  
Michelle King, Senior Deputy Superintendent, School Operations  
Megan K. Reilly, Chief Financial Officer  
Luis Buendia, Controller  
John Walsh, Director of Finance Policy  
Timothy S. Rosnick, Deputy Controller

## BOND COUNSEL

Orrick, Herrington & Sutcliffe LLP  
Los Angeles, California

## DISCLOSURE COUNSEL

Hawkins Delafield & Wood LLP  
Los Angeles, California

## FINANCIAL ADVISOR

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

## PAYING AGENT

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

## ESCROW BANKS

U.S. Bank National Association Los Angeles, California	Wells Fargo Bank, National Association Los Angeles, California
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## VERIFICATION AGENT

Grant Thornton LLP  
Minneapolis, Minnesota

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<sup>(1)</sup> A special election to select a Board member for District 1 was held on June 3, 2014. No candidate for District 1 received more than 50% of the vote for the office. Accordingly, the two candidates receiving the most votes will participate in a run-off election to be held in August 2014.

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**\$1,622,200,000**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**(County of Los Angeles, California)**  
**2014 General Obligation Refunding Bonds**

**\$196,850,000**  
**Series A**

**\$323,170,000**  
**Series B**

**\$948,795,000**  
**Series C**

**\$153,385,000**  
**Series D**

**INTRODUCTION**

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

**General**

This Official Statement, which includes the cover page through the appendices hereto, is provided to furnish information in connection with the sale of the \$196,850,000 2014 General Obligation Refunding Bonds, Series A (the “Series A Bonds”), \$323,170,000 2014 General Obligation Refunding Bonds, Series B (the “Series B Bonds”), \$948,795,000 2014 General Obligation Refunding Bonds, Series C (the “Series C Bonds”), and \$153,385,000 2014 General Obligation Refunding Bonds, Series D (the “Series D Bonds” and, together with the Series A Bonds, the Series B Bonds, and the Series C Bonds, the “Bonds”) by the Los Angeles Unified School District (the “District”). The Bonds are issued pursuant to certain provisions of the California Government Code and other applicable law and a resolution adopted by the Board of Education of the District (the “District Board”) on November 12, 2013, as supplemented on May 13, 2014 (collectively, the “Resolution”) authorizing the issuance of not to exceed \$4,600,000,000 of general obligation refunding bonds. A portion of the proceeds of the Bonds will be applied to refund and defease a portion of the District’s outstanding general obligation bonds (collectively, the “Prior Bonds”). See “Estimated Sources and Uses of Funds” and “Plan of Refunding” herein.

**The District**

The District, encompassing approximately 710 square miles, is located in the western section of the County of Los Angeles (the “County”) in the State of California (the “State”) and includes virtually all of the City of Los Angeles (the “City”) and all or significant portions of the Cities of Bell, Carson, Commerce, Cudahy, Gardena, Hawthorne, Huntington Park, Lomita, Maywood, Rancho Palos Verdes, San Fernando, South Gate, Vernon and West Hollywood, in addition to considerable unincorporated portions of the County which includes residential and industrial areas. A map of the District appears on the inside cover page hereof.

The District is the second largest public school district in the United States and is the largest public school district in the State. The District has an estimated Fiscal Year 2013-14 enrollment of 548,908 students. As of June 30, 2013, the District operated 456 elementary schools, 86 middle/junior high schools, 106 senior high schools, 56 options schools, 21 multi-level schools, 16 special education schools, 28 magnet schools and 145 magnet centers, 6 community adult schools, 3 regional occupational centers, 1 skills centers, 1 regional occupational program center, 82 early education centers, 4 infant centers, and 18 primary school centers. In addition, as of June 30, 2013, there were 43 affiliated charter schools operated by the District and 185 fiscally independent charter schools within the District’s boundaries.

Additional information on the District is set forth in Appendices A and B hereto. See Appendix A – “District Financial Information and Regional Economic and Demographic Information” and Appendix B –

“Comprehensive Annual Financial Report of the District for the Fiscal Year ended June 30, 2013” attached hereto.

### **The District’s General Obligation Bond Program**

Voters within the District have approved a total of \$20.605 billion of general obligation bonds in five separate bond elections since 1997, as delineated in Table 1 below. A total of \$12.927 billion of the approved general obligation bonds have been issued (including the Prior Bonds to be refunded), with \$7.678 billion remaining to be issued under the bond authorizations listed below (collectively, the “Authorizations”). The District presently expects to issue one or more series of general obligation bonds in an aggregate principal amount of approximately \$150.0 million in August 2014, subsequent to the issuance of the Bonds, pursuant to the Measure R Authorization or the Measure Y Authorization. See “Security and Sources of Payment for the Bonds – The District’s General Obligation Bond Program and Bonding Capacity” herein.

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

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

<sup>(1)</sup> See Appendix A – “District Financial Information and Regional Economic and Demographic Information – District Financial Information – District Debt – General Obligation Bonds” attached hereto for the amounts of outstanding general obligation bonds under the referenced Authorizations. Excludes general obligation refunding bonds.

Source: Los Angeles Unified School District.

At least \$7.3 billion of State matching funds and other revenue sources supplement the \$20.6 billion of bond proceeds from the five authorizations referenced above to fund the District’s general obligation bond program’s various projects. A portion of these combined revenue sources has been or is expected to be allocated to the Measure K Projects, the Measure R Projects and the Measure Y Projects (each as hereinafter defined). Accordingly, the total program sources of funds are expected to be approximately \$28 billion. The District’s general obligation bond program includes the construction of 131 new schools of which 129 have been completed to date. The new schools will provide approximately 6,600 new classrooms that are expected

to house approximately 167,000 new seats, which will enable all District students to attend schools with a traditional two-semester school year and eliminate year-round school schedules. In addition, the general obligation bond program includes approximately 25,000 modernization projects that have been or are in the process of being completed at over 800 school sites in the District. The program also includes computer technology and green projects.

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

The Bonds are general obligation bonds of the District approved by voters within the District and are payable from *ad valorem* property taxes levied by the County on property within the District which the Board of Supervisors of the County of Los Angeles (the “County Board”) is empowered and obligated to levy upon all property within the District subject to taxation by the District without limitation of rate or amount (except as to certain personal property which is taxable at limited rates) for the payment of the principal of and redemption premium, if any, and interest on the Bonds. Such *ad valorem* property taxes are deposited in the Interest and Sinking Fund of the District which is held by the County and may only be applied to pay the principal of, and redemption premium, if any, and interest on the District’s general obligation bonds, including the Bonds. The District does not receive such funds, nor are they available to pay any of the District’s operating expenses. See “Security and Sources of Payment for the Bonds” herein.

### **Continuing Disclosure**

The District has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the District (the “Annual Report”) for each fiscal year by not later than 240 days following the end of the District’s fiscal year (currently ending June 30) commencing with the Annual Report for Fiscal Year 2013-14, and to provide notices of the occurrence of certain specified events (collectively, the “Listed Events”). The information to be contained in the Annual Report and in a notice of a Listed Event is set forth in Appendix E – “Form of Continuing Disclosure Certificate” attached hereto. The District will provide or cause to be provided the Annual Report and such notices to the Municipal Securities Rulemaking Board in the manner prescribed by the Securities and Exchange Commission (“SEC”). Copies of the District’s annual reports and notices of Listed Event filings are available at the website of Digital Assurance Certification, L.L.C. (“DAC”), [www.dacbond.com](http://www.dacbond.com), and at the website of the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system, [emma.msrb.org](http://emma.msrb.org). The information presented on these websites is not incorporated by reference in this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds. These covenants have been made in order to assist the Underwriters in complying with SEC Rule 15c2-12(b)(5) (the “Rule”). The District has complied in all material respects in the last five years with each of its previous undertakings with regard to the Rule to provide annual reports and notices of events. See “Legal Matters – Continuing Disclosure” herein.

### **Tax Matters**

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

## **Changes from the Preliminary Official Statement**

In addition to updates to the Preliminary Official Statement dated May 21, 2014, as supplemented by a Supplement to Preliminary Official Statement, dated June 2, 2014, as a result of pricing, this Official Statement includes the following additional information: 1) the information in Appendix A – “District Financial Information – District Budget – Fiscal Year 2014-15 District Budget” attached hereto has been updated to reflect the Superintendent’s recommended budget for Fiscal Year 2014-15 which was submitted to the District Board on June 17, 2014, 2) the information in Appendix A - “District Financial Information - Collective Bargaining – Labor Agreements” has been updated to reflect information regarding reopener negotiations with bargaining Unit D, 3) the information in Appendix A - “District Financial Information - Collective Bargaining - Litigation Regarding District Layoff Procedures” attached hereto has been updated to reflect information regarding a tentative decision issued by the County of Los Angeles Superior Court in *Vergara, et al. v. State of California, et al* with respect to the layoff procedures for public school teachers in the State, 4) the information in Appendix A – “State Funding of Education – State Budget for Fiscal Year 2014-15” has been updated to reflect the Governor’s approval of the State Budget Act for Fiscal Year 2014-15, 5) the information in Appendix A – “State Funding of Education – State Budget - Trailer Bills with Respect to the Fiscal Year 2014-15 State Budget Act” has been added to reflect legislation approved by the State Legislature and submitted to the Governor with respect to school district reserves, 6) the information in Appendix A “State Funding of Education – State Budget - Trailer Bills with Respect to the Fiscal Year 2014-15 State Budget Act” includes an update to a proposal set forth in the May Revision to the Proposed 2014-15 State Budget with respect to contribution rates of member employers and employees of the California State Teachers' Retirement System, and 7) the information in Appendix F – “The Los Angeles County Treasury Pool” has been updated to reflect information as of April 30, 2014.

## **Other Information**

This Official Statement contains brief descriptions of, among other things, the District, the District’s general obligation bond program, the Resolution and certain matters relating to the security for the Bonds. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to documents are qualified in their entirety by reference to such documents. Copies of such documents are available for inspection at the District by request to the Chief Financial Officer at (213) 241-7888 and, following delivery of the Bonds will be on file, as applicable, at the principal office of U.S. Bank National Association as agent to the Treasurer and Tax Collector of the County of Los Angeles as paying agent (the “Paying Agent”) in Los Angeles, California.

## **PLAN OF REFUNDING**

A portion of the proceeds of the Bonds will be applied to current or advance refund and defease a portion of the District’s outstanding general obligation bonds. These bonds may include the bonds identified below and other outstanding general obligation bonds determined on the date of sale of the Bonds (collectively, the “Prior Bonds”).

A portion of the proceeds from the Bonds will be deposited into two separate escrow funds (collectively, the “Escrow Funds”) established with respect to the 2004 Refunding Bonds, Series A-1, 2004 Refunding Bonds, Series A-2, 2006 General Obligation Refunding Bonds, Series A, General Obligation Bonds, Election of 2002, Series C (2007), General Obligation Bonds, Election of 2004, Series C (2004), General Obligation Bonds, Election of 2004, Series F (2006), General Obligation Bonds, Election of 2004, Series G (2006), General Obligation Bonds, Election of 2004, Series H (2007), General Obligation Bonds, Election of 2005, Series C (2006) and General Obligation Bonds, Election of 2005, Series E (2007) under escrow agreements dated as of June 1, 2014 by and between the District and U.S. Bank National Association, as escrow bank, and with respect to the General Obligation Bonds, Election of 2002, Series B (2007) and General Obligation Bonds, Election of 2004, Series E (2005) under an escrow agreement dated as of June 1, 2014 by and between the District and Wells Fargo Bank, National Association, as escrow bank.

A portion of the amount of funds deposited into the Escrow Funds will be invested in United States Obligations (defined herein), which, together with interest earnings thereon, if any, and any cash to be deposited in the respective Escrow Funds will be sufficient to fully pay the principal of, premium, if any, and interest on the applicable Prior Bonds to be refunded as the same shall become due or pursuant to a call for redemption. The mathematical computations used to determine the sufficiency of the escrow deposits will be verified by the Verification Agent (defined herein). See “Miscellaneous – Verification of Mathematical Computations” herein.

“United States Obligations” means non-callable (i) direct obligations of the Department of the Treasury of the United States of America (Treasury Bonds, Notes, Bills, and Treasury Strips only), (ii) the following obligations that are unconditionally guaranteed as to principal and interest by the United States of America: Agency for International Development securities, and (iii) obligations of the following government sponsored agencies that are rated “AAA” by Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”) or “Aaa” by Moody’s Investors Service (“Moody’s”) at the time of bid and on the Settlement Date, but are not backed by the full faith and credit of the United States government: (a) Federal Home Loan Mortgage Corporation debt obligations; (b) Farm Credit System consolidated system-wide bonds and notes; (c) Federal Home Loan Banks consolidated debt obligations; (d) Federal National Mortgage Association debt obligations; and (e) Resolution Funding Corporation debt obligations.

Set forth below is a description of the Prior Bonds expected to be refunded. For each maturity of the Prior Bonds which is refunded in part, a new CUSIP number will be assigned to the unrefunded portion of such maturity and a new CUSIP number will be assigned to the refunded portion of such maturity.

***2004 Refunding Bonds, Series A-1***

<b><u>Maturity Dates</u></b>	<b><u>Original Principal Amount</u></b>	<b><u>Refunded Principal Amount</u></b>	<b><u>Redemption Price</u></b>	<b><u>Redemption Date</u></b>	<b><u>CUSIP (544644)</u></b>
July 1, 2015	\$18,235,000	\$18,235,000	100%	July 28, 2014	B89
July 1, 2016	19,145,000	19,145,000	100	July 28, 2014	B97
July 1, 2017	34,030,000	34,030,000	100	July 28, 2014	C21
July 1, 2018	18,425,000	18,425,000	100	July 28, 2014	C39

***2004 Refunding Bonds, Series A-2***

<b><u>Maturity Dates</u></b>	<b><u>Original Principal Amount</u></b>	<b><u>Refunded Principal Amount</u></b>	<b><u>Redemption Price</u></b>	<b><u>Redemption Date</u></b>	<b><u>CUSIP (544644)</u></b>
July 1, 2015	\$ 2,255,000	\$ 2,255,000	100%	July 28, 2014	ZX8
July 1, 2016	19,575,000	19,575,000	100	July 28, 2014	ZY6
July 1, 2017	1,295,000	1,295,000	100	July 28, 2014	ZZ3
July 1, 2018	18,680,000	18,680,000	100	July 28, 2014	A23
July 1, 2019	19,615,000	19,615,000	100	July 28, 2014	A31
July 1, 2020	20,595,000	20,595,000	100	July 28, 2014	A49
July 1, 2021	21,620,000	21,620,000	100	July 28, 2014	A56
July 1, 2022	22,700,000	22,700,000	100	July 28, 2014	A64

**2006 General Obligation Refunding Bonds, Series A**

<b><u>Maturity Dates</u></b>	<b><u>Original Principal Amount</u></b>	<b><u>Refunded Principal Amount</u></b>	<b><u>Redemption Price</u></b>	<b><u>Redemption Date</u></b>	<b><u>CUSIP (544644)</u></b>
July 1, 2017	\$41,705,000	\$41,705,000	100%	July 1, 2016	3S4
July 1, 2018	90,620,000	90,620,000	100	July 1, 2016	3T2

**General Obligation Bonds, Election of 2002, Series B (2007)**

<b><u>Maturity Dates</u></b>	<b><u>Original Principal Amount</u></b>	<b><u>Refunded Principal Amount</u></b>	<b><u>Redemption Price</u></b>	<b><u>Redemption Date</u></b>	<b><u>CUSIP (544646)</u></b>
July 1, 2018	\$15,590,000	\$15,590,000	100%	July 1, 2017	FH0
July 1, 2019	2,075,000	2,075,000	100	July 1, 2017	FJ6
July 1, 2019	17,170,000	17,170,000	100	July 1, 2017	FK3
July 1, 2020	945,000	945,000	100	July 1, 2017	FL1
July 1, 2020	19,240,000	19,240,000	100	July 1, 2017	FM9
July 1, 2021	21,185,000	21,185,000	100	July 1, 2017	FN7
July 1, 2022	22,245,000	22,245,000	100	July 1, 2017	FP2
July 1, 2023	23,360,000	23,360,000	100	July 1, 2017	FQ0
July 1, 2024	24,525,000	24,525,000	100	July 1, 2017	FR8

**General Obligation Bonds, Election of 2002, Series C (2007)**

<b><u>Maturity Dates</u></b>	<b><u>Original Principal Amount</u></b>	<b><u>Refunded Principal Amount</u></b>	<b><u>Redemption Price</u></b>	<b><u>Redemption Date</u></b>	<b><u>CUSIP (544646)</u></b>
July 1, 2018	\$5,035,000	\$5,035,000	100%	July 1, 2017	JE3
July 1, 2019	5,285,000	5,285,000	100	July 1, 2017	JF0
July 1, 2020	5,550,000	5,550,000	100	July 1, 2017	JG8
July 1, 2021	5,825,000	5,825,000	100	July 1, 2017	JH6
July 1, 2022	6,115,000	6,115,000	100	July 1, 2017	JJ2
July 1, 2023	6,425,000	6,425,000	100	July 1, 2017	JK9
July 1, 2024	6,745,000	6,745,000	100	July 1, 2017	JL7
July 1, 2025	7,080,000	7,080,000	100	July 1, 2017	JM5
July 1, 2026	7,435,000	7,435,000	100	July 1, 2017	JN3

***General Obligation Bonds, Election of 2004, Series C (2004)***

<b><u>Maturity Dates</u></b>	<b><u>Original Principal Amount</u></b>	<b><u>Refunded Principal Amount</u></b>	<b><u>Redemption Price</u></b>	<b><u>Redemption Date</u></b>	<b><u>CUSIP (544644)</u></b>
July 1, 2015	\$1,760,000	\$1,760,000	100%	July 28, 2014	YL5
July 1, 2016	1,820,000	1,820,000	100	July 28, 2014	YM3
July 1, 2017	1,885,000	1,365,000	100	July 28, 2014	YN1
July 1, 2018	1,960,000	1,420,000	100	July 28, 2014	YP6
July 1, 2019	2,035,000	1,475,000	100	July 28, 2014	YQ4
July 1, 2020	2,135,000	1,550,000	100	July 28, 2014	YR2
July 1, 2021	2,220,000	1,610,000	100	July 28, 2014	YS0
July 1, 2022	2,310,000	1,675,000	100	July 28, 2014	YT8
July 1, 2023	2,410,000	2,410,000	100	July 28, 2014	YU5
July 1, 2024	2,515,000	2,515,000	100	July 28, 2014	YV3
July 1, 2025	2,625,000	2,625,000	100	July 28, 2014	YW1
July 1, 2026	2,745,000	2,745,000	100	July 28, 2014	YX9
July 1, 2027	2,880,000	2,880,000	100	July 28, 2014	YY7
July 1, 2028	3,025,000	3,025,000	100	July 28, 2014	YZ4
July 1, 2029	3,175,000	3,175,000	100	July 28, 2014	ZA8

***General Obligation Bonds, Election of 2004, Series E (2005)***

<b><u>Maturity Dates</u></b>	<b><u>Original Principal Amount</u></b>	<b><u>Refunded Principal Amount</u></b>	<b><u>Redemption Price</u></b>	<b><u>Redemption Date</u></b>	<b><u>CUSIP (544644)</u></b>
July 1, 2016	\$12,615,000	\$12,615,000	100%	July 1, 2015	L47
July 1, 2023	17,905,000	17,905,000	100	July 1, 2015	M38
July 1, 2024	18,825,000	18,825,000	100	July 1, 2015	M46
July 1, 2025	19,665,000	19,665,000	100	July 1, 2015	M61
July 1, 2025	125,000	125,000	100	July 1, 2015	M53
July 1, 2030 <sup>(1)</sup>	115,240,000	115,240,000	100	July 1, 2015	M79

<sup>(1)</sup> The General Obligation Bonds, Election of 2004, Series E (2005) maturing on July 1, 2030 are subject to redemption prior to maturity in part from mandatory sinking fund payments due on July 1, 2026 in the amount of \$20,800,00, July 1, 2027 in the amount of \$21,870,000, July 1, 2028 in the amount of \$22,990,000, July 1, 2029 in the amount of \$24,170,000 and July 1, 2030 in the amount of \$25,410,000. A portion of the proceeds of the Series C Bonds will be used to redeem such sinking fund payments in their entirety.

***General Obligation Bonds, Election of 2004, Series F (2006)***

<b><u>Maturity Dates</u></b>	<b><u>Original Principal Amount</u></b>	<b><u>Refunded Principal Amount</u></b>	<b><u>Redemption Price</u></b>	<b><u>Redemption Date</u></b>	<b><u>CUSIP (544644)</u></b>	<b><u>New CUSIP Unrefunded Portion (544646)</u></b>	<b><u>New CUSIP Refunded Portion (544646)</u></b>
July 1, 2017	\$ 16,175,000	\$12,115,000	100%	July 1, 2016	T49	V82	V41
July 1, 2018	17,170,000	2,410,000	100	July 1, 2016	T64	V90	V58
July 1, 2019	19,750,000	19,750,000	100	July 1, 2016	T80	--	--
July 1, 2020	19,785,000	19,785,000	100	July 1, 2016	U21	--	--
July 1, 2021	8,500,000	3,150,000	100	July 1, 2016	U39	W24	V66
July 1, 2021	13,575,000	13,575,000	100	July 1, 2016	U47	--	--
July 1, 2022	23,200,000	23,200,000	100	July 1, 2016	U54	--	--
July 1, 2023	24,390,000	24,390,000	100	July 1, 2016	U62	--	--
July 1, 2024	25,640,000	25,640,000	100	July 1, 2016	U70	--	--
July 1, 2025	26,955,000	26,955,000	100	July 1, 2016	U88	--	--
July 1, 2027 <sup>(1)</sup>	30,000,000	19,245,000	100	July 1, 2016	U96	W32	V74
July 1, 2030 <sup>(2)</sup>	126,620,000	126,620,000	100	July 1, 2016	V20	--	--

<sup>(1)</sup> The General Obligation Bonds, Election of 2004, Series F (2006) maturing on July 1, 2027 are subject to redemption prior to maturity in part from mandatory sinking fund payments due on July 1, 2026 in the amount of \$28,315,000 and July 1, 2027 in the amount of \$1,685,000. A portion of the proceeds of the Series C Bonds will be used to redeem a portion of such sinking fund payments in the amount of \$19,245,000.

<sup>(2)</sup> The General Obligation Bonds, Election of 2004, Series F (2006) maturing on July 1, 2030 are subject to redemption prior to maturity in part from mandatory sinking fund payments due on July 1, 2027 in the amount of \$28,030,000, July 1, 2028 in the amount of \$31,235,000, July 1, 2029 in the amount of \$32,835,000, July 1, 2030 in the amount of \$34,520,000. A portion of the proceeds of the Series C Bonds will be used to redeem such sinking fund payments in their entirety.

***General Obligation Bonds, Election of 2004, Series G (2006)***

<b><u>Maturity Dates</u></b>	<b><u>Original Principal Amount</u></b>	<b><u>Refunded Principal Amount</u></b>	<b><u>Redemption Price</u></b>	<b><u>Redemption Date</u></b>	<b><u>CUSIP (544644)</u></b>
July 1, 2017	\$ 12,510,000	\$12,510,000	100%	July 1, 2016	6T9
July 1, 2018	13,130,000	13,130,000	100	July 1, 2016	6V4
July 1, 2018	595,000	595,000	100	July 1, 2016	6W2
July 1, 2019	14,225,000	14,225,000	100	July 1, 2016	6X0
July 1, 2019	200,000	200,000	100	July 1, 2016	6Y8
July 1, 2020	30,000	30,000	100	July 1, 2016	6Z5
July 1, 2020	15,135,000	15,135,000	100	July 1, 2016	7A9
July 1, 2021	15,940,000	15,940,000	100	July 1, 2016	7B7
July 1, 2022	16,760,000	16,760,000	100	July 1, 2016	7C5
July 1, 2023	17,620,000	17,620,000	100	July 1, 2016	7D3
July 1, 2024	18,520,000	18,520,000	100	July 1, 2016	7E1
July 1, 2025	19,470,000	19,470,000	100	July 1, 2016	7F8
July 1, 2026	20,470,000	20,470,000	100	July 1, 2016	7G6
July 1, 2027	21,495,000	21,495,000	100	July 1, 2016	7H4
July 1, 2028	22,540,000	22,540,000	100	July 1, 2016	7J0
July 1, 2030	24,815,000	24,815,000	100	July 1, 2016	7L5
July 1, 2031	25,965,000	25,965,000	100	July 1, 2016	7N1



***General Obligation Bonds, Election of 2004, Series H (2007)***

<b><u>Maturity Dates</u></b>	<b><u>Original Principal Amount</u></b>	<b><u>Refunded Principal Amount</u></b>	<b><u>Redemption Price</u></b>	<b><u>Redemption Date</u></b>	<b><u>CUSIP (544646)</u></b>
July 1, 2018	\$18,440,000	\$18,440,000	100%	July 1, 2017	KY7
July 1, 2019	19,360,000	19,360,000	100	July 1, 2017	KZ4
July 1, 2020	20,330,000	20,330,000	100	July 1, 2017	LA8
July 1, 2021	21,345,000	21,345,000	100	July 1, 2017	LB6
July 1, 2022	22,410,000	22,410,000	100	July 1, 2017	LC4
July 1, 2023	23,535,000	23,535,000	100	July 1, 2017	LD2
July 1, 2024	24,710,000	24,710,000	100	July 1, 2017	LE0
July 1, 2025	25,945,000	25,945,000	100	July 1, 2017	LF7
July 1, 2026	27,240,000	27,240,000	100	July 1, 2017	LG5

***General Obligation Bonds, Election of 2005, Series C (2006)***

<b><u>Maturity Dates</u></b>	<b><u>Original Principal Amount</u></b>	<b><u>Refunded Principal Amount</u></b>	<b><u>Redemption Price</u></b>	<b><u>Redemption Date</u></b>	<b><u>CUSIP (544644)</u></b>	<b><u>New CUSIP Unrefunded Portion (544646)</u></b>	<b><u>New CUSIP Refunded Portion (544646)</u></b>
July 1, 2019	\$7,635,000	\$3,355,000	100%	July 1, 2016	2M8	X64	W40
July 1, 2020	8,020,000	4,345,000	100	July 1, 2016	2N6	X72	W57
July 1, 2021	8,420,000	8,420,000	100	July 1, 2016	2P1	--	--
July 1, 2022	8,840,000	3,260,000	100	July 1, 2016	2Q9	X80	W65
July 1, 2023	9,280,000	2,595,000	100	July 1, 2016	2R7	X98	W73
July 1, 2024	9,745,000	2,645,000	100	July 1, 2016	2S5	Y22	W81
July 1, 2025	10,235,000	2,355,000	100	July 1, 2016	2T3	Y30	W99
July 1, 2026	10,745,000	10,745,000	100	July 1, 2016	2U0	--	--
July 1, 2027	11,280,000	4,010,000	100	July 1, 2016	2V8	Y48	X23
July 1, 2028	11,845,000	2,465,000	100	July 1, 2016	2W6	Y55	X31
July 1, 2029	12,440,000	1,730,000	100	July 1, 2016	2X4	Y63	X49
July 1, 2030	13,060,000	1,795,000	100	July 1, 2016	2Y2	Y71	X56

***General Obligation Bonds, Election of 2005, Series E (2007)***

<b><u>Maturity Dates</u></b>	<b><u>Original Principal Amount</u></b>	<b><u>Refunded Principal Amount</u></b>	<b><u>Redemption Price</u></b>	<b><u>Redemption Date</u></b>	<b><u>CUSIP (544646)</u></b>
July 1, 2018	\$10,185,000	\$10,185,000	100%	July 1, 2017	KB7
July 1, 2019	10,695,000	10,695,000	100	July 1, 2017	KC5
July 1, 2020	11,230,000	11,230,000	100	July 1, 2017	KD3
July 1, 2021	11,790,000	11,790,000	100	July 1, 2017	KE1
July 1, 2022	12,380,000	12,380,000	100	July 1, 2017	KF8
July 1, 2023	13,000,000	13,000,000	100	July 1, 2017	KG6
July 1, 2024	13,650,000	13,650,000	100	July 1, 2017	KH4
July 1, 2025	14,330,000	14,330,000	100	July 1, 2017	KJ0
July 1, 2026	15,050,000	15,050,000	100	July 1, 2017	KK7

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

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

	<u>Series A Bonds</u>	<u>Series B Bonds</u>	<u>Series C Bonds</u>	<u>Series D Bonds</u>	<u>Total</u>
<b>Estimated Sources of Funds</b>					
Principal Amount	\$ 196,850,000.00	\$ 323,170,000.00	\$ 948,795,000.00	\$ 153,385,000.00	\$ 1,622,200,000.00
Net Original Issue Premium/Discount	<u>25,732,894.75</u>	<u>55,365,209.70</u>	<u>158,161,361.80</u>	<u>28,616,527.55</u>	<u>267,875,993.80</u>
<b>Total Sources</b>	<u>\$ 222,582,894.75</u>	<u>\$ 378,535,209.70</u>	<u>\$ 1,106,956,361.80</u>	<u>\$ 182,001,527.55</u>	<u>\$ 1,890,075,993.80</u>
<b>Estimated Uses of Funds</b>					
Escrow Funds	\$ 222,360,670.52	\$ 378,129,205.41	\$ 1,105,701,505.02	\$ 181,797,282.99	\$ 1,887,988,663.94
Underwriters' Discount	130,672.48	266,106.16	831,702.49	136,265.42	1,364,746.55
Costs of Issuance <sup>(1)</sup>	<u>91,551.75</u>	<u>139,898.13</u>	<u>423,154.29</u>	<u>67,979.14</u>	<u>722,583.31</u>
<b>Total Uses</b>	<u>\$ 222,582,894.75</u>	<u>\$ 378,535,209.70</u>	<u>\$ 1,106,956,361.80</u>	<u>\$ 182,001,527.55</u>	<u>\$ 1,890,075,993.80</u>

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

## THE BONDS

### General Provisions

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

The Bonds mature in the years and on the dates set forth on the inside front cover page hereof. Interest with respect to the Bonds is payable on January 1 and July 1 of each commencing on January 1, 2015 year (each, an "Interest Payment Date"). Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months. Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless it is authenticated as of a date during the period from the 15th day of the calendar month immediately preceding such Interest Payment Date, inclusive, whether or not such day is a business day (each, a "Record Date") to such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the date of delivery of the Bonds.

### Redemption

**Optional Redemption.** The Bonds of each Series maturing on or before July 1, 2024 are not subject to optional redemption. The Bonds of each Series maturing on or after July 1, 2025 are subject to optional redemption on or after July 1, 2024 in whole or in part on any date, from any source of available funds, at a redemption price equal to the principal amount of the Bonds of such Series to be redeemed, without premium, plus accrued interest thereon to the date of redemption.

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

***Notice of Redemption.*** Notice of any redemption of the Bonds will be mailed by the Paying Agent, postage prepaid, not less than thirty (30) nor more than sixty (60) days prior to the redemption date (i) by first class mail to the County and the respective Owners thereof at the addresses appearing on the Registration Books, and (ii) as may be further required in accordance with the applicable Continuing Disclosure Certificate.

Each notice of redemption will state (i) the date of such notice; (ii) the name of the Series of Bonds and the date of issue of such Bonds; (iii) the redemption date; (iv) the redemption price; (v) the dates of maturity or maturities of the Bonds to be redeemed; (vi) if less than all of the Bonds of any maturity of a Series are to be redeemed, the distinctive numbers of the Bonds of each maturity of such Series to be redeemed; (vii) in the case of Bonds redeemed in part only, the respective portions of the principal amount of the Bonds of each maturity of such Series to be redeemed; (viii) the CUSIP number, if any, of each maturity of Bonds to be redeemed; (ix) a statement that such Bonds must be surrendered by the Owners at the principal corporate trust office of the Paying Agent, or at such other place or places designated by the Paying Agent; (x) notice that further interest on such Bonds will not accrue after the designated redemption date; and (xi) in the case of a conditional notice, that such notice is conditioned upon certain circumstances and the manner of rescinding such conditional notice.

***Effect of Notice of Redemption.*** A certificate of the Paying Agent that notice of redemption has been given to Owners as provided in the Resolution will be conclusive as against all parties. Neither the failure to receive the notice of redemption as provided in the Resolution, nor any defect in such notice will affect the sufficiency of the proceedings for the redemption of the Bonds called for redemption or the cessation of interest on the date fixed for redemption.

When notice of redemption has been given substantially as provided for in the Resolution, and when the redemption price of the Bonds called for redemption is set aside for the purpose as described in the Resolution, the Bonds designated for redemption will become due and payable on the specified redemption date and interest will cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Bonds at the place specified in the notice of redemption, such Bonds will be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such Bonds so called for redemption after such redemption date will be entitled to payment thereof only from the interest and sinking fund or the trust fund established for such purpose. All Bonds redeemed will be cancelled forthwith by the Paying Agent and will not be reissued.

***Right to Rescind Notice.*** The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Bonds so called for redemption. Any optional redemption and notice thereof will be rescinded if for any reason on the date fixed for redemption moneys are not available in the interest and sinking fund or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Bonds called for redemption. Notice of rescission of redemption will be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Refunding Bond of notice of such rescission will not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice will not affect the validity of the rescission.

## Defeasance

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

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

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

The term “Advance Refunded Municipal Securities” is defined in the Resolution to mean any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local government unit of any such state (a) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee, fiscal agent or other fiduciary for such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds or other obligations for redemption on the date or dates specified in such instructions, (b) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash, direct U.S. or U.S. guaranteed obligations, or any combination thereof, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the redemption date or dates specified in the irrevocable instructions referred to in clause (a) above, as appropriate, and (c) as to which the principal of and interest on the bonds and obligations of the character described in clause (a) above which have been deposited in such fund, along with any cash on deposit in such fund, have been verified by an independent certified public accountant as being sufficient to pay principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (a) above, as applicable.

**Unclaimed Moneys.** The Resolution provides that any moneys held in any fund created pursuant to the Resolution, or by the Paying Agent or an escrow agent in trust, for the payment and discharge of the principal of, redemption premium, if any, or interest on a Series of Bonds and remaining unclaimed for two years after the principal of all of such Series of Bonds has become due and payable (whether by maturity or upon prior redemption) will be transferred to the interest and sinking fund of the District for payment of any outstanding bonds of the District payable from such fund or, if no such bonds of the District are at such time outstanding, such moneys will be transferred to the general fund of the District as provided and permitted by law.

## **SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**

### **General Description**

The Bonds are general obligation bonds of the District approved by voters within the District and are payable from *ad valorem* property taxes levied by the County on property within the District which the County Board is empowered and obligated to levy upon all property within the District subject to taxation by the District without limitation of rate or amount (except as to certain personal property which is taxable at limited rates) for the payment of the Bonds. Such *ad valorem* property taxes are deposited in the Interest and Sinking Fund for the Bonds which is held by the County and applied only to pay the Bonds. Such taxes are in addition to but separate from other taxes levied upon property within the District that are deposited by the County in the General Fund of the District.

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

**Article XIII A of the California Constitution.** On June 6, 1978, California voters approved Proposition 13, adding Article XIII A to the California Constitution. Article XIII A, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean “the county assessor’s valuation of real property as shown on the 1975/76 tax bill under ‘full cash value,’ or thereafter, the appraised value of real property newly constructed, or when a change in ownership has occurred after the 1975 assessment.” The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data for the area under taxing jurisdiction, or reduced in the event of declining property value caused by substantial damage, destruction or other factors including a general economic downturn. Any reduction in assessed value is temporary and may be adjusted for any given year by the Assessor. The assessed value increases to its pre-reduction level (escalated to the annual inflation rate of no more than two percent) following the year(s) for which the reduction is applied. On June 3, 1986, California voters approved Proposition 46, which added an additional exemption to the 1% tax limitation imposed by Article XIII A. Under this amendment to Article XIII A, local governments and school districts may increase the *ad valorem* property tax rate above 1% for the period necessary to retire new general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

On November 6, 2000, California voters approved Proposition 39, which added an additional exemption to the 1% tax limitation imposed by Article XIII A. As amended, Article XIII A limits the amount of any *ad valorem* tax on real property to 1% of the full cash value except that additional taxes may be levied to pay (i) debt service on indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two thirds of the votes cast by the voters voting on the proposition; and (iii) bonded indebtedness incurred by a school district, community college district or county office of education (which is separate from a county) for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the school district, community college district or the county in which a county office of education is located, as appropriate, but only if certain accountability measures are included in the proposition.

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

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

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

Legislation enacted by the California Legislature to implement Article XIII A provides that all taxable property is shown at full cash value as described above. In conformity with this procedure, all taxable property included in this Official Statement (except as noted) is shown at 100% of assessed value and all general tax rates reflect \$1 per \$100 of taxable value. Tax rates for voter approved bonded indebtedness are also applied to 100% of assessed value.

### **Assessed Valuation of Property within the District**

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

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

The County levies property taxes on behalf of taxing agencies in the County for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated

recognition and taxation of increases or decreases in real property assessed valuation (the “Supplemental Assessment”). In such instances, the property is reassessed and a supplemental tax bill is sent to the new owner based on the new value prorated for the balance of the tax year. Accordingly, each school district is to receive allocations of revenue from such Supplemental Assessments and, in accordance with various apportionment factors, to the County, the County superintendent of schools, each community college district, each city and each special district within the County. Such allocations are to be from amounts remaining after allocations to each redevelopment agency in the County in connection with the 1% *ad valorem* property tax levy.

The 2013-14 Assessment Roll for property within the District’s boundaries reflects a 4.92% increase in assessed value from the prior year. Under State law, in addition to reassessments requested by property owners pursuant to Proposition 8 (1978) when the current market value of property is less than assessed value as of January 1, the county assessor annually initiates reviews of property for reassessments due to decline-in-value. See “- Legislation Implementing Article XIII A” herein. In addition, the 2013-14 Assessment Roll for property within the County increased by 4.66% compared to the prior year. Such increase was due to, among other things, increases of \$20.28 billion attributable to properties sold and transferred, \$17.23 billion attributable to Proposition 13 inflation adjustments, \$2.95 billion attributable to new construction and \$1.60 billion attributable to special property use types. Foreclosures in the County declined by approximately 40% in 2012 relative to 2011, from 30,000 to 18,000.

**TABLE 3**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Historical Gross Assessed Valuation of Taxable Property<sup>(1)</sup>**  
**Fiscal Years 2004-05 through 2013-14**  
**(\$ in thousands)**

<b><u>Fiscal Year</u></b>	<b><u>Secured<sup>(2)</sup></u></b>	<b><u>Unsecured</u></b>	<b><u>Total<sup>(2)</sup></u></b>	<b><u>Change From Prior Year</u></b>	<b><u>Percent Change</u></b>
2004-05	\$311,419,822	\$20,505,315	\$331,925,137	\$23,396,357	7.58%
2005-06	343,302,944	20,566,535	363,869,479	31,944,342	9.62
2006-07	382,212,502	20,396,335	402,608,837	38,739,358	10.65
2007-08	419,052,509	21,861,881	440,914,390	38,305,553	9.51
2008-09	451,191,875	23,597,923	474,789,798	33,875,408	7.68
2009-10	451,127,882	23,849,408	474,977,290	187,493	0.04
2010-11	442,092,473	21,753,078	463,845,551	(11,131,739)	(2.34)
2011-12	447,830,204	21,265,021	469,095,225	5,249,674	1.13
2012-13	458,767,052	21,308,438	480,075,491	10,980,266	2.34
2013-14	482,043,584	21,634,336	503,677,919	23,602,428	4.92

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

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

Sources: Los Angeles Unified School District Comprehensive Annual Financial Report for Fiscal Year 2012-13; Los Angeles County Auditor-Controller for Fiscal Years 2013-14.

The following Table 4 sets forth the assessed valuation by land use of property within the District in Fiscal Year 2013-14.

**TABLE 4**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Assessed Valuation and Parcels by Land Use**  
**Fiscal Year 2013-14**

	<b><u>2013-14</u></b> <b><u>Assessed Valuation<sup>(1)</sup></u></b>	<b><u>% of</u></b> <b><u>Total</u></b>	<b><u>No. of</u></b> <b><u>Parcels</u></b>	<b><u>% of</u></b> <b><u>Total</u></b>
<b>Non-Residential:</b>				
Commercial/Office Building	\$ 83,721,232,948	17.37%	49,812	5.34%
Industrial	51,902,091,537	10.77	24,441	2.62
Recreational	2,045,778,749	0.42	923	0.10
Government/Social/Institutional	3,509,481,242	0.73	5,369	0.58
Miscellaneous	<u>369,701,926</u>	<u>0.08</u>	<u>881</u>	<u>0.09</u>
Subtotal Non-Residential	<u>\$141,548,286,402</u>	<u>29.37%</u>	<u>81,426</u>	<u>8.72%</u>
<b>Residential:</b>				
Single Family Residence	\$200,938,014,292	41.70%	557,697	59.75%
Condominium/Townhouse	45,549,568,537	9.45	130,214	13.95
Mobile Home Related	384,807,372	0.08	312	0.03
2-4 Residential Units	32,839,610,866	6.81	96,294	10.32
5+ Residential Units/Apartments	53,319,812,813	11.06	40,176	4.30
Miscellaneous Residential	<u>39,286,281</u>	<u>0.01</u>	<u>189</u>	<u>0.02</u>
Subtotal Residential	<u>\$333,071,100,161</u>	<u>69.11%</u>	<u>824,882</u>	<u>88.38%</u>
Vacant Parcels	<u>\$7,291,949,891</u>	<u>1.51%</u>	<u>27,001</u>	<u>2.89%</u>
Total	<u>\$481,911,336,454</u>	<u>100.00%</u>	<u>933,309</u>	<u>100.00%</u>

<sup>(1)</sup> Local Secured Assessed Valuation for Fiscal Year 2013-14, excluding tax-exempt property, local utility and non-unitary valuations.

Source: California Municipal Statistics, Inc.



The following Table 5 sets forth the distribution of single-family homes within the District within various assessed valuation ranges in Fiscal Year 2013-14.

**TABLE 5**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Assessed Valuations of Single Family Homes Per Parcel**  
**Fiscal Year 2013-14**

	<u>No. of Parcels</u>	<u>2013-14 Assessed Valuation</u>	<u>Average Assessed Valuation</u>	<u>Median Assessed Valuation</u>
Single-Family Residential	557,697	\$200,938,014,292	\$360,300	\$263,253

<u>2013-14 Assessed Valuation</u>	<u>No. of Parcels<sup>(1)</sup></u>	<u>% of Total</u>	<u>Cumulative % of Total</u>	<u>Total Valuation</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>
\$0 - \$49,999	4,999	0.896%	0.896%	\$ 78,379,568	0.039%	0.039%
\$50,000 - \$99,999	59,085	10.594	11.491	4,325,364,911	2.153	2.192
\$100,000 - \$149,999	57,452	10.302	21.792	7,233,034,444	3.600	5.791
\$150,000 - \$199,999	68,952	12.364	34.156	12,059,635,848	6.002	11.793
\$200,000 - \$249,999	78,126	14.009	48.165	21,423,867,972	10.662	22.455
\$250,000 - \$299,999	62,888	11.276	59.441	16,029,962,536	7.978	30.432
\$300,000 - \$349,999	45,866	8.224	67.665	14,848,001,257	7.389	37.822
\$350,000 - \$399,999	34,215	6.135	73.800	12,763,940,823	6.352	44.174
\$400,000 - \$449,999	24,223	4.343	78.144	10,263,064,610	5.108	49.281
\$450,000 - \$499,999	18,533	3.323	81.467	8,781,167,049	4.370	53.652
\$500,000 - \$549,999	16,589	2.975	84.442	8,742,038,042	4.351	58.002
\$550,000 - \$599,999	14,298	2.564	87.005	8,219,791,518	4.091	62.093
\$600,000 - \$649,999	10,343	1.855	88.860	6,454,399,625	3.212	65.305
\$650,000 - \$699,999	8,582	1.539	90.399	5,781,677,479	2.877	68.182
\$700,000 - \$749,999	7,040	1.262	91.661	5,095,788,263	2.536	70.718
\$750,000 - \$799,999	6,100	1.094	92.755	4,719,685,716	2.349	73.067
\$800,000 - \$849,999	5,081	0.911	93.666	4,185,779,980	2.083	75.150
\$850,000 - \$899,999	4,442	0.796	94.462	3,883,417,667	1.933	77.083
\$900,000 - \$949,999	3,749	0.672	95.135	3,463,197,151	1.724	78.806
\$950,000 - \$999,999	3,238	0.581	95.715	3,154,695,689	1.570	80.376
\$1,000,000 and greater	<u>23,896</u>	<u>4.285</u>	<u>100.000</u>	<u>39,431,124,144</u>	<u>19.624</u>	<u>100.000</u>
Total	<u>557,697</u>	<u>100.000%</u>		<u>\$200,938,014,292</u>	<u>100.000%</u>	

<sup>(1)</sup> Improved single-family residential parcels. Excludes condominiums and parcels with multiple family units such as apartment buildings.

Source: California Municipal Statistics, Inc.

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

increase in the annual tax rate to be levied to pay the principal of and interest on the District's outstanding general obligation bonds.

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

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

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

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

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

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

(described above) and certain business exemptions from *ad valorem* property taxation, such exemptions are not included in the total secured tax levy. See “California Constitutional and Statutory Provisions Relating to *Ad Valorem* Property Taxes, District Revenues and Appropriations” herein.

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

The following Table 6 sets forth the tax rates for the general percentage of the levy applied to all property owners for all of the District’s outstanding general obligation bonds and general obligation refunding bonds and State school loan repayment and the total overlapping tax rate levied on real property owners within the District from the Fiscal Years 2003-04 through 2013-14.

**TABLE 6**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Property Tax Rates<sup>(1)</sup>**  
**Fiscal Years 2003-04 through 2013-14**

<b>Fiscal Year</b>	<b>District Tax Rate for District’s State School Loan Repayment</b>	<b>Tax Rate for District’s General Obligation Bonds<sup>(2)</sup></b>	<b>General <i>Ad Valorem</i> Tax Rate Levied on District Property Owners<sup>(3)</sup></b>	<b>Total Overlapping Tax Rate Levied on District Property Owners</b>	<b>Total Tax Rate Levied on District Property Owners</b>
2003-04	0.000160%	0.076985%	1.000000%	0.058128%	1.135273%
2004-05	0.000143	0.088696	1.000000	0.062701	1.151540
2005-06	0.000107	0.084239	1.000000	0.057333	1.141679
2006-07	0.000079	0.106735	1.000000	0.050769	1.157583
2007-08	0.000040	0.123302	1.000000	0.042551	1.165893
2008-09	0.000058	0.124724	1.000000	0.042841	1.167623
2009-10	--	0.151809	1.000000	0.045520	1.197329
2010-11	--	0.186954	1.000000	0.042595	1.229549
2011-12	--	0.168187	1.000000	0.042366	1.210553
2012-13	--	0.175606	1.000000	0.041194	1.216800
2013-14	--	0.146440	1.000000	N/A	N/A

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

<sup>(2)</sup> Reflects the aggregate tax rate for voter-approved general obligation bonds issued by the District.

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

Sources: Los Angeles Unified School District Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2013; Los Angeles County Auditor-Controller for the Fiscal Year ending June 30, 2014.

The following Table 7 sets forth real property taxes in the District from Fiscal Years 2003-04 through 2012-13.

**TABLE 7**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Property Tax Levies and Collections**  
**Fiscal Years 2003-04 through 2012-13**  
**(\$ in thousands)**

<b><u>Fiscal Year</u></b>	<b><u>Total Tax Levy</u></b>	<b><u>ERAF Funds<sup>(1)</sup></u></b>	<b><u>Current Tax Collections</u></b>
2003-04	\$ 821,820	\$576,038	\$1,386,560
2004-05	929,248	171,052	1,091,325
2005-06	991,275	76,068	1,026,351
2006-07	1,173,752	--	1,134,757
2007-08	1,345,503	(42,753)	1,241,733
2008-09	1,481,739	(2,660)	1,372,078
2009-10	1,597,579	41,685	1,505,933
2010-11	1,711,575	29,419	1,602,345
2011-12	1,663,061	(3,533)	1,520,001
2012-13	1,731,129	114,465	1,798,032

<sup>(1)</sup> Educational Revenue Augmentation Funds ("ERAF") have been added or deducted, as applicable as provided under then applicable State law, to tax levies received by the District. See "California Constitutional and Statutory Provisions relating to *Ad Valorem* Property Taxes, District Revenues and Appropriations—Proposition 22" herein.

Source: Los Angeles Unified School District Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2013.

***Largest Taxpayers in the District.*** The following Table 8 sets forth the 20 largest secured taxpayers in the District for Fiscal Year 2013-14.

**TABLE 8**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Largest Local Secured Taxpayers**  
**Fiscal Year 2013-14**

	<u><b>Property Owner</b></u>	<u><b>Primary Land Use</b></u>	<u><b>2013-14 Assessed Valuation</b></u>	<u><b>% of Total<sup>(2)</sup></b></u>
1.	Douglas Emmett LLC	Office Building	\$ 2,393,458,404	0.50%
2.	Universal Studios LLC	Motion Picture Studio	1,404,214,283	0.29
3.	Anheuser Busch Inc.	Industrial	836,512,733	0.17
4.	Donald T. Sterling	Apartments	677,457,035	0.14
5.	BRE Properties Inc.	Apartments	647,721,827	0.13
6.	One Hundred Towers LLC	Office Building	605,746,600	0.13
7.	Olympic and Georgia Partners LLC	Hotel/Residences	574,137,599	0.12
8.	Tishman Speyer Archstone Smith	Apartments	544,789,195	0.11
9.	Paramount Pictures Corp.	Motion Picture Studio	539,276,992	0.11
10.	Duesenberg Investment Company	Office Building	506,553,210	0.11
11.	LA Live Properties LLC	Commercial	488,095,440	0.10
12.	Century City Mall LLC	Shopping Center/Mall	478,152,504	0.10
13.	Taubman Beverly Center	Shopping Center/Mall	477,297,278	0.10
14.	Casden Park La Brea LLC	Apartments	467,448,220	0.10
15.	Trizec 333 LA LLC	Office Building	466,751,222	0.10
16.	Westfield Topanga Owner LP	Shopping Center/Mall	461,202,984	0.10
17.	Wilshire Courtyard LP	Office Building	420,500,000	0.09
18.	Twentieth Century Fox Film Corp.	Motion Picture Studio	394,172,461	0.08
19.	2121 Ave. of the Stars LLC	Office Building	376,000,000	0.08
20.	1999 Stars LLC	Office Building	364,457,522	0.08
			<u>\$13,123,945,509</u>	<u>2.72%</u>

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

<sup>(2)</sup> Percentages are based upon total Fiscal Year 2013-14 Local Secured Assessed Valuation of \$481,911,336,454, based upon a calculation of the total secured assessed valuation less local utility and non-unitary valuations, as reported by California Municipal Statistics, Inc.

Source: California Municipal Statistics, Inc.

### **Fiscal Year Debt Service**

The following table sets forth the semi-annual debt service obligations in each Fiscal Year for all of the District's outstanding general obligation bonds. See Appendix A – "District Financial Information and Regional Economic and Demographic Information – District Financial Information – District Debt" attached hereto.

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

		The Bonds			Aggregate		
Payment Date	Outstanding General Obligation Bonds <sup>(1),(2)</sup>	Principal	Interest	Semi-Annual Debt Service	Semi-Annual Debt Service	Fiscal Year Total	
July 1, 2014	\$ 561.78	--	--	--	\$561.78	--	
January 1, 2015	221.66	--	\$40.12	\$60.19	281.85	\$843.64	
July 1, 2015	538.28	\$20.08	39.03	39.03	577.31	--	
January 1, 2016	214.00	--	38.93	87.81	301.82	879.13	
July 1, 2016	502.06	48.88	38.93	38.93	541.00	--	
January 1, 2017	206.97	--	38.20	135.62	342.59	883.59	
July 1, 2017	474.44	97.43	38.20	38.20	512.64	--	
January 1, 2018	200.57	--	35.86	222.23	422.80	935.44	
July 1, 2018	434.27	186.37	35.86	35.86	470.13	--	
January 1, 2019	195.41	--	31.30	139.20	334.61	804.74	
July 1, 2019	537.80	107.90	31.30	31.30	569.10	--	
January 1, 2020	188.63	--	28.64	141.75	330.38	899.47	
July 1, 2020	556.89	113.11	28.64	28.64	585.53	--	
January 1, 2021	181.28	--	25.85	144.38	325.65	911.18	
July 1, 2021	560.08	118.53	25.85	25.85	585.93	--	
January 1, 2022	173.78	--	22.89	147.39	321.17	907.10	
July 1, 2022	595.26	124.50	22.89	22.89	618.15	--	
January 1, 2023	165.77	--	19.79	145.37	311.14	929.29	
July 1, 2023	603.71	125.58	19.79	19.79	623.50	--	
January 1, 2024	157.20	--	16.67	148.54	305.74	929.25	
July 1, 2024	614.37	131.87	16.67	16.67	631.04	--	
January 1, 2025	148.40	--	13.39	126.64	275.04	906.08	
July 1, 2025	608.44	113.25	13.39	13.39	621.83	--	
January 1, 2026	138.47	--	10.57	128.73	267.20	889.03	
July 1, 2026	584.18	118.16	10.57	10.57	594.75	--	
January 1, 2027	147.37	--	7.63	81.68	229.05	823.80	
July 1, 2027	576.00	74.05	7.63	7.63	583.63	--	
January 1, 2028	234.36	--	5.94	83.64	318.00	901.63	
July 1, 2028	448.43	77.70	5.94	5.94	454.37	--	
January 1, 2029	95.84	--	4.00	62.03	157.87	612.24	
July 1, 2029	499.91	58.04	4.00	4.00	503.90	--	
January 1, 2030	84.43	--	2.55	84.43	168.86	672.76	
July 1, 2030	502.64	81.89	2.55	2.55	505.18	--	
January 1, 2031	72.45	--	0.50	25.40	97.85	603.03	
July 1, 2031	591.05	24.90	0.50	0.50	591.55	--	
January 1, 2032	57.27	--	--	--	57.27	648.82	
July 1, 2032	643.58	--	--	--	643.58	--	
January 1, 2033	39.84	--	--	--	39.84	683.42	
July 1, 2033	635.43	--	--	--	635.43	--	
January 1, 2034	54.40	--	--	--	54.40	689.83	
July 1, 2034	694.76	--	--	--	694.76	--	
January 1, 2035	--	--	--	--	--	694.76	
Total	\$ 14,741.45	\$1,622.20	\$684.59	\$2,306.79	\$17,048.24	\$17,048.24	

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

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

Source: Los Angeles Unified School District.

## **The District's General Obligation Bond Program and Bonding Capacity**

Voters within the District have approved a total of \$20.605 billion of general obligation bonds in five separate bond elections since 1997. See Appendix A – “District Financial Information and Regional Economic and Demographic Information – District Debt” attached hereto for additional information regarding the District’s outstanding general obligation bonds. Pursuant to Sections 15106 of the Education Code, the District’s bonding capacity for general obligation bonds may not exceed 2.5% of taxable property value in the District as shown by the last equalized assessment of the County. The taxable property valuation in the District for Fiscal Year 2013-14 is \$503.7 billion, which results in a total current bonding capacity of approximately \$12.6 billion. Including the Bonds and excluding the Prior Bonds, the District has approximately \$1.9 billion of unused bonding capacity for the issuance of additional general obligation bonds.

The issuance of additional series of general obligation bonds, other than general obligation refunding bonds, in future years will depend upon, among other things, the assessed valuation of property within the District’s boundaries, as determined by the District’s analysis of information from, among other sources, the Office of the County Assessor. The District presently expects to issue one or more series of general obligation bonds in a principal amount of approximately \$150.0 million in August 2014, subsequent to the issuance of the Bonds, pursuant to the Measure R Authorization or the Measure Y Authorization. See “Security and Sources of Payment for the Bonds – California Constitutional and Statutory Provisions Relating to *Ad Valorem* Property Taxes” herein.

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

The following Table 10 sets forth the major categories of \$18.2 billion of projects identified pursuant to Measure K, Measure R, Measure Y and Measure Q and authorized to be funded pursuant to their respective authorizations and the District’s expected allocation of bond proceeds to each major category of projects, some of which are expected to be funded from future bond issuances. At least \$7.3 billion of State matching funds and other revenue sources have been or are expected to be allocated to the school facility projects (collectively, the “Measure K Projects”) approved by voters in the November 5, 2002 election approving Measure K, the school facility projects (collectively, the “Measure R Projects”) approved by voters in the March 2, 2004 election approving Measure R (the “Measure R Authorization”), and the school facility projects (collectively, the “Measure Y Projects”) approved by voters in the November 8, 2005 election approving Measure Y. In addition, the District previously issued all of the \$2.4 billion of general obligation bonds, which were authorized pursuant to the authorization received from voters of the District in the April 8, 1997 election approving Proposition BB (the “Proposition BB Authorization”), to fund land acquisition, school construction and modernization and technology projects. A \$7.0 billion general obligation bond authorization was approved by voters on November 7, 2008 (the “Measure Q Authorization”). No general obligation bonds have been issued pursuant to the Measure Q Authorization. The aggregate total of sources of funds in connection with the District’s bond authorizations is estimated to be approximately \$28 billion, including at least \$7.3 billion of State matching funds and other revenue sources.

**TABLE 10**  
**Los Angeles Unified School District**  
**Summary of Measure K Projects, Measure R Projects, Measure Y Projects and Measure Q Projects**  
**and Target Funding Amounts**  
**(\$ in millions)**

<b><u>Category of Project</u></b>	<b><u>Measure K<sup>(1)</sup></u></b> <b><u>(2002)</u></b>	<b><u>Measure R<sup>(2)</sup></u></b> <b><u>(2004)</u></b>	<b><u>Measure Y<sup>(3)</sup></u></b> <b><u>(2005)</u></b>	<b><u>Measure Q</u></b> <b><u>(2008)</u></b>
School Construction	\$2,580	\$1,837	\$2,630	\$1,130
Repair	526	1,563	690	2,680
Refinancing of Certificates of Participation Payments	--	150	190	--
Technology	66	140	125	1,925
School Facility Upgrades and Library Acquisitions	38	53	5	--
Early Childhood Education	80	50	60	150
Adult Education	--	25	50	125
Charter Schools	50	20	50	450
Joint Use	10	20	30	--
Audit Process	--	10	10	40
Safety – Police Dispatch	--	2	--	--
Oversight of Bond Projects	--	--	50	--
Innovation Fund	--	--	60	--
Replacement of Special Education Buses	--	--	25	--
Added Resources to Low Performing Schools	--	--	10	--
Green Technology	--	--	--	500
<b>Total</b>	<b><u>\$3,350</u></b>	<b><u>\$3,870</u></b>	<b><u>\$3,985</u></b>	<b><u>\$7,000</u></b>

(1) As of May 1, 2014, bond proceeds have financed \$3.35 billion of Measure K Projects, some of which are not yet complete. State matching funds have also been allocated to the Measure K Projects.

(2) As of May 1, 2014, bond proceeds have financed \$3.63 billion of Measure R Projects, some of which are not yet complete. State matching funds have also been allocated to the Measure R Projects.

(3) As of May 1, 2014, bond proceeds have financed \$3.54 billion of Measure Y Projects, some of which are not yet complete. State matching funds have also been allocated to the Measure Y Projects.

Source: Los Angeles Unified School District.

## TAX MATTERS

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

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and State of California personal income



taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

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

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

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

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, Representative Dave Camp, Chair of the House Ways and Means Committee released draft legislation that would subject interest on the Bonds to a federal income tax at an effective rate of 10% or more for individuals, trusts, and estates in the highest tax bracket, and the Obama Administration proposed legislation that would limit the exclusion from gross income of interest on the Bonds to some extent for

high-income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

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

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

## **LEGAL MATTERS**

### **Continuing Disclosure**

The District has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") for each fiscal year by not later than 240 days following the end of the District's fiscal year (currently ending June 30) commencing with the Annual Report for Fiscal Year 2013-14, and to provide notices of the occurrence of certain Listed Events. The District will provide or cause to be provided the Annual Report and these notices to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system, [emma.msrb.org](http://emma.msrb.org), in the manner prescribed by the SEC. Copies of the District's previous annual reports and notices of event filings are also available at the website of Digital Assurance Certification, L.L.C., [www.dacbond.com](http://www.dacbond.com), although the information presented there is not incorporated by reference in this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds. The specific nature of the information to be contained in the Annual Report and a notice of a Listed Event is set forth in Appendix E – "Form of Continuing Disclosure Certificate" attached hereto. These covenants have been made in order to assist the Underwriters in complying with SEC Rule 15c2-12(b)(5) (the "Rule"). The District has complied in all material respects in the last five years with each of its previous undertakings with regard to the Rule to provide annual reports and notices of events as required in its continuing disclosure undertakings.

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

The proposed form of opinion of Bond Counsel, attached hereto as Appendix D, is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor's rights. Bankruptcy

proceedings, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

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

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

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

### **Certain Legal Matters**

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel to the District, and certain other conditions. A complete copy of the proposed form of opinion of Bond Counsel with respect to the Bonds is contained in Appendix D, attached hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will also be passed upon for the District by its General Counsel and by the District's Disclosure Counsel, Hawkins Delafield & Wood LLP, Los Angeles, California, and for the Underwriters by their counsel, Squire Patton Boggs (US) LLP, Los Angeles, California.

## **FINANCIAL STATEMENTS**

The District's Comprehensive Annual Financial Report for Fiscal Year Ended June 30, including its general purpose financial statements for the Fiscal Year ended June 30, 2013 is attached hereto as Appendix B. The basic financial statements of the District for the Fiscal Year 2012-13 have been audited by Simpson & Simpson, independent certified public accountants, as stated in their report appearing in Appendix B. The District has not requested nor has the District obtained the consent of Simpson & Simpson to the inclusion of its report in Appendix B. Simpson & Simpson has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Simpson & Simpson has not been requested to perform and has not performed any procedures relating to the Official Statement.

## **LITIGATION**

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

## **MISCELLANEOUS**

### **Ratings**

Moody's and S&P have assigned their municipal bond ratings of "Aa2" and "AA-", respectively, to the Bonds. The District has furnished to each rating agency certain materials and information with respect to itself and the Bonds. Generally, rating agencies base their ratings on such information and materials and on their own investigations, studies and assumptions. Each rating reflects only the view of the respective rating agency, and any explanation of the significance of such rating may be obtained only from the issuing rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, telephone: (212) 533-0300 and Standard & Poor's, 55 Water Street, New York, New York 10041, telephone: (212) 438-2124. There is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of any such rating may have an adverse effect on the market price of the Bonds.

### **Financial Advisor**

The District has retained Tamalpais Advisors, Inc. – KNN Public Finance, A Joint Venture, as Financial Advisor (the "Financial Advisor") in connection with the issuance of the Bonds and certain other financial matters. The Financial Advisor represents two independent financial advisory firms and is not engaged in the business of underwriting, trading or distributing municipal securities or other negotiable instruments. The Financial Advisor has not audited, authenticated or otherwise verified the information set forth in the Official Statement, or any other related information available to the District, with respect to the accuracy and completeness of disclosure of such information, and no guaranty, warranty or other representation is made by the Financial Advisor respecting the accuracy and completeness of this Official Statement or any other matter related to this Official Statement.

### **Verification of Mathematical Computations**

Upon the delivery of the Bonds, Grant Thornton LLP (the "Verification Agent"), will deliver a report stating that the firm has verified the mathematical accuracy of the schedules with respect to the sufficiency of the Escrow Funds established to pay, when due, the principal of, redemption premium and interest on the Prior Bonds to be refunded in full on the dates of redemption thereof. The scope of the verification will be based solely on information and assumptions provided to the Verification Agent by

the Underwriters. The Verification Agent will express no opinion on the assumptions provided by it to the Underwriters, nor as to the exemption from taxation of the interest on the Bonds.

### **Underwriting**

The Bonds are being purchased by J.P. Morgan Securities LLC, as representative for itself, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Goldman, Sachs & Co., Fidelity Capital Markets, Siebert Brandford Shank & Co., L.L.C. and Backstrom McCarley Berry & Co., LLC (collectively, the “Underwriters”). The Underwriters have agreed to purchase the Bonds at the purchase price of \$1,888,711,247.25 (which is equal to the aggregate principal amount of the Bonds, plus a net original issue premium of \$267,875,993.80 and less an Underwriters’ discount of \$1,364,746.55) pursuant to the Bond Purchase Agreement (the “Bond Purchase Agreement”) relating to the Bonds.

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

J.P. Morgan Securities LLC (“JPMS”), one of the Underwriters of the Bonds, has entered into a negotiated dealer agreement (the “Dealer Agreement”) with Charles Schwab & Co., Inc. (“CS&Co.”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Dealer Agreement, CS&Co. will purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

Backstrom McCarley Berry & Co., LLC (“BMcB”) has entered into separate non-exclusive Retail Distribution Agreement with D.A Davidson (Crowell, Weedon & Co., is now a division of D.A. Davidson) and Wedbush Securities that enables D.A. Davidson, and Wedbush Securities to distribute certain new issue municipal securities underwritten by or allocated to BMcB, which includes the Bonds. Under these agreements, BMcB may share with D.A. Davidson and or Wedbush Securities, Inc, a portion of the fees or commission paid to BMcB.

### **Additional Information**

The purpose of this Official Statement is to provide information to prospective buyers of the Bonds. Quotations from and summaries of the Bonds, and the Resolution, and the constitutional provisions, statutes and other documents described herein do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions. Copies of the Resolution are available for inspection at the District by request to the Chief Financial Officer at (213) 241-7888, and following issuance of the Bonds will be on file at the principal office of U.S. Bank National Association, as agent to the Paying Agent.

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

**Execution and Delivery**

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

LOS ANGELES UNIFIED SCHOOL DISTRICT

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

## **APPENDIX A**

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

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

## **DISTRICT GENERAL INFORMATION**

### **District Boundaries**

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

### **District Governance; Senior Management**

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

John E. Deasy, Ed. D., Superintendent. Dr. Deasy was appointed to serve as the Superintendent on April 1, 2011. Prior to his appointment as Superintendent, Dr. Deasy served as a Deputy Superintendent for the District beginning in August 2010, during which time he led the overall programmatic and systems work of the District. Prior to joining the District, Dr. Deasy served as the Deputy Director of Education at the Bill & Melinda Gates Foundation, Superintendent of the Prince George’s County Public Schools in Maryland, Superintendent of the Santa Monica-Malibu Unified School District in California and of the Coventry Public Schools in Rhode Island. Dr. Deasy has nearly three decades of experience in education and has written extensively on education and serves on numerous boards. He has been a Broad Fellow, an Annenberg Fellow, a State Superintendent of the Year, a presenter at numerous state and national conferences, and a consultant to school districts undertaking high school reform and district-wide improvement strategies. Dr. Deasy holds a Bachelor of Arts in Biology and Chemistry Education and a Master of Arts in Education Administration from Providence College and a Doctor of Philosophy in Education from the University of Louisville.

David Holmquist, General Counsel. Mr. Holmquist has served as the District’s General Counsel since October 1, 2009. As General Counsel for the District, Mr. Holmquist is responsible for administering the legal activities of the District’s legal staff and outside legal firms. In addition, he coordinates the District’s legal affairs, conducts litigation for the District and participates in trials related to matters of major importance to the District. Prior to his appointment as General Counsel, Mr. Holmquist served as Chief Operating Officer, Chief Risk Officer and as the Director of Risk Management and Insurance Services. Mr. Holmquist previously held positions with various public sector entities including Risk Manager of the City of Beverly Hills from 1996 to 2003, Risk Manager of the City of Buena Park from

1987 to 1996, and Safety Coordinator for the City of Fullerton from 1986 to 1987. Mr. Holmquist earned a Bachelor of Science degree in Business Administration from Oregon State University in 1983 and his Juris Doctorate degree from Western State University in 1995. A frequent lecturer and speaker, Mr. Holmquist was admitted to practice law before both the California and federal courts in 1995 and serves as an adjunct professor at the University of Southern California.

Michelle King, Senior Deputy Superintendent, School Operations. Ms. King is the Senior Deputy Superintendent, School Operations for the District. As Senior Deputy Superintendent, School Operations, Ms. King supervises and oversees the Division of the Chief Operating Officer, the Office of Human Resources, Student Health and Human Services, the Los Angeles School Police Department, the Office of the Chief Financial Officer, the Personnel Commission, School Operations and the Division of Adult Education. Prior to her appointment as a Senior Deputy Superintendent, Ms. King served as the Chief of Staff for the District under the former Superintendent Ramon C. Cortines and served as the Superintendent for Local District 3 in the District. Prior to accepting this position, Ms. King served as the Interim Chief Instructional Officer, Secondary, for the District. Ms. King has also served as a Senior High School Principal, Assistant Principal, Coordinator and Teacher. Ms. King graduated from the University of California, Los Angeles with a Bachelor of Science degree in Biology and from Pepperdine University with a Master of Science Administration degree. In addition, she holds a California Life Science Secondary Teaching Credential and a California Professional Administrative Services Credential from National University.

Megan K. Reilly, Chief Financial Officer. Ms. Reilly began serving as the District's Chief Financial Officer in December 2007. Ms. Reilly served at the Naval Postgraduate School for 12 years, first as the Deputy Comptroller from 1995 to 1997 and then as Executive Director of Business Services and Comptroller from 1997 to 2007. Ms. Reilly has also served as the Comptroller of the Fleet Numerical Meteorology & Oceanography Center, Budget Analyst for the Naval Postgraduate School and Budget Analyst for the Department of the Navy Centralized Financial Management Trainee Program. Ms. Reilly graduated from Loyola College with a Bachelor of Arts degree, Marion Knott Scholar, *cum laude*, from the Naval Postgraduate School with a Master of Science, Financial Management, and from Monterey College of Law with a Juris Doctorate.

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

John Walsh, Director of Finance Policy. Mr. Walsh began serving as the District's Interim Director of Finance Policy in April 2012 and has served as the Director of Finance Policy since January 25, 2013. Mr. Walsh served as Assistant General Counsel to the District from January 2002 to March 2012. Prior to joining the District, Mr. Walsh was an attorney with Best, Best & Krieger LLP and Crowell & Moring LLP. Mr. Walsh graduated from Queen's University with honors with a Bachelor of Arts degree in History and Politics, graduated from American University with a Master of Arts degree in History, and graduated from Claremont Graduate School with a Doctor of Philosophy degree in History. Mr. Walsh graduated from Loyola Law School *cum laude* with a Juris Doctorate.

Timothy S. Rosnick, Deputy Controller. Mr. Rosnick joined the District in October 2006 and served as the District's Director of Accounting Controls from October 2006 through June 2007 and the Director of Treasury and Accounting Controls from July 2007 through June 2008. Mr. Rosnick served as

the District's Controller beginning in June 2008 and became Deputy Controller in June 2011. Prior to joining the District, Mr. Rosnick served as an Administrator at the Orange County Department of Education and as a Financial Officer with the Los Angeles County Office of Education. Mr. Rosnick graduated from the University of Washington with a Bachelor of Arts degree with Distinction in Economics and received a Master of Business Administration degree from the University of Texas at Austin. Mr. Rosnick is a member of the Government Finance Officers Association, the Association of Public Treasurers of the United States and Canada, and the CFA Institute.

### **School Facilities and Staff**

As of June 30, 2013, the District operated 456 elementary schools, 86 middle/junior high schools, 106 senior high schools, 56 options schools, 21 multi-level schools, 16 special education schools, 28 magnet schools and 145 magnet centers, 6 community adult schools, 3 regional occupational centers, 1 skills centers, 1 regional occupational program center, 82 early education centers, 4 infant centers, and 18 primary school centers. In addition, as of June 30, 2013, there were 43 affiliated charter schools operated by the District and 185 fiscally independent charter schools within the District's boundaries. The District is the second largest school district in the United States and has an estimated Fiscal Year 2013-14 enrollment of 548,908 students.

The District has certain fiscal oversight and other responsibilities with respect to both affiliated and fiscally independent charter schools. However, independent charter schools receive their funding directly from the State of California (the "State") and function as separate local educational agencies, including having control over their staffing and budget. Accordingly, information regarding enrollment, average daily attendance ("ADA"), budgets and other financial information relating to such independent charter schools is not included in the District's audit reports or in this Official Statement unless otherwise noted. See "State Funding of Education—Charter School Funding" herein.

Petitions have occasionally been filed with the Los Angeles County Office of Education ("LACOE") to divide portions of the District into smaller school districts. In addition, the County Committee on School District Organization has been periodically requested to approve petitions to form smaller school districts within the District. There are presently no petitions pending with LACOE or the County Committee on School District Organization to divide the District.

As of June 30, 2013, the District employed approximately 28,779 teachers for kindergarten through twelfth grade, including credentialed and non-credentialed teachers. As of June 30, 2013, the District employed approximately 38,158 certificated full-time equivalent ("FTE") employees, including teachers and administrators, approximately 26,646 classified FTE employees and approximately 10,829 non-regular employees. The District also employs part-time and temporary employees.

## **DISTRICT FINANCIAL INFORMATION**

### **District Financial Policies**

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

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

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

Pursuant to the Budget and Finance Policy, the District's total General Fund balance may not be less than an amount equal to 5% of total General Fund expenditures and net transfers out during a fiscal year (the "5% Minimum Reserve Threshold"). In addition, the Budget and Financial Policy requires the projected General Fund balance to satisfy the 5% Minimum Reserve Threshold in each of the two subsequent fiscal years which the District includes in its interim financial reports. See " – State Financial Accountability and Oversight Provisions – District First Interim Report for Fiscal Year 2013-14" and " – District Second Interim Report for Fiscal Year 2013-14" herein. In the event that the District's estimates indicate that total General Fund balance will not satisfy the 5% Minimum Reserve Threshold in any of the current fiscal year or two subsequent fiscal years, then the District is to develop and implement budget proposals to restore reserve balances. The District's Operating Reserves satisfy the requirements of the Budget and Finance Policy for Fiscal Years 2013-14, 2014-15 and 2015-16 with respect to the 5% Minimum Reserve Threshold and the funding of the Reserve for Economic Uncertainty. The District expects to submit budget proposals to the District Board during Fiscal Year 2014-15 in order to implement appropriate adjustments to the budget for Fiscal Year 2015-16 to comply with the Budget and Finance Policy. See "District Financial Information – District Budget – Fiscal Year 2013-14 District Final Adopted Budget" herein.

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

The amount required to be on deposit in the Worker's Compensation Fund is established with information from an independent actuary. The recommended minimum funding level is equal to the central estimate of projected ultimate losses and allocated loss adjustment expenses. The District's most recent actuarial report regarding its workers' compensation program, the "Actuarial Analysis of Self-Insured Workers' Compensation Program" dated as of December 31, 2013, recommended a minimum funding level between \$72.8 million (discounted at 2.5%) and \$80.1 million (undiscounted) for Fiscal Year 2014-15. The District determines the annual budget for workers' compensation by reviewing the amount necessary to fund its outstanding workers' compensation liability to the actuarially recommended level based on the central estimate approach and by additionally calculating the amount necessary for claims and operation of the Worker's Compensation Fund. The District uses the difference of the current fiscal year's central estimate versus that from the previous fiscal year to establish the amount necessary to fund projected liabilities. With respect to funding claims activity, the amount required to be on deposit in the Worker's Compensation Fund is based on the anticipated increase in claims cost in the current fiscal year versus the prior fiscal year. Such amount is generally higher than the amount recommended in the actuarial report. See "District Financial Information – Insurance" herein. See "District Financial Information – Insurance" herein.

Pursuant to the Budget and Finance Policy, the District has established a trust for its OPEB (the “OPEB Trust Fund”), make budgeted annual contributions to such OPEB Trust Fund and, to the extent possible, make additional contributions to the OPEB Trust Fund when the balances in the unrestricted portion of the Operating Reserves exceed the 5% Minimum Reserve Threshold. The District Board approved the creation of the OPEB Trust Fund on May 13, 2014.

Pursuant to the Budget and Finance Policy, the District has established the Health and Welfare Fund. The Health and Welfare Fund is used to pay all health and welfare payments for active employees and retirees. The District determines funding of the Health and Welfare Fund based on the 2012-14 Health Benefits Agreement. As of June 30, 2013, the total net position of the Health and Welfare Fund was approximately \$328.1 million. See “District Financial Information – Collective Bargaining – Labor Agreements” herein.

***Debt Management Policy.*** The Debt Management Policy establishes formal guidelines for the issuance and management of the District’s debt and other financial obligations. The Debt Management Policy establishes targets and ceilings for certificates of participation (“COPs”) and unhedged variable rate exposure and sets forth benchmark debt ratios that include both COPs and the District’s general obligation bonds. The Debt Management Policy also requires the District to annually publish a comprehensive debt report (the “Debt Report”) that, among other things, provides information on tax rates related to the District’s general obligation bonds and comparisons of the District’s debt ratios to those of other large urban school districts.

The Debt Management Policy is required to be reviewed annually. The current Debt Management Policy was approved by the District Board on November 12, 2013. The District is in compliance with the Debt Management Policy. See “District Financial Information – District Debt – “District’s Debt Management Policy Performance” herein.

***Investment Policy.*** The objective of the District’s Investment Policy is for the District to invest public funds in a manner that will maximize the investment return on all of its funds with maximum security while meeting the daily cash flow demands of each portfolio of the District and conforming to all federal, State, and local statutes governing the investment of public funds. The District’s operating funds and all of the debt service funds maintained for repayment of general obligation bonds are deposited in the County Treasury Pool in accordance with State law and managed pursuant to the County’s Investment Policy, a copy of which can be found at <http://ttc.lacounty.gov/>. Such website is not incorporated herein by reference and none of the District, its counsel (including Disclosure Counsel), or the Financial Advisor make any representation as to the accuracy of the information provided therein. See Appendix F – “Los Angeles County Treasury Pool” attached hereto. However, with the concurrence of the County’s Treasurer and Tax Collector, the District may direct the investment of funds in certain of its operating funds and debt service funds so long as such direction complies with both the County’s investment policy and the District’s Investment Policy. In addition, the District can direct the investment of indentured funds held by third party trustees with regard to certain issuances of COPs pursuant to a prescribed list of permitted investments.

Safety is the foremost objective of the investment program. The Investment Policy directs that all investments of the District be undertaken to ensure the preservation of capital in the overall portfolio. To attain this objective, the District may diversify its investments by investing funds among a variety of securities offering independent returns. In addition, the Investment Policy requires the District’s investment portfolios remain sufficiently liquid to enable the District to meet its operating requirements and be structured to attain a maximum return commensurate with its investment risk constraints and the cash flow characteristics of each portfolio. The District is in compliance with the Investment Policy.

## **District Budget**

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

The CDE imposes a uniform budgeting and accounting format for school districts. Under current law, the District Board must file with the county superintendent of schools a budget by June 30 immediately prior to each Fiscal Year (referred to herein as the “Final Adopted Budget”). After approval of the Final Adopted Budget, the District’s administration may submit budget revisions to the District Board during the fiscal year.

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

Furthermore, county offices of education are required to review school district budgets, complete the budget review checklist and conduct an analysis of any budget item that does not meet the established standards and criteria. In addition, county offices of education are required to determine whether the adopted budget will allow the school district to meet its financial obligations during the fiscal year and is consistent with a financial plan that will enable the school district to satisfy its multiyear financial commitments. Pursuant to the Education Code, on or before August 15 of each year, the county superintendent of schools must approve, conditionally approve, or disapprove the adopted budget for each school district. For Fiscal Year 2014-15 and each fiscal year thereafter, the Education Code directs the county superintendent of schools to disapprove any school district budget if it determines that the budget does not include expenditures necessary to implement a Local Control Accountability Plan (the “LCAP”) or an annual update to the LCAP. See “State Funding of Education – Local Control Funding Formula – Local Control Accountability Plan” herein.

In the event that the county office of education disapproves the school district’s budget, the county superintendent will submit to the governing board of the school district on or before August 15 of such year recommendations regarding revisions of the budget and the reasons for the recommendations, including, but not limited to, the amounts of any budget adjustments needed before the county superintendent can conditionally approve that budget. In addition, school districts must make available for public review any revisions to revenues and expenditures that it has made to its budget to reflect the funding made available by the State Budget Act (defined herein) not later than 45 days after the enactment of the State Budget Act. If the county superintendent of schools disapproves a revised budget, he or she will call for the formation of a budget review committee. By November 30 of each year, every school district must have an adopted and approved budget, or the county superintendent of schools will impose one and report such school district to the State Legislature and the State Department of Public Finance.

**Fiscal Year 2013-14 District Final Adopted Budget.** The District Board adopted its budget for Fiscal Year 2013-14 on June 18, 2013 (the “Fiscal Year 2013-14 District Final Adopted Budget”) and submitted the Fiscal Year 2013-14 District Final Adopted Budget to LACOE in a timely manner for review. LACOE approved the District’s Fiscal Year 2013-14 District Final Adopted Budget. See “District

Financial Information – State Financial Accountability and Oversight Provisions – District First Interim Report for Fiscal Year 2013-14” and “ – District Second Interim Report for Fiscal Year 2013-14” herein.

The Fiscal Year 2013-14 District Final Adopted Budget projected a General Fund beginning balance of \$638.7 million, revenues of \$6.06 billion, total estimated expenditures and other financing uses of \$6.22 billion and an ending balance of \$482.0 million. The General Fund beginning balance of \$638.7 million included \$65.4 million for the mandatory Reserve for Economic Uncertainty, which equals the State’s required Reserve for Economic Uncertainty of 1% of the District’s General Fund expenditures, \$11.2 million of non-spendable funds, \$137.3 million of restricted ending balances, \$177.0 million of assigned ending balances, including the \$202.0 million reserve for revenue uncertainties, and \$45.8 million of undesignated/assigned ending balances from Fiscal Year 2012-13.

The District’s projected funded revenue limit ADA of 522,648 for Fiscal Year 2013-14, which is a decline from the prior fiscal year. Declining enrollment statutes enable the District to claim Fiscal Year 2013-14 revenue limit funding based on the ADA for Fiscal Year 2012-13. The full extent of revenue losses attributable to enrollment declines are expected to occur in special education, lottery, and other funding sources, as those funding sources are not afforded the same benefit that is provided for revenue limit funding by the declining enrollment statutes.

In the Fiscal Year 2013-14 District Final Adopted Budget, the Base Revenue Limit was the largest unrestricted General Fund revenue source. However, beginning in Fiscal Year 2013-14, the method by which State Aid is allocated to school districts was changed and the Base Revenue Limit was replaced by the Local Control Funding Formula (defined herein). See “State Funding of Education – Local Control Funding Formula” herein. The District’s budgeted revenues for Fiscal Year 2013-14 did not fully reflect the State’s modifications to the Local Control Funding Formula which were released in June 2013. The Fiscal Year 2013-14 District Final Adopted Budget assumed a 1.565% cost of living adjustment and a 18.997% deficit factor for the Base Revenue Limit. Accordingly, the effective COLA for Fiscal Year 2012-13 was 5.86%. After the COLA, deficit factor and other adjustments by the State are applied, the District’s funded Base Revenue Limit was budgeted to generate approximately \$3.06 billion in Fiscal Year 2013-14. The Fiscal Year 2013-14 District Final Adopted Budget projected fund balances for the District’s General Fund of \$482.0 million as of June 30, 2014, which was approximately 7.95% of projected General Fund revenues.

The Fiscal Year 2013-14 District Final Adopted Budget included certain assumptions and policies, including among other things: (a) a 1.565% COLA for Tier III categorical programs; (b) an increase in revenue of approximately \$53 million due to, among other things, the difference between the existing Base Revenue Limit and Tier III categorical program formulas and the Local Control Funding Formula (the “Local Control Funding Formula”) revenue as proposed in the May Revision to the Proposed Fiscal Year 2013-14 State Budget with \$1.84 billion put into the Local Control Funding Formula; (c) the Education Protection Account (the “EPA”) amount of \$518.2 million to be spent for instruction; (d) Revenue Limit ADA of 522,648; (e) 1.565% COLA on the special education apportionment from the State under Assembly Bill 602 (1997); (f) funding in the amount of \$36 million and \$7 million from State and federal funds, respectively, in Fiscal Year 2013-14 in connection with Senate Bill 87 (2011) which provides that county mental health agencies must enter into memoranda of understanding with local education agencies with respect to mental health services of special education students; (f) a 1.565% COLA for Tier I categorical programs and Tier II categorical programs; (g) a net enrollment decline of 17,977 students from the 2012-13 school year for non-charter and affiliated charter schools enrollment; (h) a net enrollment increase of 9,749 students from the 2012-13 school year for independent charter schools; (i) a 7% increase in utilities expenditures and a 2.2% increase in the California Consumer Price Index on other operating expenditures; (j) increases in funding for employee health and medical benefits at the per participant rate pursuant to the District’s 2012-2014 Health Benefits Agreement (defined herein); (k) funding for an OPEB (defined herein) contribution of \$50.6 million for Fiscal Year 2013-14 and \$81 million of prior year funds

designated for OPEB (; (l) ongoing and major maintenance resources totaling \$99.5 million which reflects approximately 1.6% of budgeted General Fund expenditures; (m) release of the Fiscal Year 2012-13 Reserve for Revenue Uncertainties of \$202 million; (n) funding the Reserve for Economic Uncertainty in the amount of \$65.4 million which reflects the statutory requirement; (o) a Reserve for Sequester Impact of \$32 million reflecting the estimated decrease in revenues for the District from federal sources in event the sequester was not reversed; (p) transferring \$15.2 million from the Special Reserve Fund to the General Fund for debt service repayment of capital projects; (q) contributing \$101.9 million to the Worker's Compensation Fund; and (r) committing to continue using the Adult Education Fund but transferring approximately \$66.1 million from the General Fund in order to maintain funding for adult education at the level established for established for Fiscal Year 2012-13. See "District Financial Information – Collective Bargaining – Labor Relations" and " - Other Postemployment Benefits" and "State Funding of Education – Local Control Funding Formula" herein.

***Fiscal Year 2014-15 District Budget.*** The Superintendent's proposed budget for Fiscal Year 2014-15 (the "Fiscal Year 2014-15 District Budget") is balanced due to, among other things, the projected receipt of greater revenue from the Local Control Funding Formula than the former revenue limit formula, the end of federal sequestration with respect to certain District revenues and revised expenditure estimates. The Fiscal Year 2014-15 District Budget reflects significant changes to California school district finance which were implemented in Fiscal Year 2013-14 including, among other things, the Local Control Funding Formula which is now the primary method for K-12 education funding in the State.

The District presented the Fiscal Year 2014-15 District Budget to the District Board on June 17, 2014. The District Board held a public hearing regarding the LCAP and the budget schedule currently includes further consideration and approval of the LCAP and the Fiscal Year 2014-15 District Budget on June 24, 2014. See "District Financial Information – State Funding of Education – Local Control Funding Formula – General" and " – Local Control and Accounting Plan" herein.

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

The following Table A-1 sets forth the District's Final Adopted Budgets for the District General Fund, inclusive of regular and specially funded programs for Fiscal Years 2010-11 through 2013-14 and the Fiscal Year 2014-15 District Budget, the approval of which is currently pending. The beginning balance for each fiscal year reflects the estimated ending balance for the prior fiscal year based upon information as of the budget adoption date. Accordingly, the budgeted ending balance for a fiscal year and the subsequent budgeted beginning balance in the following Table A-1 may differ from the actual ending balance and actual beginning balance set forth in Table A-3 "Statement of Revenues, Expenditures and District General Fund Balances" herein. See " – Significant Accounting Policies, System of Accounts and Audited Financial Statements" herein for audited financial results for Fiscal Years 2008-09 through 2012-13.



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

	<b>Final Revised Budget 2010-11<sup>(5)</sup></b>	<b>Final Adopted Budget 2011-12</b>	<b>Final Adopted Budget 2012-13</b>	<b>Final Adopted Budget 2013-14</b>	<b>Preliminary Budget 2014-15</b>
<b>Beginning Balance<sup>(4)</sup></b>	\$ 646.9	\$ 828.6	\$ 758.4	\$ 638.7	\$ 655.2
<b>Revenue:</b>					
State Apportionment <sup>(6)</sup>	\$2,026.9	\$2,232.4	\$2,093.8	\$2,246.9	\$3,890.6
Property Taxes	846.0	775.5	818.3	809.0	782.3
<b>Total LCFF / Revenue Limit Revenues</b>	<b>\$2,872.9</b>	<b>\$3,007.9</b>	<b>\$2,912.1</b>	<b>\$3,055.9</b>	<b>\$4,672.9</b>
Federal	1,251.9	935.2	733.8	726.2	727.9
Other State	2,108.4	2,036.8	2,002.0	2,119.5	705.5
Other Local	147.3	124.1	128.8	141.3	116.8
Other Sources	40.2	18.9	28.5	22.2	1.5
<b>Total Revenue</b>	<b>\$6,420.7</b>	<b>\$6,123.0</b>	<b>\$5,805.3</b>	<b>\$6,065.0</b>	<b>\$6,224.6</b>
<b>Total Beginning Balance and Revenue</b>	<b>\$7,067.7</b>	<b>\$6,951.6</b>	<b>\$6,563.7</b>	<b>\$6,703.7</b>	<b>\$6,879.8</b>
<b>Expenditures:</b>					
Certificated Salaries	\$2,779.9	\$2,689.3	\$2,498.7	\$2,582.2	\$2,694.6
Classified Salaries	839.4	794.8	779.9	804.4	828.6
Employee Benefits	1,397.7	1,412.8	1,459.2	1,374.2	1,472.7
Books and Supplies	598.1	365.4	389.4	504.7	526.6
Other Operating Expenses	792.1	810.8	748.7	729.6	724.6
Capital Outlay	39.7	43.9	39.5	30.6	12.5
Other Outgo/Other Uses	145.0	192.6	123.0	196.1	130.9
<b>Total Expenditures</b>	<b>\$6,591.9</b>	<b>\$6,309.7</b>	<b>\$6,038.2</b>	<b>\$6,221.7</b>	<b>\$6,390.5</b>
<b>Ending Balance</b>	<b>\$ 475.8</b>	<b>\$ 641.9</b>	<b>\$ 525.5</b>	<b>\$ 482.0</b>	<b>\$ 489.3</b>

(1) Totals may not equal sum of component parts due to rounding.

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

(3) Amounts set forth in Table A-1 reflect the "Estimated Amounts" in the District's budget for the respective fiscal year rather than the "Authorized Amount". Pursuant to the Education Code, school districts may not spend more than Authorized Amount in the Final Adopted Budget as adjusted during the fiscal year.

(4) Estimated beginning balance for each Fiscal Year, except for Fiscal Year 2011-12, which was subsequently updated to \$899.6 as set forth in the audited financial statements for Fiscal Year 2010-11.

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

(6) See State Funding of Education - Local Control Funding Formula" and " - Prior Revenue Limit Funding" herein.

Sources: Los Angeles Unified School District's Final Adopted Budgets for Fiscal Years 2011-12, 2012-13 and 2013-14; Final Revised Budget for Fiscal Year 2010-11; and the proposed Fiscal Year 2014-15 District Budget.

**Funding from the Quality Education Investment Act of 2006.** The Quality Education Investment Act of 2006 ("QEIA"), implemented the terms of the *CTA, et al. v. Schwarzenegger, et al.* settlement to discharge the outstanding balance of the maintenance factor regarding Proposition 98 funding that was due but not provided in Fiscal Years 2004-05 and 2005-06. The purpose of QEIA funding is to provide additional support to raise academic performance at low performing schools. QEIA funding for a particular

school can be eliminated if such school fails to timely meet certain academic achievement targets. QEIA funding was approximately \$500 per pupil for eligible students in grades K-3, approximately \$900 per pupil for eligible students in grades 4-8 and \$1,000 per pupil for eligible students in grades 9-12 during Fiscal Years 2008-09 thru 2014-15. The District received approximately \$81.0 million in Fiscal Year 2012-13 under the QEIA. The Fiscal Year 2013-14 District Final Adopted Budget projects total funding from QEIA of approximately \$71.2 million. The District estimates that it will receive total funding from QEIA of approximately \$65.9 million in Fiscal Year 2014-15, which is the final year that the State will provide QEIA funding to school districts. See “State Funding of Education— Local Control Funding Formula” and “ - State Budget” herein.

***District Budget and Interim Financial Estimates.*** The following Table A-2 summarizes budgeted revenues and expenditures and projected year-end amounts, including projected year-end General Fund Balances, as reported in the Fiscal Year 2013-14 District Final Adopted Budget, the Fiscal Year 2013-14 First Interim Report (as defined herein), the Fiscal Year 2013-14 Second Interim Report (defined herein) and the June 2014 End of Year Report (defined herein). The District has timely prepared each of these estimates of its Fiscal Year 2013-14 financial results and provided this information to the District Board and LACOE. The District submitted the June 2014 End of Year Report to LACOE on June 2, 2014. See “ – State Financial Accountability and Oversight Provisions – Interim Reporting Requirements – District First Interim Report for Fiscal Year 2013-14”, “ – District Second Interim Report for Fiscal Year 2013-14” and “ – District June 2014 End of Year Report for Fiscal Year 2013-14” herein.

**TABLE A-2**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**District General Fund**  
**Summary of Balances, Revenues and Expenditures**  
**Fiscal Year 2013-14**  
**(\$ in millions)<sup>(1)</sup>**

	<b><u>Fiscal Year 2013-14</u></b> <b><u>District Final Adopted Budget</u></b>	<b><u>First</u></b> <b><u>Interim Report</u></b> <b><u>(December 2013)</u></b>	<b><u>Second</u></b> <b><u>Interim Report</u></b> <b><u>(March 2014)</u></b>	<b><u>June</u></b> <b><u>End of Year Report</u></b> <b><u>(June 2014)</u></b>
Beginning Balance	\$ 638.7	\$ 686.8	\$ 592.7 <sup>(2)</sup>	\$ 592.7 <sup>(2)</sup>
Revenues/Other Sources	\$6,065.0	\$ 5,869.3	\$ 5,892.8	\$ 5,846.0
Expenditures/Other Uses	<u>6,221.7</u>	<u>5,985.9</u>	<u>5,870.3</u>	<u>5,783.5</u>
Operating Surplus (Deficit)	\$ <u>(156.7)</u>	\$ <u>(116.5)</u>	\$ <u>22.5</u>	\$ <u>62.5</u>
Ending Balance	\$ <u>482.0</u>	\$ <u>570.3</u>	\$ <u>615.2</u>	\$ <u>655.2</u>

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

<sup>(2)</sup> The District’s Fiscal Year 2012-13 CAFR (defined herein) adjusted the beginning balance of the General Fund for Fiscal Year 2013-14 due to, among other things, the recording of potential liabilities related to legal settlements. In accordance therewith, the Second Interim report reflects a reduction of approximately \$94.1 million from the beginning balance set forth in the operating budget approved by the District Board for Fiscal Year 2013-14. See “ – State Financial Accountability and Oversight Provisions – District Second Interim Report for Fiscal Year 2013-14”, “District Financial Information – Fiscal Year 2011-12 Adjustments to District Fixed Assets” and “ – Fiscal Year 2012-13 Material Weakness Identified by the Independent Auditor” herein.

Sources: Los Angeles Unified School District Fiscal Year 2013-14 District Final Adopted Budget, Fiscal Year 2013-14 First Interim Report, Fiscal Year 2013-14 Second Interim Report and June End of Year Report for Fiscal Year 2013-14.

## **State Financial Accountability and Oversight Provisions**

***Interim Reporting Requirements.*** State law grants to each county superintendent of schools certain oversight with respect to the budget development process and interim financial reporting of public school districts. Pursuant to the Education Code, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the two subsequent fiscal years. A positive certification is assigned to any school district that, based on then-current projections, will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that, based on then-current projections, will be unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district, based on then-current projections, which may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. In the event that a school district is certified as qualified or negative, the county superintendent of schools is required to report to the State Superintendent of Public Instruction on the financial condition of the school district and the proposed remedial actions and to take all actions that are necessary to ensure that the school district meets its financial obligations. The county office of education reviews the interim reports and certifications made by school districts and may change certification to qualified or negative if necessary. If a school district has a qualified or negative certification report in any year, the school district may not issue non-voter-approved debt instruments in that fiscal year or in the next succeeding fiscal year unless the county office of education, using criteria from the State Superintendent of Public Instruction, determines repayment is probable.

***District First Interim Report for Fiscal Year 2013-14.*** The District's Fiscal Year 2013-14 First Interim Report (the "Fiscal Year 2013-14 First Interim Report") was filed with LACOE by December 15, 2013, the deadline therefor. The District submitted its Fiscal Year 2013-14 First Interim Report with a self-certified qualified certification of its financial condition. The Fiscal Year 2013-14 First Interim Report stated that the District will be able to meet its financial obligations in Fiscal Year 2013-14 and projected that the District would need to address imbalances between its revenues and expenditures and negotiate with its collective bargaining units in order to eliminate projected deficits during Fiscal Years 2014-15 and 2015-16.

The District's Fiscal Year 2013-14 First Interim Report projected that the District's ending balance of \$570.3 million would consist of approximately \$18.5 million of cash, nonspendable balances and prepaid expenditures, \$133.8 million of restricted balances, \$351.0 million of assigned balances, \$65.4 million of balances in the Reserve for Economic Uncertainty and \$1.6 million of unassigned/unappropriated balances. The Fiscal Year 2013-14 First Interim Report projected that the District would satisfy the minimum percentage of 1% required to be held in its Reserve for Economic Uncertainty in Fiscal Year 2013-14. However, absent corrective actions, the projected deficits of \$353.4 million in Fiscal Year 2014-15 and \$648.0 million in Fiscal Year 2015-16 would result in the Reserve for Economic Uncertainty being below the 1% minimum level.

***District Second Interim Report for Fiscal Year 2013-14.*** The District's Fiscal Year 2013-14 Second Interim Report (the "Fiscal Year 2013-14 Second Interim Report") was filed with LACOE by March 15, 2014, the deadline therefor. The District submitted its Fiscal Year 2013-14 Second Interim Report with a self-certified qualified certification of its financial condition. The Fiscal Year 2013-14 Second Interim Report stated that the District would be able to meet its financial obligations in Fiscal Year 2013-14 and Fiscal Year 2014-15 and projected that District would need to address imbalances between its revenues and expenditures and negotiate with its collective bargaining units in order to eliminate a projected deficit of approximately \$110.7 million in Fiscal Year 2015-16.

The District's Fiscal Year 2013-14 Second Interim Report reflects a reduction to the beginning balance in the amount of approximately \$94.1 million based on an audit adjustment. The District's Fiscal

Year 2013-14 Second Interim Report projected that the District's ending balance of \$615.2 million will consist of approximately \$18.5 million of cash, nonspendable balances and prepaid expenditures, \$182.9 million of restricted balances, \$343.1 million of assigned balances, \$65.4 million of balances in the Reserve for Economic Uncertainty and \$5.3 million of unassigned/unappropriated balances. The Fiscal Year 2013-14 Second Interim Report projected that the District will satisfy the minimum percentage of 1% required to be held in its Reserve for Economic Uncertainty in Fiscal Year 2013-14. The projected ending balance for Fiscal Year 2013-14 represents an increase of approximately \$22.5 million from the audited ending balance for Fiscal Year 2012-13.

***District June 2014 End of Year Report.*** In connection with the District's submission of a qualified certification for its Fiscal Year 2013-14 Second Interim Report, LACOE requested that the District provide a third interim financial report in June 2014 (the "June 2014 End of Year Report"). The District's June 2014 End of Year Report was filed with LACOE on June 2, 2014. The June 2014 End of Year Report reflects actual results through April 2014 and projected results for the remainder of Fiscal Year 2013-14. There are no multi-year projections required to be filed with the June 2014 End of Year Report and no certification is required to be made regarding it. The District's June 2014 End of Year Report projects that the District's ending balance of \$655.2 million will consist of approximately \$18.5 million of revolving cash, nonspendable balances, and prepaid expenditures, \$198.9 million of restricted balances, \$321.0 million of assigned balances, \$65.4 million of balances in the Reserve for Economic Uncertainty and \$51.4 million of unassigned/unappropriated balances. The June 2014 End of Year Report projects that the District will satisfy the minimum percentage of 1% required to be held in its Reserve for Economic Uncertainty in Fiscal Year 2013-14. The projected ending balance for Fiscal Year 2013-14 represents an increase of approximately \$62.5 million from the audited ending balance for Fiscal Year 2012-13.

### **Significant Accounting Policies, System of Accounts and Audited Financial Statements**

The CDE imposes by law uniform financial reporting and budgeting requirements for K-12 school districts. Financial transactions are accounted for in accordance with the California School Accounting Manual. The District uses fund accounting and maintains governmental funds, proprietary funds and fiduciary funds. The General Fund is the chief operating fund of the District. For a description of the other major funds of the District, see the description thereof contained in Appendix B – "Comprehensive Annual Financial Report of the District for the Fiscal Year ended June 30, 2013" attached hereto. Note 1 to such audited financial statements sets forth significant accounting policies that the District follows.

The District is required to file its audited financial statements for the preceding fiscal year with the State Controller's Office, the CDE and the County Superintendent of Schools by December 15 of each year. The District timely filed its comprehensive annual financial reports ("CAFRs") for three of the last four fiscal years, being Fiscal Years 2009-10, 2010-11 and 2011-12 with LACOE pursuant to the Education Code by the respective deadlines therefor and timely filed its financial statements for the last five fiscal years in accordance with its continuing disclosure agreements. See "District Financial Information – Fiscal Year 2011-12 Adjustments to District Fixed Assets" and " – Fiscal Year 2012-13 Material Weakness Identified by the Independent Auditor" herein and "Legal Matters—Continuing Disclosure" in the forepart of this Official Statement.

Simpson & Simpson Certified Public Accountants, Los Angeles, California, served as independent auditor to the District for its audited financial statements for Fiscal Year 2012-13. See Appendix B – "Comprehensive Annual Financial Report of the District for the Fiscal Year ended June 30, 2013" attached hereto.

The following Table A-3 sets forth the District's audited District General Fund revenues, expenditures and fund balances for the Fiscal Years 2008-09 through 2012-13.

**TABLE A-3**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and District General Fund Balances<sup>(1)(2)</sup>**  
**Fiscal Years 2008-09 through 2012-13**  
**(\$ in millions)**

	<b>Fiscal Year 2008-09</b>	<b>Fiscal Year 2009-10</b>	<b>Fiscal Year 2010-11</b>	<b>Fiscal Year 2011-12</b>	<b>Fiscal Year 2012-13</b>
<b>Beginning Balance</b>	\$ 657.2	\$ 750.0	\$ 668.0 <sup>(3)</sup>	\$ 903.5	\$ 824.8
<b>Revenues</b>					
State Apportionment <sup>(4)</sup>	\$2,517.5	\$ 2,039.0	\$2,146.9	\$2,067.0	\$1,774.4
Property Taxes	<u>927.4</u>	<u>938.2</u>	<u>909.5</u>	<u>901.2</u>	<u>1,139.3</u>
Total Revenue Limit Revenues	<u>\$3,444.9</u>	<u>\$ 2,977.2</u>	<u>\$3,056.3</u>	<u>\$2,968.2</u>	<u>\$2,913.7</u>
Federal	1,077.1	964.0	1,066.5	868.0	629.9
Other State	1,964.3	2,159.4	2,031.8	1,903.5	2,002.5
Other Local	163.4	108.1	173.9	142.9	125.5
Other Sources <sup>(5)</sup>	<u>114.8</u>	<u>93.5</u>	<u>100.4</u>	<u>37.1</u>	<u>51.4</u>
<b>Total Revenues</b>	<u>\$6,764.5</u>	<u>\$ 6,302.1</u>	<u>\$6,428.9</u>	<u>\$5,919.6</u>	<u>\$5,723.0</u>
<b>Total Beginning Balance and Revenues</b>	<u>\$7,421.7</u>	<u>\$ 7,052.1</u>	<u>\$7,096.9</u>	<u>\$6,823.1</u>	<u>\$6,547.8</u>
<b>Expenditures</b>					
Certificated Salaries	\$3,231.9	\$ 2,807.9	\$2,816.3	\$2,681.6	\$2,589.7
Classified Salaries	997.7	908.1	855.8	819.2	771.5
Employee Benefits	1,284.5	1,407.4	1,338.8	1,365.8	1,344.8
Books and Supplies	296.6	260.1	349.3	231.1	165.4
Other Operating Expenses	744.4	760.7	683.8	701.4	858.2
Capital Outlay	27.5	18.2	71.6	43.6	52.3
Other Outgo/Other Uses <sup>(6)</sup>	<u>89.0</u>	<u>226.7</u>	<u>77.7</u>	<u>155.5</u>	<u>173.2</u>
<b>Total Expenditures</b>	<u>\$6,671.8</u>	<u>\$ 6,389.1</u>	<u>\$6,193.4</u>	<u>\$5,998.3</u>	<u>\$5,955.0</u>
<b>Ending Balance</b>	<u>\$ 750.0</u>	<u>\$ 662.9<sup>(3)</sup></u>	<u>\$ 903.5</u>	<u>\$ 824.8</u>	<u>\$ 592.7</u>

(1) Totals may not equal sum of component parts due to rounding.

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

(3) In February 2009, the District and its bargaining units agreed to change required contributions to the Health and Welfare Fund. Due to this change, the Health and Welfare Fund should have assumed responsibility for certain opt-out costs paid to employees who elected to be compensated for not enrolling in a medical plan. However, the General Fund continued to pay for these costs. In connection with the audit adjustment to correct this error, the fund balance in General Fund and net assets in the Health and Welfare Fund as of June 30, 2010 was restated and increased by approximately \$5.059 million.

(4) See State Funding of Education - Local Control Funding Formula" and " - Prior Revenue Limit Funding" herein.

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

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

Sources: Los Angeles Unified School District's audited financial statements for Fiscal Years 2008-09 through 2012-13.

### **Fiscal Year 2011-12 Adjustments to District Fixed Assets**

In connection with the migration of capital asset data from its previous system for accounting and purchasing, known as the "Integrated Financial System", to a new system provided by Systems Applications and Products, known as the "SAP Financial System", District staff discovered that a number

of capital projects that the District completed in prior years remained in the construction in progress account (“CIP”) account. Capital projects are characterized as “in progress” or “completed” under accounting treatment. Construction projects that are “in progress” are not depreciable assets and “completed” projects are depreciated. By not recharacterizing completed projects as “Buildings and improvements” in the capital assets category of the District’s financial reports and then depreciating such assets, the value of such assets were overstated in the District’s previously issued government-wide financial statements. As a result, depreciation expenses have been understated in such financial statements. In addition, District staff discovered that certain expense costs for facilities were capitalized as construction in progress in the Integrated Financial System, and that such costs should not have been reported within the capital assets category.

The information contained in the Summary Statements of Net Position, Summary Statements of Changes in Net Position, Statement of Net Position and Note 1(q) of the Notes to Basic Financial Statements of the District set forth in the District’s audited financial statements for the fiscal year ended June 30, 2013 reflects a restatement of the Fiscal Year 2011-12 government-wide financial statements. The Total Net Position for the Fiscal Year ended June 30, 2012 has been reduced to approximately \$3.16 billion from \$3.80 billion, which is a net reduction of approximately \$639.49 million, to correct the aggregate net effect of the reporting errors described in the preceding paragraph. In connection therewith, the District has reduced the Capital Assets, net, for the Fiscal Year ended June 30, 2012 to \$14.60 billion from \$15.24 billion. The reports in the government-wide financial statements of the District’s Financial Statements for the Fiscal Year ended June 30, 2012 may not be relied upon. See Appendix B – “Comprehensive Annual Financial Report of the District for the Fiscal Year ended June 30, 2013” attached hereto.

#### **Fiscal Year 2012-13 Material Weakness Identified by the Independent Auditor**

The District’s Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2013 (the “Fiscal Year 2012-13 CAFR”) includes two auditor’s findings relating to the District’s Basic Financial Statements, including a finding of material weakness in the District’s controls of construction projects in progress and transfers to depreciable capital assets. See Section II of the Schedule of Findings and Questioned Costs, See “FS-13-01 Construction in Progress and Transfers to Depreciable Capital Assets – Material Weakness” on page 258 of the Fiscal Year 2012-13 CAFR. The District has committed to several additional Capital Asset Management controls and will continue to work with the outside auditor to develop and implement guidelines and additional controls to assure timely and accurate reporting of CIP in the future. See Appendix B – “Comprehensive Annual Financial Report of the District for the Fiscal Year ended June 30, 2013” attached hereto.

#### **Collective Bargaining**

**General.** The District has 12 bargaining units with existing contracts, the negotiations with respect to which are ongoing. The largest bargaining unit among the District’s employees is the United Teachers of Los Angeles (“UTLA”), which is comprised of, among other employees, teachers, instructors, counselors, advisers, nurses, psychologists, and social workers. As of June 30, 2013, the District employed approximately 32,923 teachers for kindergarten through twelfth grade, including credentialed and non-credentialed teachers. The following Table A 4 sets forth the number of members of each bargaining unit as of April 22, 2014 and the expiration dates of the labor agreements with each of the District’s employee bargaining units.

**TABLE A-4**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Employee Bargaining Units**  
**As of April 22, 2014**

<u>Employee Bargaining Unit</u>	<u>Members</u>	<u>Contract Expiration Date</u> <u>(June 30)<sup>(1),(2)</sup></u>
Associated Administrators of Los Angeles – Certificated	1,546	2014
Associated Administrators of Los Angeles – Unit J	234	2015
Unit A (School Police)	421	2014
Unit B (Instructional Aides)	17,427 <sup>(3)</sup>	2014
Unit C (Operations – Support Services)	12,027 <sup>(3)</sup>	2014
Unit D (Office – Technical and Business Services)	3,733	2014
Unit E (Skilled Crafts)	1,288	2014
Unit F (Teacher Assistants)	4,440	2014
Unit G (Playground Aides)	11,738	2014
Unit H (Sergeants and Lieutenants)	63	2008
Unit S (Classified Supervisors)	3,099	2014
United Teachers of Los Angeles	36,027 <sup>(4)</sup>	2011

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

<sup>(2)</sup> Does not reflect side letters and other agreements by and between the District and each of the employee bargaining units pertaining to, among other things, job services and restoration, health care, and evaluations of personnel.

<sup>(3)</sup> Excludes temporary workers.

<sup>(4)</sup> Excludes charter school members.

Source: Los Angeles Unified School District.

**Labor Agreements.** The District is currently in negotiations with UTLA regarding the recommendations made by the Teacher Effectiveness Task Force in April 2010 and from the Joint Statement of Interest dated December 1, 2011 (the “Joint Statement of Interest”) by and between the District and UTLA. The Joint Statement of Interest focuses successor negotiations on mitigating the impact of the State budget crisis, potential new revenue sources and matters relating to teacher support, development and evaluation. In June 2014, the District completed reopener negotiations with Unit D (Office – Technical and Business Services) for the 2013-14 academic year. The reopener agreement includes, among other things, an off-schedule, 2% lump salary payment, on a one-time basis, based upon actual 2013-14 academic year earnings and an increase in the District’s contribution rate under the 2012-14 Health Benefits Agreement (defined herein). The reopener agreement is subject to ratification by members of Unit D and approval by the District Board. The District is currently in negotiations with the certificated and classified Associated Administrators of Los Angeles (“AALA”) group and Unit H (Sergeants and Lieutenants) on their respective agreements. The District expects to begin negotiations with United Teachers of Los Angeles (“UTLA”), Unit A (School Police) Unit E (Skilled Crafts) and SEIU Local 99 as representative of Unit B (Instructional Aides), Unit C (Operations – Support Services, Unit F (Teacher Assistants) and Unit G (Playground Aides) in May 2014.

Pursuant to PEPRA (defined herein), the District may not make employer contributions (“Employer Paid Member Contributions”) for PEPRA Members (defined herein). The District has proposed to its bargaining units the use of salary adjustments in exchange for the elimination of Employer Paid Member Contributions. If approved, all bargaining unit employees who are eligible for CalPERS or CalSTRS would pay 100% of their individual employee contribution. The District has concluded negotiations for a contract with members of Unit S (Supervisors) which eliminated the Employer Paid

Member Contribution and implemented a salary adjustment through the proposed salary offset. The District has entered into a side letter agreement with Unit E (Skilled Crafts) regarding the elimination of the Employer Paid Member Contribution for its employees. See “District Financial Information – Retirement Systems – California Public Employees’ Retirement System” and “ - California Public Employees’ Pension Reform Act of 2013” herein.

In November 2011, the District and its bargaining units approved the 2012-14 Health Benefits Agreement (the “2012-14 Health Benefits Agreement”). The 2012-14 Health Benefits Agreement defines the District’s contribution towards health and welfare benefits for active and retired employees. The 2012-14 Health Benefits Agreement establishes the estimated contribution by the District of \$981.1 million for calendar year 2012, a 0% increase from 2011, \$1 billion for calendar year 2013, a 4.7% increase from 2012, and \$1.04 billion for calendar year 2014, a 4.5% increase from 2013. These estimates are based upon an agreed upon per capita rate and the estimated number of participants. The actual contributions for 2012, 2013 and 2014 were \$927.1 million, \$928.7 million and \$950 million, respectively. The 2012-14 Health Benefits Agreement also requires contributions to be drawn from the reserve account established by the Health Benefits Committee, which is comprised of representatives of the respective bargaining units and one District representative, to match each of the District’s contributions. See “—Other Postemployment Benefits” herein.

***Reduction in Force Notices.*** In general, pursuant to the Education Code, the District must give written notice to a certificated employee by the March 15 (each, a “Reduction in Force Notice”) prior to the commencement of a school year if such certificated employee is to be released for that school year. In anticipation of the approval of the State’s budget and the approval of the District’s budget and to provide flexibility in the event budget reductions are necessary in a given fiscal year, the District Board may approve the use of Reduction in Force Notices for a portion of its certificated employees. A proposal to authorize Reduction in Force Notices for all certificated administrators, supervisory employees, and confidential employees informing them that they may be released and/or reassigned was submitted to and adopted by the District Board on March 4, 2014. The District has not issued Reduction in Force Notices to certificated employees assigned to classrooms.

***Litigation Regarding District Layoff Procedures.*** A complaint for injunctive and declaratory relief was filed on February 24, 2010 in the Los Angeles County Superior Court against the District and the State entitled *Reed, et al. v. State of California and the Los Angeles Unified School District, et al.* The plaintiffs, students at three middle schools within the District at the time of the complaint, alleged that the State’s and the District’s budgetary measures resulted in increased layoffs and use of substitute teachers at the schools named therein that were disproportionate to other schools within the District. As a result, the complaint alleged, the plaintiffs had been deprived of educational equality. Among other relief, the plaintiffs sought declaratory relief that the State and the District had violated their rights under the State Constitution and the State Government Code and injunctive relief prohibiting the defendants from implementing future layoffs of teachers at the schools named therein that were disproportionate to other schools within the District or hindering the ability of the schools to maintain an effective corps of teachers. The District reached an agreement with UTLA and the Partnership for Los Angeles Schools in the *Reed* litigation in April 2014. In accordance with the settlement agreement, the District will provide administrative and teacher support to 37 of the District’s highly challenged schools. The designated schools have high teacher turnover rates and student drop-out rates and low scores on the State’s Academic Performance Index (“API”), which is the State’s basic measurement of academic progress. See “District Financial Information - Academic Performance and Instructional Initiatives - Public Schools Accountability Act of 1999” herein. The settlement agreement resulted from collaboration and negotiations by and among the District, plaintiffs’ counsel, UTLA, AALA and the partnership schools.

A complaint declaratory and injunctive relief was filed on May 14, 2012 against the District and other named parties entitled *Vergara, et al. v. State of California, et al.* (the “*Vergara* Complaint”) in the



Los Angeles County Superior Court. The plaintiffs, who are public school and public charter school students in the District and Alum Rock Union School District, allege that the hiring and continued employment of grossly ineffective teachers in the State public school system is the direct result of the continued enforcement of Education Code Sections 44929.21(b), 44934, 44938(b)(1), 44938(b)(2), 44944 and 44955 (collectively, the “Challenged Statutes”). The plaintiffs alleged that the continued enforcement of the Challenged Statutes causes negative impacts on students’ education, infringe upon California students’ right to education and cause disparate impacts from classroom to classroom and school to school. Further, the plaintiffs alleged that the Challenged Statutes prevent administrators from making employment and dismissal decisions that benefit students due to, among other things, the cost to terminate ineffective teachers, the difficulty, complexity, and length of time associated with the removal process and the seniority basis of the layoff system. On June 11, 2014, the Superior Court of the State of California issued a decision which held that the provisions of the Challenged Statutes with respect to permanent employment, teacher dismissal, and the process pursuant to which the last-hired teacher is the first to be fired when layoffs occur violate the equal protection clause of the State Constitution. In addition, the Superior Court held that the Challenged Statutes disproportionately affect poor and minority students. The Superior Court stayed the injunction of the Challenged Statutes pending appellate review. The District cannot predict the outcome of or remedy imposed by any appellate review with respect to the Challenged Statutes, how any final court decision with respect to the *Vergara* Complaint would affect the financial status of the District, or the responses, if any, of the State Legislature and the Governor. However, the District does not expect any decision or change in law to adversely affect the ability of the District to pay the principal of and interest on the Bonds as and when due.

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

On June 12, 2012, the Superior Court ruled that the District did not currently comply with the requirements of the Stull Act with respect to student progress towards State and local standards and teacher evaluations. The District entered into separate agreements with the UTLA and AALA (collectively, the “Stull Act Agreements”) regarding the implementation of evaluation procedures for certificated employees. Pursuant to the Stull Act Agreements, the District must measure student growth and progress using State-adopted, criterion-referenced student testing results under the California State Testing program. The District, UTLA and AALA are implementing the statutory requirements identified by the Superior Court and the Stull Act Agreements. On June 18, 2013, UTLA filed a charge with the Public Employee Relations Board (“PERB”) which alleged that the District unilaterally implemented a four-level evaluation rating policy. The District has denied this allegation. The PERB is expected to consider this matter in June 2014.

## **Retirement Systems**

***General.*** The District currently participates in CalSTRS, CalPERS and PARS (defined herein). The amounts of the District’s contributions to STRS, CalPERS and PARS are subject to, among other things, modifications to or approvals of collective bargaining agreements and any changes in actuarial assumptions used by CalSTRS, CalPERS and PARS. See Table A-5 “Annual Regular CalSTRS Contributions”, Table A-7 “Annual CalPERS Regular Contributions” and Table A-9 “Annual PARS Contribution” for the

estimated contributions by the District for Fiscal Year 2013-14 for CalSTRS, CalPERS and PARS, respectively. For additional information regarding the District's pension and retiree health care programs and costs, see the District's financial statements for Fiscal Year 2012-13 contained in Appendix B – "Comprehensive Annual Financial Report of the District for the Fiscal Year ended June 30, 2013" attached hereto.

The information set forth below regarding CalSTRS, CalPERS, and PARS has been obtained from publicly available sources and has not been independently verified by the District and is not guaranteed as to the accuracy or completeness thereof by or to be construed as a representation by the District. Furthermore, the summary data below should not be read as current or definitive, as recent gains or losses on investments made by the retirement systems generally may have changed the unfunded actuarial accrued liabilities stated below.

***California State Teachers' Retirement System.*** CalSTRS is a defined benefit plan that covers all full-time certificated District employees and some classified District employees, which are District employees employed in a position that does not require a teaching credential from the State. Benefit provisions are established by State legislation in accordance with the State Teachers' Retirement Law. CalSTRS is operated on a Statewide basis and, based on publicly available information, has substantial unfunded liabilities. Additional funding of CalSTRS by the State and the inclusion of adjustments to such State contributions based on consumer price changes were provided for in 1979 Statutes, Chapter 282.

In February 2013, the CalSTRS staff members presented a report (the "2013 CalSTRS Funding Report") to the Teachers' Retirement Board and the State Legislature with respect to the unfunded liability of CalSTRS defined benefit program (the "Defined Benefit Program"). The 2013 CalSTRS Funding Report noted that the State, as the sponsor of the Defined Benefit Program, has a legal obligation to ensure that benefits continue to be paid notwithstanding the depletion of assets. In order to improve the funded status of the Defined Benefit Program, the 2013 CalSTRS Funding Report proposed that the State Legislature increase investment returns by increasing the risk of the investment portfolio reduce benefits offered to plan members, and increasing contributions. In addition, the 2013 CalSTRS Funding Report stated that the State Legislature must decide the financial objective that the State Legislature and Governor wish to achieve with respect to the Defined Benefit Program and consider having sufficient funds on hand to generate assets to pay liabilities, establish a funding target, increase contributions to avoid full depletion of assets and increase contributions to delay the full depletion of assets. Further, the 2013 CalSTRS Funding Report recommended the State Legislature determine the period of time in which it expects to achieve the funding objective, determine when contribution rate increases should begin, and establish the speed of contribution rate increases.

Pursuant to the CalSTRS' comprehensive annual financial report for the Fiscal Year ended June 30, 2013, absent corrective action, the CalSTRS fund will be depleted in 2043, and the State will be obligated to pay the difference between the benefits paid and the contributions received. In May 2014, the State's Legislative Analyst's Office released a report entitled "Addressing California's Key Liabilities" (the "LAO Liabilities Report"). The LAO Liabilities Report recommends that the State address approximately \$200 billion of key liabilities, of which approximately \$73.7 billion are attributable to the CalSTRS pension program. Although the LAO acknowledges that the State does not have the resources to address all of such outstanding liabilities immediately, the LAO recommends that the State set priorities based on the rate at which each liability increases and whether addressing a liability will have benefits to a group or entity other than the State government. The LAO recommends that the State make the CalSTRS pension program a top priority and estimates that annual contributions from the State, teachers and school districts will need to increase by more than \$5 billion in order to fully fund the pension program over a 30-year period.

The District is unable to predict the amount of future State funding toward pension liabilities or the amount of CalSTRS contributions required to be made by the District or its employees. Accordingly, there

can be no assurances that the District's required contributions to CalSTRS will not significantly increase in the future above current levels.

The actuarial assumptions set forth in the California State Teachers' Retirement System Defined Benefit Program Actuarial Valuation as of June 30, 2013 (the "2013 CalSTRS Actuarial Valuation") use the "Entry Age Normal Cost Method" and, among other things, an assumed 7.50% investment rate of return, 4.50% interest on accounts, projected 3.75% wage growth, projected 3.00% inflation and demographic assumptions relating to mortality rates, length of service, rates of disability, rates of withdrawal, probability of refund, and merit salary increases. The actuarial assumptions and methods used in the 2013 CalSTRS Actuarial Valuation were based on the Experience Analysis July 1, 2006 – June 30, 2010 adopted by the Teacher's Retirement Board in February 2012 (the "CalSTRS Experience Analysis"). CalSTRS' unfunded liability will vary from time to time depending upon actuarial assumptions, actual rates of return on investment, salary scales and levels of contribution.

The 2013 CalSTRS Actuarial Valuation states that the aggregate contribution rate as of June 30, 2013, inclusive of contributions from members, employers and the State, is equivalent to 19.497%. The 2013 CalSTRS Actuarial Valuation projects that a level contribution rate of 32.879% beginning June 30, 2013 would be needed to amortize the unfunded actuarial obligation over a 30-year period which would be an increase of 13.382% from the present contribution rate. The Actuarial Consultant stated that the projected shortfall was due to, among other things, an investment rate of return of approximately 4.5% since 2000 as compared to the 7.50% long-term assumed rate of return. In addition, the 2013 CalSTRS Actuarial Valuation assumes that all members hired on or after January 1, 2013 are subject to the provisions of PEPRA. See " – California Public Employees' Pension Reform Act of 2013" herein. The Actuarial Consultant states that the lower level of benefits offered to PEPRA Employees (defined herein) is expected to reduce the normal costs related thereto and the amount of additional revenue needed. Nevertheless, the Actuarial Consultant projected that, absent corrective action, the Defined Benefit plan would be depleted by 2046. Although the Actuarial Consultant has applied a 7.50% long-term rate of return to CalSTRS' assets in its actuarial valuations, upon its implementation, GASB 68 may require the District and other member agencies to assume a lower rate of return to determine their respective net pension liability. Pursuant to GASB 68, if CalSTRS or any other defined benefit program is projected to exhaust all of its assets in the future, the assumed rate of return will only be applied to assets until such time as the assets are no longer sufficient to pay benefits. Subsequent thereto, the remaining liability will be discounted with a high-quality municipal bond rate. Accordingly, upon the implementation of GASB 68 and application of the accounting standards established therein, CalSTRS unfunded liability is expected to be approximately \$167 billion unless a funding solution is approved and established before Fiscal Year 2014-15 begins. Such legislation has been approved by the State Legislature and the Governor in connection with the Fiscal Year 2014-15 State Budget Act (defined herein). See "District Financial Information – Retirement Systems – Pension Accounting and Financial Reporting Standards" and "State Funding of Education – State Budget – Fiscal Year 2014-15 State Budget Act" and " – Trailer Bills with respect to the Fiscal Year 2014-15 State Budget Act" herein.

The fair market value of the CalSTRS pension fund as of June 30, 2012 and June 30, 2013 was \$143.1 billion and \$157.2 billion, respectively, based on total system assets. CalSTRS produces a comprehensive annual financial report which includes financial statements and required supplementary information. Copies of the CalSTRS' comprehensive annual financial report may be obtained from CalSTRS, P.O. Box 15275, Sacramento, California 95851. The information presented in these reports is not incorporated by reference in this Official Statement.

Employees currently contribute 8.00% of gross salary expenditures to CalSTRS, and the District currently contributes 8.25% of gross salary expenditures to CalSTRS. The following Table A-5 sets forth the District's regular annual contributions to CalSTRS for Fiscal Years 2009-10 through 2012-13, budgeted regular annual contributions to CalSTRS for Fiscal Year 2013-14 and the contributions as a percentage of

the District's Total Governmental Funds expenditures for Fiscal Years 2009-10 through 2012-13. The District has always paid all required CalSTRS annual contributions.

**TABLE A-5**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Annual Regular CalSTRS Contributions**  
**Fiscal Years 2009-10 through 2013-14**  
**(\$ in millions)**

<b>Fiscal Year</b>	<b>District Contributions<sup>(1)</sup></b>	<b>District Contribution as Percentage of Total Governmental Funds Expenditures</b>
2009-10	\$233.1	2.50%
2010-11	236.7	2.64
2011-12	225.0	2.64
2012-13	213.5	2.69
2013-14 <sup>(2)</sup>	207.6	N/A

<sup>(1)</sup> Excludes employee contributions paid by the District.

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

Sources: District contributions from the Los Angeles Unified School District Comprehensive Annual Financial Reports for Fiscal Years 2009-10 through 2012-13 and the District for Fiscal Year 2013-14, percentage of Total Governmental Funds Expenditures from the District and estimated contribution for Fiscal Year 2013-14 from Fiscal Year 2013-14 Second Interim Report.

The unfunded actuarial accrued liabilities and funded status of the CalSTRS pension fund as of June 30 of Fiscal Years ended June 30, 2009 through June 30, 2013 are set forth in the following Table A-6. The individual funding progress for the District is not provided in the actuarial report from CalSTRS, but will be reported in the District's financial statements beginning in Fiscal Year 2014-15 pursuant to GASB 68. See " - Pension Accounting and Financial Reporting Standards" herein.

**TABLE A-6**  
**Actuarial Value of State Teachers' Retirement Fund Defined Benefit Program**  
**Valuation Dates June 30, 2009 through June 30, 2013**  
**(\$ in billions)**

<b>Valuation Date (June 30)</b>	<b>Accrued Liability</b>	<b>Actuarial Value of Assets<sup>(1)</sup></b>	<b>Unfunded Liability</b>	<b>Funded Ratio (Actuarial Value)</b>	<b>Funded Ratio (Fair Market Value)</b>
2009	\$185.683	\$145.142	\$40.541	78.0%	58.0%
2010	196.315	140.291	56.024	71.5	59.7
2011	208.405	143.930	64.475	69.1	67.2
2012	215.189	144.232	70.957	67.0	62.7
2013	222.281	148.614	73.667	66.9	66.5

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

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

**California Public Employees' Retirement System.** CalPERS is a defined benefit plan that covers classified personnel who work four or more hours per day. Benefit provisions are established by State

legislation in accordance with the Public Employees' Retirement Law. The District is unable to predict what the amount of State funding toward its pension liabilities will be in the future, or the amount of the contributions which the District may be required to make to CalPERS. Accordingly, there can be no assurances that the District's required contributions to CalPERS will not significantly increase in the future above current levels.

Active plan members are required to contribute 7% (miscellaneous) or 9% (safety) of their monthly salary and the District is required to contribute based on an actuarially determined rate. The actuarial methods and assumptions used for determining the rates are based on those adopted by Board of Administration of CalPERS. The required employer contribution rates for Fiscal Year 2012-13 were 11.417% for miscellaneous and 33.233% for safety members. The required employer contribution rates for Fiscal Year 2013-14 are 11.442% for miscellaneous and 31.821% for safety members.

In February 2014, the CalPERS Board of Administration adopted new actuarial assumptions based on the CalPERS Experience Study and Review of Actuarial Assumptions dated January 2014. Based on the new actuarial assumptions and an assumed investment rate of return of 7.5%, CalPERS projects that the required school employer contribution rate for miscellaneous members will be 11.7% for Fiscal Year 2014-15 and 12.6% for Fiscal Year 2015-16. In addition, CalPERS projects additional annual increases to the contribution rates of school employers resulting in school employer contribution rates for miscellaneous members of 15.0% in Fiscal Year 2016-17, 16.6% in Fiscal Year 2017-18, 18.2% in Fiscal Year 2018-19, 19.9% in Fiscal Year 2019-20 and 20.4% in Fiscal Year 2020-21. The District pays the employee's contribution of 9% for most of the safety members and certain percentages for employees covered under other collective bargaining units. To the extent that future experience differs from CalPERS' current assumptions, the required employer contribution rates are expected to vary in the future.

The contribution requirements of the plan members are established by State statute. The District's contributions for all members for the Fiscal Years 2010-11 through 2012-13 were in accordance with the required contribution rates calculated by CalPERS' actuary for each fiscal year. Accordingly, the District's annual pension costs for such fiscal years were equal to the annual required contributions and its net pension obligation to CalPERS for Fiscal Years 2010-11 through 2012-13 was \$0.

The following Table A-7 sets forth the District's regular annual contributions, inclusive of employee contributions paid by the District, to CalPERS for Fiscal Years 2009-10 through 2012-13, the estimated contribution for Fiscal Year 2013-14 and the contributions as a percentage of the District's Total Governmental Funds expenditures for Fiscal Years 2009-10 through 2012-13. The District has always paid all required CalPERS annual contributions.

**TABLE A-7**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Annual CalPERS Regular Contributions**  
**Fiscal Years 2009-10 through 2013-14<sup>(1)</sup>**  
**(\$ in millions)**

<b>Fiscal Year</b>	<b>District Contributions<sup>(1)</sup></b>	<b>District Contribution as Percentage of Total Governmental Funds Expenditures</b>
2009-10	\$156.0	1.68%
2010-11	142.6	1.59
2011-12	136.4	1.61
2012-13	128.7	1.62
2013-14 <sup>(2)</sup>	98.5	N/A

<sup>(1)</sup> Includes regular contributions and employee contributions paid by the District and "PERS Recapture." Pursuant to State law, the State is allowed to recapture the savings corresponding to a lower CalPERS rate by reducing a school district's revenue limit apportionment by the amount of the school district's CalPERS savings in that year. Such recapture has occurred with respect to the District in each fiscal year since Fiscal Year 1982-83. Beginning in fiscal year 2013-14, the Local Control Funding Formula eliminated the PERS Savings Recapture.

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

Sources: District contributions from the Los Angeles Unified School District Comprehensive Annual Financial Reports for Fiscal Years 2009-10 through 2012-13 and the District for Fiscal Year 2013-14, percentage of Total Governmental Funds Expenditures from the District and estimated contribution for Fiscal Year 2013-14 from Fiscal Year 213-14 Second Interim Report.

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

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

The market value of the entire CalPERS pension fund as of June 30, 2012 and June 30, 2013 was \$241.8 billion and \$237.0 billion, respectively. The unfunded actuarial accrued liabilities and funded status of the schools portion of CalPERS as of June 30 of Fiscal Years June 30, 2008 through June 30, 2012 are set forth in the following Table A-8. The individual funding progress for the District is not provided in the schools portion of actuarial report from CalPERS, but will be reported in the District's financial statements beginning in Fiscal Year 2014-15 pursuant to GASB 68.

**TABLE A-8**  
**Actuarial Value of Schools Portion of CalPERS**  
**Historical Funding Status**  
**Valuation Dates June 30, 2008 through June 30, 2012**  
**(\$ in millions)**

<b>Valuation Date (June 30)</b>	<b>Actuarial Accrued Liabilities</b>	<b>Market Value of Assets (MVA)</b>	<b>Funded Status (MVA)</b>	<b>Unfunded Liabilities/ (Surplus) (MVA)</b>	<b>Projected Payroll for Determining Contributions</b>	<b>Unfunded Liability/ (Surplus) as a % of Payroll</b>
2008	\$48,537.68	\$45,547.90	93.8%	\$ 2,989.78	\$11,137.70	26.8%
2009	52,493.08	34,146.45	65.0	18,346.63	11,109.76	165.1
2010	55,306.96	38,435.17	69.5	16,871.79	11,283.40	149.5
2011	58,358.41	45,900.99	78.7	12,457.42	10,540.43	118.2
2012	59,439.13	44,853.80	75.5	14,585.33	10,242.25	142.4

Source: CalPERS State & Schools Actuarial Valuation as of June 30, 2012.

The unfunded actuarial accrued liabilities and funded status of the District's Safety Plan, which is an individual component of CalPERS, as of June 30 of Fiscal Years June 30, 2008 through June 30, 2012, are set forth in the following Table A-9.

**TABLE A-9**  
**CalPERS Actuarial Value of LAUSD Safety Plan<sup>(1)</sup>**  
**Historical Funding Status**  
**Valuation Dates June 30, 2008 through June 30, 2012**

<b>Actuarial Valuation Date (June 30)</b>	<b>Accrued Liability (a)</b>	<b>Actuarial Value of Assets (AVA) (b)</b>	<b>Unfunded Liability (a) – (b)</b>	<b>Funded Ratios (AVA) (b)/(a)</b>	<b>Market Value</b>	<b>Annual Covered Payroll (c)</b>	<b>Unfunded Liability as a % of Covered Payroll [(a)-(b)]/(c)</b>
2008	\$219,065,924	\$181,001,512	\$38,064,412	82.6%	84.4%	\$22,832,168	166.7%
2009	240,158,247	190,718,449	49,439,798	79.4	58.1	23,714,632	208.5
2010	249,235,744	201,793,549	47,442,195	81.0	63.8	23,550,230	201.5
2011	258,517,618	214,253,073	44,264,545	82.9	74.1	24,676,608	179.4
2012	266,875,028	227,075,678	39,799,350	85.1	71.4	24,937,992	159.6

<sup>(1)</sup> Date set forth in Table A-9 reflects information relating to the District's Safety Plan and does not include information relating to the Miscellaneous Plan. Actuarial information relating to the historical funding status of the District's Miscellaneous Plan is not available from CalPERS as a separate report but is incorporated in the combined schools portion of CalPERS' pension fund as set forth in Table A-8 above.

Source: CalPERS Safety Plan of the Los Angeles Unified School District (Employer # 361) Annual Valuation Report as of June 30, 2012.

In April 2013, the CalPERS Board of Administration adopted changes to the asset smoothing method. Prior to this change, CalPERS employed an amortization and smoothing policy which spread investment returns over a 15-year period with experience gains and losses paid for over a rolling 30-year period. As a result of the April 2013 change, CalPERS will employ an amortization and smoothing policy that will pay on an actuarial basis for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period. CalPERS will apply the new amortization and smoothing policy for actuarial valuations for the Fiscal Year ended June 30, 2013 actuarial valuations which will be performed in the fall of 2014. CalPERS expects to use these valuations to set employer contribution rates for the Fiscal Year 2015-16. Under the previous asset smoothing method, gains and losses were amortized on a rolling 30-year amortization period, with the exception of gains and losses in Fiscal Years 2008-09, 2009-10, and 2010-11 which are isolated and amortized over fixed and declining 30-year periods.

The actuarial funding method used in the CalPERS State & Schools Actuarial Valuation as of June 30, 2012 is the “Individual Entry Age Normal Cost Method”. The CalPERS State & Schools Actuarial Valuation as of June 30, 2012 assumes, among other things, a 7.50% investment rate of return (net of administrative expenses), projected 2.75% inflation and projected 2.00% or 3.00% post-retirement benefit increases, and projected payroll growth of 3.00%.

The CalPERS Safety Plan of the Los Angeles Unified School District (Employer # 361) Annual Valuation Report as of June 30, 2012 uses the “Individual Entry Age Normal Cost Method” as the actuarial funding method and assumes, among other things, a 7.50% investment rate of return (net of administrative expenses), projected salary increases of 3.30% to 14.20% depending on age, service and type of employment, projected 2.75% inflation and projected payroll growth of 3.00%.

Actuarial information and assumptions for CalPERS members that are subject to PEPPRA are not reflected in the CalPERS State & Schools Actuarial Valuation as of June 30, 2012 or the CalPERS Safety Plan of the Los Angeles Unified School District (Employer # 361) Annual Valuation Report as of June 30, 2012. PEPPRA mandates new benefit formulas and new member contributions for new members. These new members will be reflected in CalPERS actuarial valuations beginning with the actuarial valuation for year ended June 30, 2013. See “ – California Public Employees’ Pension Reform Act of 2013” herein.

CalPERS issues a comprehensive annual financial report and actuarial valuations that include financial statements and required supplementary information. Copies of the CalPERS CAFR and actuarial valuations may be obtained from the CalPERS Financial Services Division, P.O. Box 942703, Sacramento, California 94229-2703. The information set forth therein is not incorporated by reference in this Official Statement.

***Public Agency Retirement System.*** On July 1, 1992, the District joined the Public Agency Retirement System (“PARS”), a multiple-employer retirement trust. This defined contribution plan covers the District’s part-time, seasonal, temporary and other employees not otherwise covered by CalPERS or CalSTRS, but whose salaries would otherwise be subject to Social Security tax. Benefit provisions and other requirements are established by District management based on agreements with various bargaining units.

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



The following Table A-10 sets forth the District's annual contributions to PARS for Fiscal Years 2009-10 through 2012-13, the estimated annual contribution to PARS for Fiscal Year 2013-14 and the contributions as a percentage of the District's Total Governmental Funds expenditures for Fiscal Years 2009-10 through 2012-13.

**TABLE A-10**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Annual PARS Contribution**  
**Fiscal Years 2009-10 through 2013-14**  
**(\$ in millions)**

<b>Fiscal Year</b>	<b>District Contributions<sup>(1)(2)</sup></b>	<b>District Contribution as Percentage of Total Governmental Funds Expenditures</b>
2009-10	\$5.7	0.06%
2010-11	5.2	0.06
2011-12	4.5	0.04
2012-13	3.8	0.05
2013-14 <sup>(3)</sup>	5.2	N/A

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

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

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

Sources: District contributions from the Los Angeles Unified School District Comprehensive Annual Financial Reports for Fiscal Years 2009-10 through 2012-13 and the District for Fiscal Year 2013-14 and percentage of Total Governmental Funds Expenditures and estimated contribution for Fiscal Year 2013-14 from the District.

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

PEPRA mandates equal sharing of normal costs between a contracting agency or school employer and their employees and that employees pay at least 50% of normal costs and that employers not pay any of the required employee contribution. However, PEPRA limits the contribution to an amount not in excess of 8% of pay for local miscellaneous or school members, not more than 12% of pay for local police officers, local firefighters, and county peace officers, and not more than 11% of pay for all local safety members. PEPRA requires employers to complete a good faith bargaining process as required by law prior to implementing changes regarding the contribution requirements. The changes to required contribution requirements will go into effect on January 1, 2018 unless the employer and the affected bargaining unit have reached an agreement in accordance with PEPRA.

In addition, PEPRA amends existing laws to redefine final compensation for purposes of pension benefits for PEPRA Employees. Further, PEPRA permits certain public employers who have offered a lower defined benefit retirement plan before January 1, 2013 to continue to offer such plan to PEPRA Employees. However, if a public employer adopts a new defined benefit plan on or after January 1, 2013,

such plan will be subject to PEPRA requirements unless, among other things, its retirement system's chief actuary and retirement board certify that the new plan is not riskier or costlier to the public employer than the defined benefit formula required under PEPRA.

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

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

### **Other Postemployment Benefits**

In addition to employee health care costs, the District provides postemployment health care benefits in accordance with collective bargaining agreements. As of July 1, 2013, there are approximately 38,000 retirees who meet the eligibility requirements for these benefits. The District currently funds these benefits on a pay-as-you-go basis, paying an amount in each Fiscal Year equal to the benefits distributed or disbursed in that Fiscal Year. See "District Financial Information – District Financial Policies – Budget and Finance Policy – Liability Reserves" herein. The following Table A-11 sets forth the District's funding of other postemployment benefits for Fiscal Years 2009-10 through 2013-14, the estimated contributions for Fiscal Years 2013-14 and the contributions as a percentage of the District's Total Governmental Funds expenditures for Fiscal Years 2009-10 through 2012-13.

**TABLE A-11**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Expenditures for Other Postemployment Benefits**  
**Fiscal Years 2009-10 through 2013-14**  
**(\$ in millions)**

<b>Fiscal Year</b>	<b>Amount</b>	<b>Expenditure as Percentage of Total Governmental Funds Expenditures</b>
2009-10	\$237.3	2.55%
2010-11	240.1	2.68
2011-12	228.7	2.71
2012-13	245.4	3.09
2013-14 <sup>(1)</sup>	258.0	N/A

<sup>(1)</sup> Estimated.

Sources: District OPEB expenditures from the Los Angeles Unified School District Comprehensive Annual Financial Reports for Fiscal Years 2009-10 through 2012-13 and the District for Fiscal Year 2013-14 and percentage of Total Governmental Funds Expenditures and estimated contribution for Fiscal Year 2013-14 from Fiscal Year 2013-14 Second Interim Report.

The Fiscal Year 2013-14 District Final Budget included funding of \$293.0 million for OPEB, which is estimated to be \$39.0 million greater than the estimated pay-as-you-go contribution for OPEB for Fiscal Year 2013-14. The District set aside approximately \$54.4 million in Fiscal Year 2013-14 and approximately \$81 million in prior fiscal years in its OPEB Fund and intends to use such amounts to reduce the unfunded actuarial accrued liability (“UAAL”) of its OPEB. The current OPEB Reserve is not an irrevocable trust as defined in GASB 45. Accordingly, funds on deposit in to the OPEB Reserve are not restricted to the payment of OPEB costs and the District’s actuarial consultant has not included such funds in its analysis of the District’s OPEB liability. However, the District Board approved the creation of the OPEB Trust Fund at a meeting held on May 13, 2014. See “District Financial Information – District Financial Policies – Budget and Finance Policy – Liability Reserves” herein.

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

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

The following are the principal actuarial assumptions used in the 2010 Postemployment Valuation:

1. Measurement Date: June 30, 2009
2. Census Date: June 30, 2009
3. Economic Assumptions:
  - a. Discount Rate: 5.00%;
  - b. Investment Rate of Return: 5.00% for pay-as-you-go funding;
  - c. Valuation Date: June 30, 2009;
  - d. Annual Inflation Rate: 3.25%;
  - e. Annual Payroll Growth: 4.25%;
  - f. Administrative Expenses: No administrative expenses were valued separately from the premiums; and
  - g. Actuarial Cost Method: Entry Age Normal; level dollar, open. Entry age is based on current age minus years of service.
4. Demographic Assumptions
  - a. Retirement: Age-based ranges;
  - b. Termination: Service-related ranges;
  - c. Disability Retirement: Age-based rates for all participants;
  - d. Mortality: (i) Active Employees: 1994 Group Annuity Mortality table, 5 year setback for males, 4 year setback for females; (ii) Retirees: 1994 Group Annuity Mortality table, 3 year setback for males, 2 year setback for females; and (iii) Disabled Lives – Select Rates used during the first three years of disability and Ultimate Rates used after three years of disability;
  - e. Plan Participation: 100% of current active employees with medical coverage are assumed to continue coverage upon retirement;
  - f. Marital Characteristics: (i) Retirees: actual data and (ii) Active Employees: 75% of male participants are assumed to elect spousal coverage, with female spouses five years younger than male participants and 50% of female participants are assumed to elect spousal coverage, with male spouses two years older than female participants; and
  - g. Plan Participation: 100% of the current active employees with medical coverage are assumed to continue medical coverage at retirement.
5. Benefit Assumptions
  - a. Premium Rates: Used for Retiree Medical Coverage, including prescription drugs, Retiree Dental Coverage and Retiree Vision Coverage;
  - b. Health Care Cost Subsidy Trend Rates: 9.25% (graded down over 10 years to ultimate rate of 5.00%) for the health maintenance organizations and 9% (graded down over 10 years to ultimate rate of 5.00%) for the preferred provider organizations; and
  - c. Dental and Vision Care Inflation: 5.00%.

The 2010 Postemployment Valuation sets forth the District's actuarial valuation of postemployment medical benefits as of June 30, 2011 for its employees and retirees. The 2010 Postemployment Valuation sets forth the liabilities of the postemployment benefit plan based upon GASB Statement Nos. 43 and 45. The market value of plan net assets as of June 30, 2009 is estimated to be \$0. The District's actuarial consultant has excluded the amounts on deposit in the aforementioned OPEB Fund because the OPEB Fund is not an irrevocable trust. The 2010 Postemployment Valuation reports that, as of June 30, 2011, the UAAL of the District's post-retirement health and welfare benefits program is approximately \$11.2 billion. Pursuant to GASB 45, OPEB expense in an amount equal to annual OPEB cost is recognized in government-wide financial statements on an accrual basis. Net OPEB obligations, if any, including amounts associated with under- or over-contributions from governmental funds, are to be displayed as liabilities (or assets) in government-wide financial statements.

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

The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the “Affordable Care Act”) were signed into law in March 2010. The Affordable Care Act imposes an excise tax (the “Health Care Reform Excise Tax”) of 40% on employers that carry “Cadillac healthcare plans” beginning in 2018. The excise tax will be applied to the amount of premium in excess of stated single (\$10,200) and family (\$27,500) thresholds. The 2010 Postemployment Valuation was released prior to the enactment of the Affordable Care Act of 2010. However, the District’s actuary has estimated the impact of the excise tax using the assumptions and calculations from that valuation. The 2010 Postemployment Valuation was updated by the District’s Actuary to reflect the projected impact of the Affordable Care Act (the “Updated Postemployment Valuation”). Based on the Updated Postemployment Valuation, the actuarial accrued liability for benefits was \$10.3 billion as of June 30, 2011, and the actuarial value of assets was \$0, resulting in a UAAL of \$10.3 billion, of which \$400 million is attributable to the Health Care Reform Excise Tax. 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 223%. See Note 8 to the audited financial statements of the District contained in Appendix B – “Comprehensive Annual Financial Report of the District for the Fiscal Year ended June 30, 2013” attached hereto.

Table A-12 below sets forth the District’s ARC, annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for Fiscal Years 2008-09 through 2012-13.

**TABLE A-12**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Annual Required Contributions, OPEB Costs and Net OPEB Obligations**  
**Fiscal Years 2008-09 through 2012-13**  
**(\$ in thousands)**

<b><u>Fiscal Year</u></b>	<b><u>Annual Required Contribution</u></b>	<b><u>Annual OPEB Cost</u></b>	<b><u>Annual OPEB Cost Contributed</u></b>	<b><u>Net OPEB Obligation</u></b>
2008-09	\$1,088,523	\$1,088,523	25%	\$1,653,926
2009-10	1,006,755	977,150	24	2,393,811
2010-11	1,050,646	1,022,031	23	3,175,742
2011-12	1,085,949	1,047,987	22	3,995,038
2012-13	1,085,949	1,038,193	24	4,787,843

Source: Los Angeles Unified School District Comprehensive Annual Financial Reports for Fiscal Years 2008-09 through 2012-13.

The District expects to continue to review the 2010 Postemployment Valuation in conjunction with the District’s obligations under its postemployment benefit plan to determine, among other things, its course of action with respect to postemployment benefit contributions and what other postemployment benefit liability must be reported. In the opinion of District management, any further increase in the District’s UAAL as described in the 2010 Postemployment Valuation will not adversely affect the

District's ability to pay debt service on its general fund obligations, tax and revenue anticipation notes, certificates of participation, or general obligation bonds, including the Bonds described in the forepart of this Official Statement, which are payable from voter-approved *ad valorem* property taxes.

For additional information regarding the District's OPEB, see Appendix B – "Comprehensive Annual Financial Report of the District for the Fiscal Year ended June 30, 2013" attached hereto.

## **Insurance**

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

Excess insurance is maintained through a combination of excess policies totaling \$500 million coverage in aggregate above a \$1 million self-insurance retention and for general liability which currently provides \$30 million coverage above a \$10 million self-insurance retention. No settlements exceeded insurance coverage in the during Fiscal Years 2009-10 through 2012-13. The District maintains reserves that it believes are adequate to cover losses within the self-insured retention.

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

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

Accountability and Oversight Provisions – Interim Reporting Requirements – District First Interim Report for Fiscal Year 2013-14”, “ – District Second Interim Report for Fiscal Year 2013-14” and “ – District June 2014 End of Year Report for Fiscal Year 2013-14” herein.

The District is self-insured for its Workers’ Compensation Program. Separate funds are used to account for amounts set aside to pay claims incurred and related expenditures under the respective insurance programs. The amount required to be on deposit in the Worker’s Compensation Fund is established with information from an independent actuary. The District determines the annual budget for workers’ compensation by reviewing the amount necessary to fund its outstanding workers’ compensation liability to the actuarially recommended level based on the central estimate approach and by additionally calculating the amount necessary for claims and operation of the Worker’s Compensation Fund. The District uses the difference of the current fiscal year’s central estimate versus that from the previous fiscal year to establish the amount necessary to fund projected liabilities. With respect to funding claims activity, the amount required to be on deposit in the Worker’s Compensation Fund is based on the anticipated increase in claims cost in the current fiscal year versus the prior fiscal year. Such amount is generally higher than the amount recommended in the actuarial report. See “District Financial Information - District Financial Policies - Budget and Finance Policy - Liability Reserves” herein. In the last recent actuarial report covering the period as of December 31, 2013, the actuary recommended the minimum funding levels set forth in Table A-13.

**TABLE A-13**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Minimum Recommended Funding Levels**  
**Fiscal Years 2014-15 through 2016-17**

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

Sources: Los Angeles Unified School District

The following Table A-14 sets forth information on changes in the Workers Compensation Program’s liabilities from Fiscal Years 2008-09 through 2012-13 and estimated changes in Fiscal Year 2013-14. The reduced liability as of June 30, 2013 results from, among other things, workers’ compensation reforms implemented by the State, cost containment strategies and a decrease in newly reported claims. The District uses separate funds to account for amounts set aside to pay claims incurred and related expenditures under the respective insurance programs. See “District Financial Information – District Financial Policies – Budget and Finance Policy – Liability Reserves” herein and Note 9 in the audited financial statement for Fiscal Year 2012-13 set forth in Appendix B hereto.

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

<b><u>Fiscal Year</u></b>	<b><u>Liability: Beginning of Fiscal Year</u></b>	<b><u>Current Year Claims and Changes in Estimates</u></b>	<b><u>Claims Paid</u></b>	<b><u>Liability: End of Fiscal Year</u></b>
2008-09	\$479.5	\$72.2	\$ (80.6)	\$471.2
2009-10	471.2	59.7	(78.5)	452.4
2010-11	452.4	66.5	(88.1)	430.8
2011-12	430.8	98.4	(95.3)	434.0
2012-13	434.0	89.3	(102.4)	420.8
2013-14 <sup>(1)</sup>	420.8	100.4	(99.7)	421.5

Sources: Los Angeles Unified School District Comprehensive Annual Financial Reports for Fiscal Years 2008-09 through 2012-13 and the District for Fiscal Year 2013-14.

<sup>(1)</sup> Estimated.

The District purchased through the American International Group's ("AIG") companies a pollution legal liability ("PLL") policy with coverage of \$50 million for each incident, with an aggregate of \$100 million (coverage period of August 11, 1999 through August 11, 2019). The District filed a lawsuit in Los Angeles County Superior Court in March 2006 against AIG alleging the insurance carrier committed acts of bad faith for failure to honor claims incurred during the PLL policy period. Pursuant to a settlement agreement by and between the District and AIG, AIG is required to pay to the District \$78,750,000 from Fiscal Year 2011-12 to Fiscal Year 2020-21.

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

Liabilities for loss and loss adjustment expenses under each of the District's insurance programs include the accumulation of estimates for losses reported prior to the balance sheet date, estimates of losses incurred but not reported and estimates of expenses for investigating and adjusting reported and unreported losses. Such liabilities are estimates of the future expected settlements and are based upon analysis of historical patterns of the number of incurred claims and their values. The District believes that, given the inherent variability in any such estimates, the aggregate liabilities are within a reasonable range of adequacy. Individual reserves are continually monitored and reviewed, and, as settlements are made or reserves adjusted, differences are reflected in current operations. For additional information regarding the District's insurance programs, see the District's financial statements for Fiscal Year 2012-13 contained in



Appendix B – “Comprehensive Annual Financial Report of the District for the Fiscal Year ended June 30, 2013” attached hereto.

### **Events Regarding Suspended and Former District Employees**

In response to claims of sexual misconduct alleged to have been committed by former District personnel from 2008 to 2011, the District imposed disciplinary actions upon such personnel, including, among other things, suspending and terminating such personnel in accordance with District policy. In addition, the State Auditor conducted a performance audit of the District in 2012 which reviewed and evaluated the District’s processes for handling and documenting claims of abuse against students. The State Auditor acknowledged that the District has made improvements to its policies and procedures related to reporting, investigating, and tracking suspected child abuse. However, the State Auditor issued a series of recommendations to the District, including adhering to State requirements for reporting cases to the Credentialing Commission, increasing oversight of open allegations of employee abuse against students, and identifying one division within the District to track settlements in a manner that includes the total amounts paid and the descriptions of misconduct.

In connection with the allegations of misconduct by current and former District personnel, the District has entered into settlement agreements regarding 65 claims under which the District has appropriated approximately \$30 million which will be allocated to the claimants through funds established for health and education, lump sum payments when the claimants reach certain ages and on-going monthly payments when the claimants are ages 30 to 70. Further, in connection with these allegations, 138 plaintiffs who are, collectively, parties to 15 pending complaints are suing the District with respect to approximately 50 claims. The District could receive additional complaints seeking declaratory, injunctive, and monetary relief relating to these allegations. The District cannot predict whether any plaintiffs in these complaints will prevail, and if so, how any final court decision or settlement agreement with respect to any lawsuit may affect the financial status, policies or operations of the District, as the nature of any court’s remedy and the responses thereto are unknown at the present time. The costs of any final court decision or settlement agreement could be substantial and materially greater than the amounts agreed to under the existing settlement agreements. Further, the District’s potential liabilities could exceed the amounts which are currently recognized and the probable amount of contingent liabilities for which the District has set aside reserves. See “District Financial Information – State Financial Accountability and Oversight Provisions – Interim Reporting Requirements – District First Interim Report for Fiscal Year 2013-14”, “ – District Second Interim Report for Fiscal Year 2013-14” and “ – District June 2014 End of Year Report for Fiscal Year 2013-14” herein.

### **Debt Management Policy**

The Debt Management Policy sets forth an annual gross debt service cap of \$105 million attributable to COPs and establishes a target of 2.0% and a ceiling of 2.5% for the ratio of gross COPs debt service to District General Fund appropriations. A target may be increased only through District Board authorization each time a new debt is proposed, but is not intended to exceed the ceiling established in the Debt Management Policy. See “District Financial and Economic Information – District Financial Policies – Debt Management Policy” herein.

The District’s current maximum fiscal year COPs debt service is approximately \$55.7 million (which is below the \$105.0 million cap) and was 0.98% of budgeted District General Fund appropriations for Fiscal Year 2012-13 (which is below the range of gross COPs debt service to District General Fund appropriations) established by the Debt Management Policy.

The Debt Management Policy limits unhedged variable rate debt to the lesser of 20% of outstanding COPs or \$100 million and requires reporting of the debt ratios and benchmarks, as set forth in

Tables A-15 and A-16 below in the District's Debt Report for Fiscal Year 2012-13. As of May 1, 2014, the District had outstanding COPs in the aggregate principal amount of approximately \$378.9 million, excluding COPs that are economically defeased. The District currently has no variable rate COPs outstanding and no other variable interest rate exposure.

The following Table A-15 sets forth the debt factors for COPs which are to be repaid from the District General Fund or other internal District resources as reported in the District's Fiscal Year 2012-13 Debt Report.

**TABLE A-15**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Debt Management Policy – Debt Factors**  
**(as of June 30, 2013)**

<u><b>Debt Factor</b></u>	<u><b>Target<sup>(1)</sup></b></u>	<u><b>Ceiling<sup>(2)</sup></b></u>	<u><b>Actual<sup>(2)</sup></b></u>	<u><b>Over (Under) Policy Ceiling</b></u>
Maximum COPs Gross Debt Service Limit (percentage)	2.0% of District General Fund Expenditures	2.5% of District General Fund Expenditures	0.98%	(1.52)%
Maximum COPs Gross Debt Service Limit <sup>(3)</sup>	Not applicable	\$105.0 million	\$55.7 million	\$(49.3 million)
Unhedged Variable Rate Debt as % of total COPs Debt	Not applicable	20.0%	0%	(20)%

<sup>(1)</sup> "District General Fund Expenditures" includes said amounts based upon the District's Fiscal Year 2012-13 Final Adopted Budget.

<sup>(2)</sup> Actual results are based upon results for the Fiscal Year ended June 30, 2013, the most recently completed audited year.

<sup>(3)</sup> May increase with additional issuances of COPs.

Source: Los Angeles Unified School District.

The following Table A-16 sets forth the benchmark debt burden ratios for the combined direct debt and overall debt of the District. Table A-16 also summarizes the District's general obligation bond and COPs debt against the policy benchmarks established by Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"). The Debt Management Policy requires that the Chief Financial Officer compare the District to other large school districts in each Debt Report. The benchmarks in Table A-16 pertain to large school districts nationwide which are rated "Aa" or higher by Moody's or "AA" or higher by S&P.

Due to the statistical dispersion of the underlying data for the benchmarks in the following Table A-16 and the large size of the District's bonding program relative to other large school districts, the District's debt burden ratios are not unexpectedly higher than most of the benchmark values. The District believes that the debt benchmarks for the "large, highly-rated" school district cohort to be the most appropriate cohort group against which its debt should be compared. However, other large highly-rated school districts may fund their capital programs differently than the District or have smaller debt issuance programs than the District, both of which may cause the District's debt ratios to exceed the benchmark values.

**TABLE A-16**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Debt Management Policy Benchmarks for District's Direct and Overall Debt**  
**(As of June 30, 2013)<sup>(1)</sup>**

<b><u>Debt Burden Ratio</u></b>	<b><u>Benchmark</u></b>	<b><u>Benchmark's Value</u></b>	<b><u>LAUSD Actual<sup>(1)</sup></u></b>
Direct Debt to Assessed Value	Moody's Median for "Aa"-Rated School Districts With Student Population Above 200,000	1.10%	2.36%
	Standard & Poor's Mean for "AA"-Rated School Districts With Student Population Above 150,000	1.50%	
Overall Debt to Assessed Valuation	Moody's Median for "Aa"-Rated School Districts With Student Population Above 200,000	2.60%	4.14%
	Standard & Poor's Mean for "AA"-Rated School Districts With Student Population Above 150,000	3.20%	
Direct Debt Per Capita <sup>(2)</sup>	Standard & Poor's Median for "AA"-Rated School Districts With Student Population Above 150,000	\$736	\$2,460
	Standard & Poor's Mean for "AA"-Rated School Districts With Student Population Above 150,000	\$847	
Overall Debt Per Capita <sup>(2)</sup>	Standard & Poor's Median for "AA"-Rated School Districts With Student Population Above 150,000	\$1,665	\$4,306
	Standard & Poor's Mean for "AA"-Rated School Districts With Student Population Above 150,000	\$2,639	

<sup>(1)</sup> Benchmark Value information in Table A-16 is as set forth in the District's Debt Report for Fiscal Year 2012-13. The District's CAFRs report these calculations differently by adjusting for outstanding bond and COP unamortized premiums and discounts.

<sup>(2)</sup> Per capita debt calculations are based upon the estimated District population of 4.6 million as of June 30, 2013.

Source: Los Angeles Unified School District.

## **District Debt**

**General Obligation Bonds.** Pursuant to Sections 15106 and 17422 of the State Education Code, the District's bonding capacity for general obligation bonds is 2.5% of taxable property valuation in the District. The taxable property valuation in the District for Fiscal Year 2013-14 is \$503.7 billion, which results in a total current bonding capacity of approximately \$12.6 billion. Including the Bonds and excluding the Prior Bonds, the District will have approximately \$1.9 billion of unused bonding capacity for the issuance of additional general obligation bonds.

The District may not issue general obligation bonds without voter approval and may not issue general obligation bonds in an amount greater than its bonding capacity. From July 1997 through March 2003, the District issued the entire amount of general obligation bonds pursuant to a \$2.4 billion authorization approved by voters in the April 8, 1997 election (the "Proposition BB Authorization"). A \$3.35 billion general obligation bond authorization was approved by voters on November 5, 2002 (the "Measure K Authorization"). The District has issued \$3.350 billion aggregate principal amount of Measure K general obligation bonds. A \$3.87 billion general obligation bond authorization was approved by the voters on March 2, 2004 (the "Measure R Authorization"). The District has issued \$3.635 billion aggregate principal amount of Measure R general obligation bonds. A \$3.985 billion general obligation

bond authorization was approved by the voters on November 8, 2005 (the “Measure Y Authorization”). The District has issued \$3.542 billion of aggregate principal amount of Measure Y general obligation bonds. A \$7.0 billion general obligation bond authorization was approved by voters on November 7, 2008 (the “Measure Q Authorization”). No general obligation bonds have been issued pursuant to the Measure Q Authorization.

In October 2013, the District received updated estimates of projected assessed valuation from a private econometrics firm. The econometrics model projected annual increases in the District’s assessed valuation base in the range of 5% to 8% from Fiscal Year 2013-14 to Fiscal Year 2017-18. The assessed valuation of property within the District’s boundaries of approximately \$503.7 million reflects an increase of 4.92% from Fiscal Year 2012-13. See “ – Assessed Valuation of Property within the District” herein. There is presently approximately \$235 million of the Measure R Authorization remaining, approximately \$443 million of the Measure Y Authorization remaining and the entire \$7.0 billion of the Measure Q Authorization remaining. See “ – Future Financings – General Obligation Bonds” and “California Constitutional and Statutory Provisions relating to *Ad Valorem* Property Taxes, District Revenues and Appropriations—Article XIII A of the State Constitution” herein.

The following Tables A-17, A-18, A-19 and A-20 set forth the outstanding general obligation bonds issued and the amount outstanding under the Proposition BB, Measure K, Measure R and Measure Y Authorizations, respectively, as of May 1, 2014, and prior to the issuance of the Bonds and the defeasance of the Prior Bonds.

**TABLE A-17**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Proposition BB (Election of 1997) Bonds**  
**(\$ in thousands)**

<b><u>Bond Issue</u></b>	<b><u>Aggregate Principal Amount</u></b>	<b><u>Outstanding Amount as of May 1, 2014</u></b>	<b><u>Date of Issue</u></b>
Series A Bonds	\$ 356,000	\$ 33,980	July 22, 1997
2002 Refunding Bonds <sup>(1)</sup>	258,375	137,600	April 17, 2002
2004 Refunding Bonds <sup>(1) (2)</sup>	219,125	216,540	December 21, 2004
2005 Refunding Bonds <sup>(1)</sup>	467,675	466,905	July 20, 2005
2006 Refunding Bonds, Series B <sup>(1)</sup>	254,544	246,777	November 15, 2006
2007 Refunding Bonds, Series A-2 <sup>(1)</sup>	136,055	136,055	January 31, 2007
2007 Refunding Bonds, Series B <sup>(1)</sup>	24,845	24,650	February 22, 2007
2009 Refunding Bonds, Series A <sup>(1)</sup>	51,090	38,550	October 15, 2009
2010 Refunding Bonds, Series A <sup>(1)</sup>	20,810	3,270	March 4, 2010
2011 Refunding Bonds, Series A-1 <sup>(1)</sup>	206,735	202,650	November 1, 2011
2012 Refunding Bonds, Series A <sup>(1)</sup>	<u>970</u>	<u>970</u>	May 8, 2012
<b>TOTAL</b>	<b><u>\$4,070,224</u></b>	<b><u>\$1,057,977</u></b>	

<sup>(1)</sup> Refunding bonds are not counted against the Proposition BB Authorization of \$2.4 billion.

<sup>(2)</sup> A portion of the proceeds of the District’s 2014 General Obligation Refunding Bonds, Series A will be applied to refund the 2004 General Obligation Bonds, Series A-1 and 2004 General Obligation Bonds, Series A-2 in the aggregate principal amount of \$216,170,000.

Source: Los Angeles Unified School District.

**TABLE A-18**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Measure K (Election of 2002) Bonds**  
**(\$ in thousands)**

<u>Bond Issue</u>	<u>Aggregate Principal Amount</u>	<u>Outstanding Amount as of May 1, 2014</u>	<u>Date of Issue</u>
Series A Bonds	\$2,100,000	\$ --	March 5, 2003
2006 Refunding Bonds, Series A <sup>(1)(2)</sup>	132,325	132,235	February 22, 2006
2006 Refunding Bonds, Series B <sup>(1)</sup>	320,361	308,918	November 15, 2006
2007 Refunding Bonds, Series A-1 <sup>(1)</sup>	1,153,195	1,126,445	January 31, 2007
Series B Bonds <sup>(3)</sup>	500,000	420,260	February 22, 2007
Series C Bonds <sup>(4)</sup>	150,000	126,750	August 16, 2007
Series D Bonds	250,000	221,890	February 19, 2009
Series KRY Bonds (2009) (Federally Taxable Build America Bonds) <sup>(5)</sup>	200,000	200,000	October 15, 2009
2010 Refunding Bonds, Series A <sup>(1)</sup>	54,185	52,445	March 4, 2010
Series KRY Bonds (2010) (Tax-Exempt) <sup>(6)</sup>	149,140	145,250	March 4, 2010
Series KY (2010) (Tax Exempt) <sup>(7)</sup>	860	860	May 6, 2010
2011 Refunding Bonds, Series A-2 <sup>(1)</sup>	201,070	197,275	November 1, 2011
2012 Refunding Bonds, Series A <sup>(1)</sup>	<u>59,190</u>	<u>59,190</u>	May 8, 2012
<b>TOTAL</b>	<b><u>\$5,270,326</u></b>	<b><u>\$2,991,608</u></b>	

<sup>(1)</sup> Refunding bonds are not counted against the Measure K Authorization of \$3.35 billion.

<sup>(2)</sup> A portion of the proceeds of the District's 2014 General Obligation Refunding Bonds, Series B will be applied to refund the 2006 Refunding Bonds, Series A in the aggregate principal amount of \$132,325,000.

<sup>(3)</sup> A portion of the proceeds of the District's 2014 General Obligation Refunding Bonds, Series B will be applied to refund the General Obligation Bonds, Election of 2002, Series B (2007) in the aggregate principal amount of \$146,335,000.

<sup>(4)</sup> A portion of the proceeds of the District's 2014 General Obligation Refunding Bonds, Series B will be applied to refund the General Obligation Bonds, Election of 2002, Series C (2007) in the aggregate principal amount of \$55,495,000.00.

<sup>(5)</sup> \$200.0 million principal amount of the District's \$1.37 billion Series KRY (2009) (Federally Taxable Build America Bonds) is allocable to the Measure K Authorization. See " - Limitations Related to Receipt of Federal Funds" herein.

<sup>(6)</sup> \$149.14 million principal amount of the District's \$478.6 million Series KRY (2010)(Tax-Exempt) is allocable to the Measure K Authorization.

<sup>(7)</sup> \$860,000 principal amount of the District's \$159.495 million Series KY (2010)(Tax-Exempt) is allocable to the Measure K Authorization.

Source: Los Angeles Unified School District.

**TABLE A-19**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Measure R (Election of 2004) Bonds**  
**(\$ in thousands)**

<u>Bond Issue</u>	<u>Aggregate Principal Amount</u>	<u>Outstanding Amount as of May 1, 2014</u>	<u>Date of Issue</u>
Series C Bonds <sup>(1)</sup>	\$ 50,000	\$ 33,740	September 23, 2004
Series E Bonds <sup>(2)</sup>	400,000	207,840	August 10, 2005
Series F Bonds <sup>(3)</sup>	500,000	406,535	February 16, 2006
Series G Bonds <sup>(4)</sup>	400,000	313,125	August 17, 2006
Series H Bonds <sup>(5)</sup>	550,000	448,095	August 16, 2007
Series I Bonds	550,000	491,930	February 19, 2009
2009 Refunding Bonds, Series A <sup>(6)</sup>	23,675	8,800	October 15, 2009
Series KRY Bonds (2009) (Federally Taxable Build America Bonds) <sup>(7)</sup>	363,005	363,005	October 15, 2009
Series KRY Bonds (2009) (Tax-Exempt) <sup>(8)</sup>	36,995	28,520	October 15, 2009
Series RY Bonds (2010) (Federally Taxable Build America Bonds) <sup>(9)</sup>	477,630	477,630	March 4, 2010
Series KRY Bonds (2010) (Tax-Exempt) <sup>(10)</sup>	157,165	157,165	March 4, 2010
2012 Refunding Bonds, Series A <sup>(6)</sup>	<u>95,840</u>	<u>95,840</u>	May 8, 2012
<b>TOTAL</b>	<b><u>\$3,604,310</u></b>	<b><u>\$3,032,225</u></b>	

- (1) A portion of the proceeds of the District's 2014 General Obligation Refunding Bonds, Series C will be applied to refund the General Obligation Bonds, Election of 2004, Series C (2004) in the aggregate principal amount of \$32,050,000.
- (2) A portion of the proceeds of the District's 2014 General Obligation Refunding Bonds, Series C will be applied to refund the General Obligation Bonds, Election of 2004, Series E (2005) in the aggregate principal amount of \$184,375,000.
- (3) A portion of the proceeds of the District's 2014 General Obligation Refunding Bonds, Series C will be applied to refund the General Obligation Bonds, Election of 2004, Series F (2006) in the aggregate principal amount of \$316,835,000.
- (4) A portion of the proceeds of the District's 2014 General Obligation Refunding Bonds, Series C will be applied to refund the General Obligation Bonds, Election of 2004, Series G (2006) in the aggregate principal amount of \$259,420,000.
- (5) A portion of the proceeds of the District's 2014 General Obligation Refunding Bonds, Series C will be applied to refund the General Obligation Bonds, Election of 2004, Series H (2007) in the aggregate principal amount of \$203,315,000.
- (6) Refunding bonds do not count against the Measure R Authorization of \$3.87 billion.
- (7) \$363.005 million principal amount of the District's \$1.37 billion Series KRY (2009) (Federally Taxable Build America Bonds) is allocable to the Measure R Authorization. See " - Limitations Related to Receipt of Federal Funds" herein.
- (8) \$36.995 million principal amount of the District's \$205.8 million Series KRY (2009) (Tax-Exempt) is allocable to the Measure R Authorization.
- (9) \$477.63 million of the District's \$1.25 billion Series RY (2010) (Federally Taxable Build America Bonds) is allocable to the Measure R Authorization. See " - Limitations Related to Receipt of Federal Funds" herein.
- (10) \$157.165 million of the District's \$478.6 million Series KRY (2010) (Tax-Exempt) is allocable to the Measure R Authorization.

Source: Los Angeles Unified School District.

**TABLE A-20**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Measure Y (Election of 2005) Bonds**  
**(\$ in thousands)**

<u>Bond Issue</u>	<u>Aggregate Principal Amount</u>	<u>Outstanding Amount as of May 1, 2014</u>	<u>Date of Issue</u>
Series A Bonds	\$ 56,785	\$ 7,990	February 22, 2006
Series B Bonds	80,200	17,460	February 22, 2006
Series C Bonds(1)	210,000	158,725	February 22, 2006
Series D Bonds	47,400	7,820	February 22, 2006
Series E Bonds(2)	300,000	255,450	August 16, 2007
Series F Bonds	150,000	133,520	February 19, 2009
Series G Bonds	5,615	--	October 15, 2009
Series KRY Bonds (2009) (Federally Taxable Build America Bonds) <sup>(3)</sup>	806,795	806,795	October 15, 2009
Series KRY Bonds (2009) (Tax-Exempt) <sup>(4)</sup>	168,790	78,015	October 15, 2009
Series H Bonds (2009) (Qualified School Construction Bonds)	318,800	318,800	October 15, 2009
Series KRY Bonds (2010) (Tax-Exempt) <sup>(5)</sup>	172,270	130,450	March 4, 2010
Series RY Bonds (2010) (Federally Taxable Build America Bonds) <sup>(6)</sup>	772,955	772,955	March 4, 2010
Series KY Bond (2010) (Tax-Exempt) <sup>(7)</sup>	158,635	119,300	May 6, 2010
Series J (Qualified School Construction Bonds)	<u>290,195</u>	<u>290,195</u>	May 6, 2010
<b>TOTAL</b>	<b><u>\$3,542,235</u></b>	<b><u>\$ 3,097,475</u></b>	

- (1) A portion of the proceeds of the District's 2014 General Obligation Refunding Bonds, Series D will be applied to refund the General Obligation Bonds, Election of 2005, Series C (2006) in the aggregate principal amount of \$47,720,000.
- (2) A portion of the proceeds of the District's 2014 General Obligation Refunding Bonds, Series D will be applied to refund the General Obligation Bonds, Election of 2005, Series E (2007) in the aggregate principal amount of \$112,310,000.
- (3) \$806.795 million principal amount of the District's \$1.37 billion Series KRY (2009) (Federally Taxable Build America Bonds) is allocable to the Measure Y Authorization. See " - Limitations Related to Receipt of Federal Funds" herein.
- (4) \$168.79 million principal amount of the District's \$205.8 million Series KRY (2009) (Tax-Exempt) is allocable to the Measure Y Authorization. See " - Limitations Related to Receipt of Federal Funds" herein.
- (5) \$172.27 million principal amount of the District's \$478.6 million Series KRY (2010) (Tax-Exempt) is allocable to the Measure Y Authorization. See " - Limitations Related to Receipt of Federal Funds" herein.
- (6) \$772.955 million principal amount of the District's \$1.25 billion Series RY (2010) (Federally Taxable Build America Bonds) is allocable to the Measure Y Authorization. See " - Limitations Related to Receipt of Federal Funds" herein.
- (7) \$158.635 million principal amount of the District's \$159.495 million Series KY (2010) (Tax-Exempt) is allocable to the Measure Y Authorization.

Source: Los Angeles Unified School District.

***Citizens' Bond Oversight Committee.*** Pursuant to Section 1(b)(3) of Article XIII A of the State Constitution, Chapters 1 and 1.5 of Part 10 of Division 1 of Title 1 of the State Education Code, as amended, and other applicable law (collectively, the "Act"), the District Board has appointed a Citizens' Bond Oversight Committee. The Citizen's Bond Oversight Committee is composed of 15 members representing numerous community groups and operates to inform the public concerning the spending of

Measure K, Measure R, Measure Y and Measure Q Authorization bond funds authorized by the Act. The Citizen's Bond Oversight Committee regularly reviews the potential bond projects and budgets and provides non-binding advice to the District Board on how to allocate and reallocate scarce bond proceeds in order to ensure the completion of viable projects and to avoid non-completion of projects once commenced. The Citizens' Bond Oversight Committee also informs the public concerning the spending of funds attributable to the Proposition BB Authorization, although Proposition BB was approved under statutes other than the Act. The Citizens' Bond Oversight Committee meets monthly in order to review all matters including, among other things, changes in budget, scope and schedules that relate to the District's general obligation bonds and the projects proposed to be funded therefrom. In addition, the Citizens' Bond Oversight Committee makes recommendations to the District Board regarding such matters. See "California Constitutional and Statutory Provisions relating to *Ad Valorem* Property Taxes, District Revenues and Appropriations—Proposition 39" herein. The District's OIG conducts yearly audits on all construction management firms to ensure that funds from the New School Construction Program are spent in compliance with the Act and the District's policies relating thereto. The District's outside auditor, Simpson & Simpson, currently prepares the required bond audits regarding the expenditures of general obligation bond proceeds.

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
Bond Citizens' Oversight Committee  
(As of May 1, 2014)**

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

***Certificates of Participation.*** As of May 1, 2014, the District had outstanding lease obligations issued in the form of COPs in the aggregate principal amount of approximately \$378.9 million, excluding COPs that are economically defeased. The District estimates that the aggregate payment of principal and interest evidenced by COPs will be approximately \$477.9 million until the final maturity thereof. This amount does not reflect the receipt of the direct cash subsidy payments from the United States Department of the Treasury made in connection with the District's Certificates of Participation 2010 Series B-1 (Federally Taxable Direct Pay Build America Bonds) (Capital Projects I). See " – Limitations Related to Receipt of Federal Funds" herein. The following Table A-21 sets forth the District's lease obligations paid from the District General Fund, developer fees, and the Cafeteria Fund with respect to its outstanding COPs as of May 1, 2014.



**TABLE A-21**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Certificates of Participation Lease Obligations Debt Service Schedule<sup>(1)</sup>**  
**(as of May 1, 2014)**  
**(\$ in thousands)**

<b>Fiscal Year Ending (June 30)</b>	<b>Paid from General Fund<sup>(2)(3)</sup></b>	<b>Paid from Cafeteria Fund<sup>(4)</sup></b>	<b>Paid From Developer Fees<sup>(5)</sup></b>	<b>Fiscal Year Total Debt Service</b>
2014 <sup>(6)</sup>	\$ 2,058	\$ --	\$ 964	\$ 3,023
2015	40,815	4,963	9,574	55,353
2016	38,327	4,963	9,574	52,865
2017	37,706	4,963	9,575	52,245
2018	27,080	4,963	16,886	48,929
2019	25,043	4,963	--	30,007
2020	24,955	2,482	--	27,436
2021	24,864	--	--	24,864
2022	17,532	--	--	17,532
2023	17,429	--	--	17,429
2024	16,668	--	--	16,668
2025	16,048	--	--	16,048
2026	16,218	--	--	16,218
2027	16,163	--	--	16,163
2028	16,112	--	--	16,112
2029	16,037	--	--	16,037
2030	14,147	--	--	14,147
2031	14,073	--	--	14,073
2032	14,001	--	--	14,001
2033	2,277	--	--	2,277
2034	2,222	--	--	2,222
2035	2,169	--	--	2,169
2036	2,108	--	--	2,108
<b>Total<sup>(7)</sup></b>	<b>\$404,054</b>	<b>\$27,299</b>	<b>\$46,574</b>	<b>\$477,927</b>

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

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

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

<sup>(4)</sup> The District General Fund is obligated to pay these obligations, subject to the terms of the lease. The District expects to issue general obligation bonds in August 2014 to pay a portion of lease payments due and payable on a portion of the District's outstanding Certificates of Participation, 2009 Series A (Food Services Projects).

<sup>(5)</sup> Developer fees are used to satisfy debt service payments on a portion of the District's outstanding lease obligations. The General Fund is obligated to pay these obligations in the event that insufficient developer fees are available to pay these lease obligations, subject to the terms of the lease. The District expects to pay a portion of the final debt service for Fiscal Year 2017-18 with funds from developer fees. In addition, the District expects to fund a portion of the final debt service payment on these lease obligations from funds released from the debt service reserve fund on the maturity date. To date, such developer fees have been and are expected to continue to be sufficient to date to pay these lease obligations as and when due.

<sup>(6)</sup> Reflects balance of debt service payments due to be paid from May 1, 2014 through June 30, 2014. The gross debt service requirement for the entire Fiscal Year 2013-14 is \$46.8 million.

<sup>(7)</sup> Totals may not equal sum of component parts due to rounding.

Source: Los Angeles Unified School District.

**Limitations Related to Receipt of Federal Funds.** On March 1, 2013, President Barack Obama signed an executive order (the "Sequestration Executive Order") to reduce budgetary authority in certain

accounts subject to sequester in accordance with the Budget Control Act of 2011 and the American Taxpayer Relief Act of 2012. Pursuant to the Sequestration Executive Order, budget authority for all accounts in the domestic mandatory spending category including, among others, accounts for the payments to issuers of “Direct Pay Bonds”, which includes the District’s outstanding Series KRY Bonds (2009) (Federally Taxable Build America Bonds) (the “Series KRY Bonds (2009)”) and Series RY Bonds (2010) (Federally Taxable Build America Bonds) (the “Series RY Bonds (2010)”) and Series J (Qualified School Construction Bonds) (the “Series J Bonds”). In addition, the District’s Certificates of Participation 2010 Series B-1 (Federally Taxable Direct Pay Build America Bonds)(Capital Projects I) (the “2010 Series B-1 Certificates”) were executed and delivered as Direct Pay Bonds. Direct Pay Bonds are issued as taxable bonds and provide credits to the District from the federal government pursuant to Section 54AA(d) and 54AA(g) of the Code. Under the Sequestration Executive Order, the District’s credits were reduced by 8.70% for federal Fiscal Year ending September 30, 2013. The sequester resulted in a reduction in the aggregate amount of \$3.2 million with respect to the refundable credit for the Series KRY Bonds (2009), Series RY Bonds (2010) and Series J Bonds and a reduction in the amount of \$26,722.50 with respect to the refundable credit for the 2010 Series B-1 Certificates.

Pursuant to the Bipartisan Budget Act of 2013 which was signed into law in December 2013, the District’s Series KRY Bonds (2009), Series RY Bonds (2010), and Series J Bonds are subject to the full amount of sequestration budget cuts and will have their planned federal payments reduced until the federal Fiscal Year ending September 30, 2023. The federal subsidy for the Series KRY Bonds (2009), Series RY Bonds (2010), and Series J Bonds for the federal Fiscal Year ending September 30, 2014 will be reduced by 7.2%. During the federal Fiscal Year ending September 30, 2014, the District expects that the sequester will result in a reduction in the aggregate amount of \$5.3 million with respect to the refundable credits for the Series KRY Bonds (2009), Series RY Bonds (2010) and Series J Bonds and a reduction in the amount of \$44,230 with respect to the refundable credit for the 2010 Series B-1 Certificates. The reduction to the federal subsidy for Direct Pay Bonds for the federal Fiscal Year ending June 30, 2015 is expected to be announced prior to September 30, 2014. The District’s Series KRY Bonds (2009), Series RY Bonds (2010), and Series J Bonds are payable from and secured by *ad valorem* taxes which are to be assessed in amounts sufficient to pay principal of and interest on the Series KRY Bonds (2009), Series RY Bonds (2010), and Series J Bonds when due. The County has levied and will continue to levy *ad valorem* property taxes in an amount sufficient to pay principal of and interest on the Series KRY Bonds (2009), Series RY Bonds (2010), and Series J Bonds when due.

**Other Long-Term Obligations.** The following Table A-22 sets forth the District's long-term obligations other than its outstanding general obligation bonds and COPs as of June 30, 2013.

**TABLE A-22**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Other Outstanding Long-Term Obligations**  
**(as of June 30, 2013)**  
**(\$ in thousands)**

<u><b>Obligation</b></u>	<u><b>Balance</b></u>
Self-Insurance Claims	\$ 644,947
Net Pension Obligation – OPEB <sup>(1)(2)</sup>	4,787,843
Children's Center Facilities Revolving Loan	634
Liability for Compensation Absences	61,595
Liability for Other Employee Benefits	87,870
Capital lease/obligations	<u>1,308</u>
<b>TOTAL</b>	<b><u>\$5,584,197</u></b>

<sup>(1)</sup> Pursuant to GASB 45, OPEB expense in an amount equal to annual OPEB cost is recognized in government-wide financial statements on an accrual basis. Net OPEB obligations, if any, including amounts associated with under- or over-contributions from governmental funds, are to be displayed as liabilities (or assets) in government-wide financial statements. The GASB 45 reporting requirements for the District became effective during Fiscal Year 2007-08.

<sup>(2)</sup> The District's current funding policy on OPEB Benefits is pay-as-you-go. There are no dedicated assets at this time to offset the Actuarial Accrued Liability. A Net OPEB Obligation is created under GASB 45 reporting requirements to the extent that the calculated Annual Required Contribution exceeds the annual pay-as-you-go cost of providing postemployment benefits.

Source: Los Angeles Unified School District Comprehensive Annual Financial Report for Fiscal Year 2012-13.

**Short-Term Financings.** The District last issued tax and revenue anticipation notes in Fiscal Year 2012-13 which matured and were timely paid on November 28, 2013.

## **Future Financings**

**General Obligation Bonds.** The District has approximately \$235.2 million authorized and unissued general obligation bond authorization remaining under the Measure R Authorization, \$442.8 million authorized and unissued general obligation bond authorization remaining under the Measure Y Authorization and \$7 billion authorized and unissued general obligation bond authorization remaining under the Measure Q Authorization. Pursuant to Sections 15106 of the Education Code, the District's bonding capacity for general obligation bonds may not exceed 2.5% of taxable property valuation in the District as shown by the last equalized assessment roll of the County.

The District may issue additional general obligation bonds or general obligation refunding bonds in the future depending upon project needs and market conditions. The District presently expects to issue one or more series of general obligation bonds in the aggregate principal amount of approximately \$150.0 million in August 2014, subsequent to the issuance of the Bonds, pursuant to the Measure R Authorization or the Measure Y Authorization. In addition, as provided in the text of each of the ballots of Proposition BB, Measure K, Measure R, Measure Y and Measure Q, the District Board does not guarantee that the respective bonds authorized and issued under the Proposition BB, Measure K, Measure R, Measure Y and Measure Q Authorizations will provide sufficient funds to allow completion of all potential projects listed in connection with said measures.

**Certificates of Participation.** The District may finance capital projects through the execution and delivery of COPs from time to time but does not expect to issue any COPs during Fiscal Year 2014-15. See

“District Financial and Economic Information – District Financial Policies – Debt Management Policy” herein.

***Tax and Revenue Anticipation Notes.*** The District does not presently expect to issue tax and revenue anticipation notes in Fiscal Year 2014-15.

### **Overlapping Debt Obligations**

Set forth on Table A-23 on the following page is the report prepared by California Municipal Statistics Inc. which provides information with respect to direct and overlapping debt within the District as of May 1, 2014 (the “Overlapping Debt Report”). The Overlapping Debt Report is included for general information purposes only. The District has not reviewed the Overlapping Debt Report for completeness or accuracy and makes no representations in connection therewith. The Overlapping Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The first column in Table A-23 names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. Column 2 shows the percentage of each overlapping agency’s assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in Table A-23) produces the amount shown in column 3, which is the apportionment of each overlapping agency’s outstanding debt to taxable property in the District.

**TABLE A-23**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Schedule of Direct and Overlapping Bonded Debt**  
**As of May 1, 2014**

2013-14 Assessed Valuation: \$503,677,919,396

<b><u>Direct and Overlapping Tax and Assessment Debt:</u></b>	<b><u>% Applicable</u></b>	<b><u>Debt as of May 1, 2014</u></b>
<b>Los Angeles Unified School District</b>	<b>100.000%</b>	<b>\$ 10,618,110,000<sup>(1)</sup></b>
Los Angeles County Flood Control District	45.330	7,923,684
Metropolitan Water District of Southern California	22.972	30,386,213
Los Angeles Community College District	80.558	2,934,373,485
Pasadena Area Community College District	0.001	974
City of Los Angeles	99.930	991,245,642
Other Cities	Various	38,163,663
Palos Verdes Library District	4.746	167,534
City Community Facilities Districts	100.000	129,270,000
City of Los Angeles Landscaping & Special Tax Assessment Districts	99.930	18,167,274
Other City and Special District 1915 Act Bonds	99.899 - 100.000	22,518,648
Los Angeles County Regional Park & Open Space Assessment District	44.216	50,236,008
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b><u>\$ 14,840,563,125</u></b>
<b><u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u></b>		
<b>Los Angeles Unified School District Certificates of Participation</b>	<b>100.000</b>	<b>\$ 365,858,657</b>
Los Angeles County General Fund Obligations	44.216%	772,813,894
Los Angeles County Superintendent of Schools Certificates of Participation	44.216	4,213,733
City of Los Angeles General Fund and Judgment Obligations	99.930	1,772,363,955
Other City General Fund and Pension Obligations	Various	183,313,034
Los Angeles County Sanitation District Nos. 1,2,4,5,8,9,16 & 23	Various	30,214,697
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b><u>\$ 3,128,777,970</u></b>
Less		
Los Angeles County General Fund Obligations supported by landfill revenues		2,428,270
<b>Los Angeles Unified School District Qualified Zone Academy Bonds:</b>		
<b>Amount accumulated in Sinking Fund for repayment of 2005 QZAB</b>		<b>4,509,810</b>
City supported obligations		9,090,086
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b><u>\$ 3,112,749,804</u></b>
<b><u>OVERLAPPING TAX INCREMENT DEBT:</u></b>		
City of Los Angeles Redevelopment Agency (Successor Agency)	100.000%	\$ 587,004,999
Other Redevelopment Agencies (Successor Agency)	Various	400,817,863
<b>TOTAL OVERLAPPING TAX INCREMENT DEBT</b>		<b><u>\$ 987,822,862</u></b>
<b>GROSS COMBINED TOTAL DEBT</b>		<b><u>\$ 18,957,163,957<sup>(2)</sup></u></b>
<b>NET COMBINED TOTAL DEBT</b>		<b><u>\$ 18,941,135,791</u></b>

(1) Excludes the Bonds and includes the Prior Bonds.

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

Ratios to 2013-14 Assessed Valuation:

<b>Direct Debt (\$10,618,110,000)</b> .....	<b>2.11%</b>
Total Overlapping Tax and Assessment Debt.....	2.95%
<b>Gross Combined Direct Debt (\$10,983,968,657)</b> .....	<b>2.18%</b>
<b>Net Combined Direct Debt (\$10,979,458,847)</b> .....	<b>2.18%</b>
Gross Combined Total Debt.....	3.76%
Net Combined Total Debt .....	3.76%

Ratios to Redevelopment Incremental Valuation (\$46,078,739,497):

Total Overlapping Tax Increment Debt.....	2.14%
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Source: California Municipal Statistics, Inc.

## Academic Performance and Instructional Initiatives

***Public Schools Accountability Act of 1999.*** The California's Public Schools Accountability Act of 1999 (the "PSAA") established the State's Academic Performance Index ("API"), which is the State's basic measurement of academic progress and ranges from 200 to 1000. The Statewide API performance target for all schools is 800. The CDE measures API growth by the extent to which a school or local education agency moves toward or past the statewide performance target of 800. The API is used in meeting state requirements under the PSAA and federal Adequate Yearly Progress ("AYP") requirements under the federal No Child Left Behind Act of 2001 (the "NCLB Act").

During the last decade, the District has made progress regarding its students' performance on the API, graduation rates, and student eligibility for admission to the University of California system. The District obtained an overall API score of 749 for Fiscal Year 2012-13 which represents an increase of 3 points from the District's API score for Fiscal Year 2011-12. The District's API score has increased by 122 points or 19.5% from Fiscal Year 2002-03. Although District's mean API scores for elementary schools, middle schools and high schools are lower than the Statewide API target of 800, approximately one-third of the District's schools have obtained or surpassed the Statewide target. The District attributes its improved API performance to the implementation of a focused academic curriculum with rigorous standards in the core subjects, including reading and mathematics.

***Elementary and Secondary Education Act.*** In connection with the reauthorization of the Elementary and Secondary Education Act of 1965, the United States Congress passed the NCLB Act. Under the NCLB Act, a state is required to identify a local educational agency ("LEA") for improvement ("Program Improvement") if the LEA fails to make AYP, evaluated by state standards, for two consecutive years. The State evaluates AYP based on, among other things, a LEA's (1) percentage participation rates in English-language arts and mathematics assessments measured LEA-wide, by grade span (grades 2 through 5, grades 6 through 8 and grade 10) and by numerically significant subgroups within grade spans, (2) graduation rate criteria LEA-wide, if a LEA has high school students, and (3) percentage of students performing at or above the proficient level in English-language arts and mathematics (also measured LEA-wide, by grade span and by subgroups) as compared to performance targets established under the NCLB Act. In addition, the NCLB Act requires that each LEA identified for Program Improvement take a variety of actions, including but not limited to developing or revising an improvement plan, promptly implementing that plan and informing parents of the LEA's Program Improvement status. The District adopted an LEA Program Improvement Plan designed to address these academic performance concerns and has received additional categorical funding from the State for this purpose.

In September 2011, the United States Secretary of Education announced a policy pursuant to which the federal government will provide to states and LEAs, subject to an application and approval process, waivers to certain existing requirements set forth in the NCLB Act. The waivers relate to, among other things, timelines for determining AYP, implementation of school improvement requirements, interventions with respect to the educational programs in the schools, implementation of improvement plans relating to highly qualified teachers, the ability to transfer certain funds and the ability to use school improvement grant funds to support priority schools. The District and seven other school districts in the State submitted an application to the Department of Education seeking waivers to certain existing requirements set forth in the NCLB Act. The Department of Education approved the waivers in August 2013. Pursuant to the waivers, the former system of corrective action and other interventions imposed on LEAs and schools identified for Program Improvement are no longer mandatory. Although the CDE will continue to include the District and its schools on its Program Improvement schedules, such designation will not be applicable to the District.

The District cannot predict what actions it will take or what actions will be taken in the future by the State, Congress or the President in connection with the proposed reauthorization of the Elementary and Secondary Education Act of 1965 or the waiver of certain requirements set forth therein. Further, the United States Secretary of Education may terminate any waivers that the Department of Education has granted if such waivers are superseded by the reauthorization of the Elementary and Secondary Education Act of 1965. To the extent that the reauthorization of the Elementary and Secondary Education Act of 1965 or the waivers result in reduced revenues or increased expenses for the District or requires programmatic changes, the District will be required to make adjustments to its budget.

## **STATE FUNDING OF EDUCATION**

### **General**

Public school district revenues consist primarily of guaranteed State moneys, *ad valorem* property taxes and funds received from the State and federal government in the form of categorical aid, which are amounts restricted to specific categories of use, under various ongoing programs. All State apportionment of funds pursuant to the Local Control Funding Formula (collectively, “State Aid”) is subject to the appropriation of funds in the State’s annual budget. Decreases in State revenues may affect appropriations made by the State Legislature to the District. See “District Financial Information” herein. Beginning with the Fiscal Year ending June 30, 2014, the State has replaced the former revenue limit formula for State Aid to school districts with the Local Control Funding Formula (the “Local Control Funding Formula”). The District’s Fiscal Year 2013-14 District Final Adopted Budget presents budget information and projections with respect to State Aid under the revenue limit formula. The District’s Fiscal Year 2013-14 First Interim Report, Fiscal Year 2013-14 Second Interim Report and June 2014 End of Year Report present budget projections with respect to State Aid in accordance with the Local Control Funding Formula. The State expects the Local Control Funding Formula to be fully phased in by the Fiscal Year ending June 30, 2021.

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

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

### **Local Control Funding Formula**

**General.** The Local Control Funding Formula allocates State Aid to school districts through base grants (the “Base Grant”), supplemental grants (the “Supplemental Grant”) and concentration grants (the

“Concentration Grant”). In connection with the Local Control Funding Formula, funding for most State categorical programs has been eliminated.

For Fiscal Year 2013-14, the Local Control Funding Formula provides to school districts and charter schools: (a) a Base Grant for each LEA equivalent to \$7,643 per ADA; (b) an adjustment of 10.4% on the Base Grant amount for kindergarten through grade 3; (c) an adjustment of 2.6% on the Base Grant amount for grades 9 through 12; (d) a Supplemental Grant equal to 20% of the adjusted Base Grant for students classified as English learners (“EL Students”), students eligible to receive a free or reduced-price meal (“FRPM Students”), foster youth (“Foster Youth”) or any combination of these factors (collectively, “Targeted Disadvantaged Students”); (e) a Concentration Grant equal to 50% of the adjusted Base Grant for Targeted Disadvantaged Students exceeding 55% of an LEA’s enrollment; and (f) an additional funding amount based on an “economic recovery target” to ensure that virtually all districts are at least restored to their State funding levels for Fiscal Year 2007-08 (adjusted for inflation) and a minimum amount of State Aid to LEAs. Pursuant to the Local Control Funding Formula, LEAs are required to progress toward an average class enrollment of no more than 24 pupils in kindergarten through grade 3 unless the LEA has collectively bargained an annual alternative average class enrollment in those grades for each school site. During Fiscal Year 2013-14, approximately 74.26% of the District’s General Fund revenues were derived from the Local Control Funding Formula/Revenue Limit. See “District Financial Information – District Budget” and “ – Significant Accounting Policies, Systems of Accounts and Audited Financial Statements” and “ – Prior Revenue Limit Funding” herein. During Fiscal Year 2013-14, approximately 74.26% of the District’s General Fund revenues were derived from the Local Control Funding Formula/Revenue Limit. See “District Financial Information – District Budget” and “ – Significant Accounting Policies, Systems of Accounts and Audited Financial Statements” and “ – Prior Revenue Limit Funding” herein.

The Local Control Funding Formula uses formula which is expected to avoid duplicating counts of students for purposes of the Supplemental Grants. Accordingly, a school district will receive the same Supplemental Grant for a Targeted Disadvantaged Student regardless of whether such student falls into one or more of the EL Student, FRPM Student or Foster Youth categories. Because the District’s demographic profile includes a significant number of Targeted Disadvantaged Students, the District expects to receive relatively more State Aid than other school districts in the State. For Fiscal Year 2013-14, the District had approximately 437,000 Targeted Disadvantaged Students on an unduplicated count basis. On a duplicated count basis, the District had approximately 579,000 Targeted Disadvantaged Students.



The following Table A-24 sets forth the funding for an LEA pursuant to the Local Control Funding Formula for Fiscal Year 2013-14.

**TABLE A-24**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Estimated Local Control Funding Formula<sup>(1)</sup>**  
**Fiscal Years 2013-14**

<b>Grade Span</b>	<b>Base Grant</b>	<b>K-3 Class Size Reduction and Grades 9-12 Adjustments</b>	<b>Average Assuming 0% Unduplicated FRPM Students, EL Students, Foster Youth</b>	<b>Average Assuming 25% Unduplicated FRPM Students, EL Students, Foster Youth</b>	<b>Average Assuming 50% Unduplicated FRPM Students, EL Students, Foster Youth</b>	<b>Average Assuming 100% Unduplicated FRPM Students, EL Students, Foster Youth</b>
K-3	\$6,845	\$712	\$7,557	\$7,935	\$8,313	\$10,769
4-6	6,947	--	6,947	7,294	7,642	9,899
7-8	7,154	--	7,154	7,512	7,869	10,194
9-12	8,289	216	8,505	8,930	9,355	12,119

<sup>(1)</sup> Information reflects funding of the Local Control Funding Formula at full implementation.

Source: California Department of Education.

***Economic Recovery Target.*** During the period in which Local Control Funding Formula is phased in, the State will provide additional funding to certain LEAs (“Economic Recovery Target”). The Economic Recovery Target for Fiscal Year 2013-14 is based on the greater of such LEA’s target amount pursuant to the Local Control Funding Formula target amount and such LEA’s revenue limit allocation during Fiscal Year 2012-13 per ADA inclusive of any adjustments due to the deficit factor, basic aid fair share reductions, charter school general purpose funding and any applicable categorical program funding. To the extent that the revenue limit allocation would be greater than the allocation pursuant to the Local Control Funding Formula, the State provides the additional allocation to the LEA. The Economic Recovery Target is expected to ensure that funding to most LEAs is restored to the levels allocated by the State in Fiscal Year 2007-08 adjusted for inflation. School districts and charter schools that are above the 90th percentile of per-pupil funding rates under the revenue limit formula for State Aid will not be eligible for payments of the Economic Recovery Target. The District does not expect to receive an allocation towards the Economic Recovery Target in Fiscal Year 2014-15.

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

On or before July 1, 2014, the governing board of each school district is required to adopt a local control and accountability plan (the “LCAP”) which will be effective for three years and is required to be updated on or before July 1 of each year. The LCAP must include a description of the annual goals for all pupils and each subgroup of pupils identified pursuant to the Education Code to be achieved for each of the State’s priorities identified in the Education Code and for any local priorities identified by the governing board of the school district for each school within the school district and for the entire school district. District staff presented the initial draft of its LCAP proposal to the District Board on April 8, 2014. The District Board’s budget schedule currently includes public hearings regarding the LCAP and

the Fiscal Year 2014-15 District Budget on June 17, 2014 and further consideration and approval of the LCAP and the Fiscal Year 2014-15 District Budget on June 24, 2014.

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

The State Board of Education is required to adopt regulations that govern the expenditure of the Supplemental Grant and Concentration Grant funding. These regulations will require school districts, county offices of education, and charter schools to increase and improve services for Targeted Disadvantaged Students and will provide authority for school districts to spend funds school-wide when significant populations of Targeted Disadvantaged Students attend a school. LEAs will be required to obtain input from parents of students and the general public in connection with the development, revision and updates of LCAPs. In addition, County superintendents will review school district LCAPs and county offices of education will be required to provide technical assistance if they disapprove an LCAP. The Education Code grants the State Superintendent of Public Instruction authority to intervene if a school district or charter school fails to show improvement across multiple subgroups in three out of four consecutive years.

### **Prior Revenue Limit Funding**

Historically, school districts in the State received most of their revenues under a formula known as the "revenue limit." Each school district's revenue limit, which was funded by State moneys and local *ad valorem* property taxes from the general 1% *ad valorem* property tax levy, was allocated based on the ADA of each school district for either the current or preceding school year. Each school district received a portion of the local *ad valorem* property taxes that was collected from the general 1% *ad valorem* property tax levy within its district boundaries. Generally, State Aid to a school district would amount to the difference between the school district's revenue limit and the school district's local property tax allocation from the general 1% *ad valorem* property tax levy. During Fiscal Year 2012-13, approximately 51.37% of the District's General Fund revenues were derived from the revenue limit. See "California Constitutional and Statutory Provisions relating to *Ad Valorem* Property Taxes, District Revenues and Appropriations" herein.

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

was spent per pupil in school districts with low property values per pupil than school districts with high property values per pupil. Thus, the State revenue limit funding was designed to alleviate the inequities between the two types of school districts.

Revenue limit calculations were adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among school districts in the State of similar type (i.e., unified school districts, high school districts or elementary school districts) and size (e.g., large or small).

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

The following Table A-25 sets forth the District's revenue limit per unit of ADA from Fiscal Years 2003-04 through 2012-13. Beginning in Fiscal Year 2013-14, the method by which State Aid is allocated to school districts was changed and the Base Revenue Limit was replaced by the Local Control Funding Formula. See "State Funding of Education – Local Control Funding Formula" herein.

**TABLE A-25**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**K-12 Base Revenue Limit Per Unit of Average Daily Attendance**  
**Fiscal Years 2003-04 through 2012-13**

<u>Fiscal Year</u>	<u>K-12 Base Revenue Limit<sup>(1)</sup></u>
2003-04	\$4,835.13
2004-05	4,968.66
2005-06	5,179.66
2006-07	5,544.56
2007-08	5,796.56
2008-09	5,645.07
2009-10	4,962.13
2010-11	5,264.22
2011-12	5,209.39
2012-13	5,266.00

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

Sources: Los Angeles Unified School District Comprehensive Annual Financial Reports for Fiscal Years 2003-04 through 2012-13.

The following Table A-26 sets forth the deficit factor and COLA from Fiscal Years 2003-04 through 2012-13 as reflected in the State Budget Acts with respect to such Fiscal Years. Pursuant to the Fiscal Year 2012-13 State Budget Act, the 3.24% statutory COLA will be offset by a deficit factor of 22.272% on the Base Revenue Limit, which results in a net funded COLA of 1.08%. Beginning in Fiscal Year 2013-14, the method by which State Aid is allocated to school districts was changed and the Base Revenue Limit and the deficit factor and COLA applied thereto were replaced by the Local Control Funding Formula. See “State Funding of Education – Local Control Funding Formula” herein.

**TABLE A-26**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Deficit Factor and Cost of Living Adjustment**  
**Fiscal Years 2003-04 through 2012-13**

<u>Fiscal Year</u>	<u>Deficit Factor</u>	<u>Cost of Living Adjustment</u>
2003-04	3.002%	1.86%
2004-05	2.143	2.41
2005-06	0.892	4.23
2006-07	0.000	5.92
2007-08	0.000	4.53
2008-09	7.844	5.66
2009-10	18.355	4.25 <sup>(1)</sup>
2010-11	17.963	(0.39)
2011-12	20.602 <sup>(2)</sup>	2.24
2012-13	22.272	3.24

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

<sup>(2)</sup> Pursuant to SB 81, the deficit factor for Fiscal Year 2011-12 was increased to 20.602% from 19.754% which was set forth in the 2011-12 State Budget Act.

Source: Los Angeles Unified School District.

### **Average Daily Attendance**

The Fiscal Year 2013-14 Second Interim Report projects declines in enrollment of 2.58% for Fiscal Year 2014-15, and 3.24% for Fiscal Year 2015-16 as compared to each prior fiscal year. The District projects that such enrollment declines are due to, among other things, lower birth rates in the County, migration of students outside of the District's boundaries, and increases in charter school enrollment. Accordingly, funded Average Daily Attendance is expected to decline for Fiscal Years 2012-13 through 2014-15. The following Table A-27 sets forth the District's annual ADA record for Fiscal Year 2004-05 through 2013-14 and the projected annual ADA for Fiscal Year 2014-15.

**TABLE A-27**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Annual Average Daily Attendance**  
**Fiscal Years 2004-05 through 2014-15**

<b><u>Fiscal Year</u></b>	<b><u>K-12<sup>(1)(2)(3)</sup></u></b>	<b><u>Affiliated Charter Schools<sup>(2)(3)</sup></u></b>	<b><u>Total</u></b>
2004-05	654,308	5,990	660,298
2005-06	633,013	5,958	638,971
2006-07	614,487	5,936	620,423
2007-08	599,799	6,482	606,281
2008-09	588,372	6,655	595,027
2009-10	570,057	6,906	576,963
2010-11	557,584	7,866	565,450
2011-12	534,093	13,499	547,592
2012-13	505,513	28,863	534,376
2013-14 <sup>(4)</sup>	485,328	39,984	525,312
2014-15 <sup>(4)</sup>	471,742	40,195	511,937

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

(2) Decreases in K-12 ADA are primarily due to schools converting to charter schools and a general decline in enrollment. Annual Average ADA reflects calendar year ADA.

(3) Includes charter schools that are fiscally-affiliated with the District were funded beginning with block grants until Fiscal Year 2012-13. Beginning Fiscal Year 2013-14, such schools are funded by the Local Control Funding Formula.

(4) Estimated.

Sources: Los Angeles Unified School District Comprehensive Annual Financial Report for Fiscal Years 2004-05 through 2012-13; Fiscal Year 2013-14 Second Interim Financial Report; and the District for Fiscal Year 2014-15.

**Education Revenue Augmentation Fund.** As part of the Fiscal Year 1992-93 State budget resolution, the State required counties, cities and special districts to shift *ad valorem* property tax revenues to school districts by contributing to the Education Revenue Augmentation Fund (“ERAF”) in lieu of direct payments to school districts from the general fund of the State (the “State General Fund”). This transfer is commonly referred to as the “ERAF shift.” The Fiscal Year 1993-94 State Budget Act required a similar shift of *ad valorem* property taxes to school districts from local government entities, which shift of *ad valorem* property taxes has continued. The manner in which the shift of *ad valorem* property taxes has occurred has varied year by year. As a result of the various shifts of *ad valorem taxes*, school districts no longer receive ERAF funds. See Table 6 in the forepart of this Official Statement which sets forth real property tax levies and collections for the District’s last ten Fiscal Years, in the Section entitled “- Assessed Valuation of Property within the District – Tax Rates, Levies and Collections”.

Proposition 1A (defined herein) generally prohibited the State from shifting to schools or community colleges any share of *ad valorem* property tax revenues allocated from the 1% levy to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. However, Proposition 1A provided that beginning in Fiscal Year 2008-09, the State could shift to schools and community colleges up to 8% of local government property tax revenues from the general 1% *ad valorem* property tax levy, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe State financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. Notwithstanding the aforementioned shifts in property tax revenues in prior fiscal years, certain levels of funding are guaranteed as described in “ – Proposition 98” below. *Ad valorem* property taxes levied to pay debt service on the District’s general

obligation bonds, are not subject to the shifts described above for *ad valorem* property taxes provided from the 1% levy. Further, the State's ability to initiate future exchanges and shifts of funds will be limited by Proposition 22. See "California Constitutional and Statutory Provisions relating to *Ad Valorem* Property Taxes, District Revenues and Appropriations—Proposition 1A" and "– Proposition 22" herein.

### **Charter School Funding**

A charter school is a public school authorized by a school district, county office of education or the State Board of Education. A proposed charter school submits a petition to one of these entities for approval and that petition details the operations of the charter school. State law requires that charter petitions be approved if they comply with the statutory criteria. The District has certain fiscal oversight and other responsibilities with respect to both affiliated and independent charter schools. However, independent charter schools that receive their funding directly from the State are not included in the District's audit report and function like independent agencies, including having control over their staffing and budgets, which are received directly from the State. Affiliated charter schools receive their funding from the District and are included in the District's budgets and audit reports. In addition, as of June 30, 2013, there were 43 affiliated charter schools operated by the District and 185 fiscally independent charter schools within the District's boundaries. In Fiscal Years 2011-12 and 2012-13, the revenue limit ADA for the District's affiliated charter schools was estimated to be 13,499 and 28,863, respectively.

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

In November 2010, the District Board approved the "Quality Schools Compact," which commits the District and leaders of charter schools to improve the way that they work together over the next five years in order to increase the numbers of students attending public schools, regardless of whether such schools are traditional schools or charter schools, that generate significantly improved outcomes for students. Pursuant to the Quality Schools Compact, the District has agreed to, among other things, work with charter schools to increase funding for all students attending public schools. The Quality Schools Compact seeks to find ways that traditional schools and charter schools can collaborate to maximize efficiencies in procuring products and services.

### **Proposition 98**

On November 8, 1988, voters of the State approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act." Proposition 98 changed State funding of public education below the university level and the operation of the State's appropriation limit as described in Article XIII B of the State Constitution, primarily by guaranteeing K-14 schools a minimum share of State General Fund revenues. Under Proposition 98 (as modified by Proposition 111, which was enacted on June 5, 1990), there are currently three tests which determine the minimum level of K-14 funding. See "Constitutional and Statutory

Provisions Relating to *Ad Valorem* Property Taxes, District Revenues and Appropriations” herein. Proposition 98 also contains provisions transferring certain State tax revenues in excess of the revenue limit to K-14 schools under Article XIII B of the State Constitution.

Proposition 98 permits the State Legislature, by two-thirds vote of both houses and with the Governor’s concurrence, to suspend the K-14 schools’ minimum funding formula for a one-year period. The amount of suspension is eventually repaid according to a specified State Constitutional formula, thereby restoring Proposition 98 funding to the level that would have been required in the absence of such suspension. The Fiscal Year 2004-05 State Budget Act suspended the Proposition 98 minimum guarantee for Fiscal Year 2004-05; however, the suspended amount was fully paid in Fiscal Year 2005-06. The Proposition 98 minimum guarantee was fully funded for Fiscal Years 2005-06 through Fiscal Year 2009-10. The State Budget Act for Fiscal Year 2010-11 suspended the Proposition 98 minimum guarantee in Fiscal Year 2010-11. The Fiscal Year 2012-13 State Budget Act and Fiscal Year 2013-14 State Budget Act fully funded the Proposition 98 minimum guarantee.

Assembly Bill No. 6 (“ABx8 6”), which was adopted in March 2010, authorized the State to eliminate the sales tax on gasoline and replace it with an excise tax. The elimination of the sale tax on gasoline would reduce the State General Fund. Under current law, any reduction in the State General Fund could reduce the minimum guarantee under Proposition 98. Pursuant to ABx8 6, the State Director of Finance is directed to adjust the percentage of State General Fund revenues appropriated for school districts and community college districts such that the provisions of ABx8 6 will have no net fiscal impact upon the amounts that are otherwise required to be applied by the State for the support of school districts and community college districts pursuant to Proposition 98. However, there can be no assurances that any action taken by the State Director of Finance will not adversely affect Proposition 98 revenues. See “ – State Budget — Fiscal Year 2013-14 State Budget Act”, “ – Fiscal Year 2014-15 Proposed State Budget” and “California Constitutional and Statutory Provisions relating to *Ad Valorem* Property Taxes, District Revenues and Appropriations—Proposition 98,” and “ – Proposition 22” herein.

### **Litigation Regarding State Budgetary and Fiscal Actions**

On May 20, 2010, more than 60 individual students and their respective families, nine school districts within the State, the California Congress of Parents Teachers & Students, the Association of California School Administrators, and the California School Boards Association filed a complaint for declaratory and injunctive relief, entitled *Maya Robles-Wong, et al. v. State of California, et al.* (the “*Robles* Complaint”), in the Alameda County Superior Court. The *Robles* Complaint alleged, among other things, that the State’s current system of funding public education is not designed to support the core education program required by the State and that the State has failed to meet its duties under the State Constitution to keep up and support a “system of common schools” and sought declaratory and injunctive relief. The District is not a party in the *Robles* Complaint. In June 2011, the Alameda County Superior Court sustained the State’s demurrer to the lawsuit with leave to amend finding that the plaintiffs did not sufficiently establish an equal protection claim. The plaintiffs are currently appealing this ruling.

On July 13, 2010, 18 individual students and their respective families, three taxpayer citizens, the Campaign for Quality Education, the Alliance of Californians for Community Empowerment, Californians for Justice and the San Francisco Organizing Project filed a complaint for declaratory and injunctive relief, entitled *Campaign for Quality Education, et al., v. State of California and Arnold Schwarzenegger, Governor of the State of California*, (the “CQE Complaint”) in the Alameda County Superior Court. The CQE Complaint alleged, among other things, that the State violated its constitutional duties by failing to provide the individual plaintiffs’ school districts with sufficient funds and access to a meaningful education sought declaratory and injunctive relief. The District is not a party in the CQE



Complaint. In June 2011, the Alameda County Superior Court sustained the State's demurrer to the lawsuit with leave to amend. The plaintiffs are currently appealing this ruling.

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

## **State Budget**

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

The following description of the State's budget has been obtained from publicly available information which the District believes to be reliable; however, none of the District, its counsel (including Disclosure Counsel or the Financial Advisor guarantees the accuracy or completeness of this information and have not independently verified such information. Additional information regarding State budgets is available at various State-maintained websites, including [www.dof.ca.gov](http://www.dof.ca.gov). These websites are not incorporated herein by reference and none of the District, its counsel (including Disclosure Counsel), or the Financial Advisor make any representation as to the accuracy of the information provided therein.

**The State Budget Process.** The State's fiscal year begins on July 1 and ends on June 30. According to the State Constitution, the Governor of the State (the "Governor") is required to propose a budget for the next fiscal year (the "Governor's Budget") to the State Legislature no later than January 10 of each year. State law requires the Governor to update the Governor's Budget projections and budgetary proposals by May 14 of each year (the "May Revision"). Proposition 25, which was adopted by voters in the State at an election held on November 2, 2010, amended the State Constitution such that a final budget must be adopted by a simple majority vote of each house of the State Legislature by no later than June 15 and the Governor must sign the adopted budget by no later than June 30. The budget becomes law upon the signature of the Governor (the "Budget Act").

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

anticipation of their receipt. However, delays in the adoption of a final State budget in any fiscal year may affect payments of State funds during such budget impasse. See “ – State Funding of Schools Without a State Budget” herein for a description of payments of appropriations during a budget impasse.

***Fiscal Year 2013-14 Adopted State Budget.*** On June 28, 2013, the Governor approved the State Budget Act for Fiscal Year 2013-14 (the “Fiscal Year 2013-14 State Budget Act”), which projects Fiscal Year 2012-13 general fund revenues and transfers of \$98.20 billion, total expenditures of \$95.67 billion and a year-end surplus of \$872 million (net of the \$1.66 billion deficit from fiscal year 2011-12), of which \$618 million would be reserved for the liquidation of encumbrances and \$254 million would be deposited in a reserve for economic uncertainties. The Fiscal Year 2013-14 State Budget Act projects Fiscal Year 2013-14 general fund revenues and transfers of \$97.10 billion, total expenditures of \$96.28 billion and a year-end surplus of \$1.69 billion (inclusive of the projected \$872 million State General Fund balance as of June 30, 2013 which would be available for Fiscal Year 2013-14), of which \$618 million would be reserved for the liquidation of encumbrances and \$1.07 billion would be deposited in a reserve for economic uncertainties. The Fiscal Year 2013-14 State Budget Act states that the State’s budget is projected to remain balanced for the foreseeable futures, but cautioned that substantial risks, uncertainties and liabilities remain. The Fiscal Year 2013-14 State Budget Act dedicates several billion dollars to the repayment of previous budgetary borrowing and projects that outstanding budgetary borrowing will be reduced to approximately \$4.7 billion as of June 30, 2017 from \$26.9 billion as of June 30, 2013.

Features of the Fiscal Year 2013-14 State Budget Act affecting school districts in general included, but were not limited to, the following:

1. The Fiscal Year 2013-14 State Budget Act proposed to fully fund the Proposition 98 at \$55.3 billion, of which \$36.8 billion would come from the State General Fund. The 2012-13 State Budget Act proposed Proposition 98 expenditures assumed passage of Proposition 30, which would increase Proposition 98 funding by \$2.9 billion in Fiscal Year 2012-13 and increase Proposition 98 funding by more than \$17 billion over a four-year period.

2. The Fiscal Year 2013-14 State Budget Act approved the Local Control Funding Formula. See “State Funding of Education – Local Control Funding Formula” herein. The Local Control Funding Formula included (i) a base grant for each LEA equivalent to \$7,643 per unit of ADA and an adjustment of 10.4% to the base grant to support lowering class sizes in kindergarten through grades 3 and an adjustment of 2.6% to reflect the cost of operating career technical education programs in high schools; (ii) a 20% supplemental grant for English learners, students from low-income families, and foster youth to reflect increased costs associated with educating those students; (iii) an additional concentration grant of up to 22.5% of an LEAs base grant, based on the number of English learners, students from low-income families, and foster youth served by the local agency that comprise more than 55% of enrollment. The Local Control Funding Formula will also include an Economic Recovery Target (defined herein) to ensure that almost every LEA receives at least their prerecession funding level, adjusted for inflation, at full implementation of the Local Control Funding Formula.

3. In connection with the Local Control Funding Formula, the Fiscal Year 2013-14 State Budget approved the requirement that all school districts, county offices of education and charter schools develop and adopt Local Control and Accountability Plans to identify local goals in areas that are priorities for the State including, among other things, pupil achievement, parent engagement, and school climate.

4. The Fiscal Year 2013-14 State Budget created the California Collaborative for Education Excellence to, among other things, advise and assist LEAs in achieving the goals identified in their Local Control and Accountability Plans. The State Superintendent of Public Instruction will have authority to

direct the Collaborative to provide additional assistance to any school district, county office of education, or charter school. If an LEA is unable to progress toward its stated goals and the Collaborative indicates that additional intervention is needed, the State Superintendent of Public Instruction will have authority to make changes to such LEA's Local Control and Accountability Plan.

5. The Fiscal Year 2013-14 State Budget increased Proposition 98 General Fund by \$2.1 billion for school districts and charter schools and by \$32 million for county offices of education to support first year funding through the Local Control Funding Formula.

6. In August 2010, the State Board of Education approved the Common Core State Standards (the "Common Core") which are standards for the State and LEAs to evaluate student achievement in English-language arts and math in K-12 schools. The Fiscal Year 2013-14 State Budget provided \$1.0 billion of Proposition 98 General Fund in Fiscal Year 2012-13 and \$250 million of Proposition 98 General Fund in Fiscal Year 2013-14 to support the implementation of the Common Core. The State allocated funding to LEAs based on enrollment. In addition, the State required LEAs to develop a two-year spending plan with respect to Common Core funding and hold a public hearing in connection therewith.

7. The Fiscal Year 2013-14 State Budget increased the Proposition 98 General Fund by \$250 million to support the Career Technical Education Pathways Grant Program for K-12 school districts and community colleges. The Career Technical Education Pathways Grant Program supports programs focused on work-based learning and required K-12 schools and community colleges to secure a portion of the funding themselves and obtain funding commitments from program partners to support ongoing program costs.

8. The Fiscal Year 2013-14 State Budget increased the Proposition 98 General Fund by \$50 million to reflect the inclusion of a mandate with respect to graduation requirements within the block grant program. The State approved the distribution of funding to school districts, county offices of education and charter schools with enrollment in grades 9 through 12.

9. The Fiscal Year 2013-14 State Budget increased the Proposition 98 General Fund by \$1.6 billion in Fiscal Year 2012-13 and increased the Proposition 98 General Fund by \$242.3 million in Fiscal Year 2013-14 for the repayment of inter-year budgetary deferrals. The State projects that total funding over the two-year period will reduce inter-year deferrals for K-12 education to \$5.6 billion by June 30, 2014.

10. The Fiscal Year 2013-14 State Budget allocated \$381 million of Proposition 98 General Fund to LEAs to support energy efficiency projects approved by the California Energy Commission in connection with the California Clean Energy Jobs Act of 2012. The State approved the distribution of 85% of such funds based on the ADA of the LEA and approved the distribution of 15% of such funds based on free and reduced-price meal eligibility. The Fiscal Year 2013-14 State Budget provided \$28 million for interest-free revolving loans to assist eligible energy projects at schools and community colleges.

11. The Fiscal Year 2013-14 State Budget included several consolidations for various special education programs in an effort to simplify special education finance and provide Special Education Local Plan Areas with additional funding flexibility.

12. In connection with the State's plan to shift responsibility for adult education to community colleges from K-12 school districts, K-12 school districts that currently receive funding for adult education will be required to maintain Fiscal Year 2012-13 funding levels for these programs

through Fiscal Year 2014-15. The Fiscal Year 2013-14 State Budget Act provided \$25 million for two-year planning and implementation grants to help districts for regional partnerships and develop plans to integrate programs into the regional partnership program.

***Fiscal Year 2014-15 Proposed State Budget.*** On January 9, 2014, Governor Brown released the 2014-15 Proposed Budget (the “Fiscal Year 2014-15 Proposed State Budget”), which projected Fiscal Year 2013-14 general fund revenues and transfers of \$100.15 billion, total expenditures of \$98.46 billion and a year-end surplus of \$4.21 billion, of which \$955 million would be reserved for liquidation of encumbrances and \$3.26 billion would be deposited in a reserve for economic uncertainties. The Fiscal Year 2014-15 Proposed State Budget projected Fiscal Year 2014-15 general fund revenues and transfers of \$104.5 billion, total expenditures of \$106.79 billion and a year-end surplus of \$1.92 billion, of which \$955 million would be reserved for liquidation of encumbrances and \$967 million would be deposited in a reserve for economic uncertainties.

The Fiscal Year 2014-15 Proposed State Budget also proposes a deposit of \$1.59 billion into the State’s Budget Stabilization Account (the “Rainy Day Fund”) which was established pursuant to Proposition 58 (2004). Proposition 58 (2004) required the State to direct 3% of annual revenues into the Rainy Day Fund although the State has suspended the transfer during Fiscal Years 2008-09 through 2012-13. The Fiscal Year 2014-15 Proposed State Budget proposed to amend the State Constitution in order to change the formula by which the Rainy Day Fund is funded. The proposed amendment will be placed on ballot for the November 2014 Statewide election. If approved, the State will deposit funds into the Rainy Day Fund when capital gains revenues rise to more than 6.5% of General Fund tax revenues. In addition, the State will establish a reserve for Proposition 98 funds which the State would use to save funds to be allocated in years in which there were declines in General Fund revenues. If approved, the amendment would increase the maximum size of the Rainy Day Fund to 10% of revenues from the 5% of revenues established by Proposition 58 (2004). If approved, the amendment would allow supplemental payments to reduce the State’s existing debts, deferrals, budgetary obligations and other long-term liabilities in lieu of a year’s deposit and would limit that maximum amount that could be withdrawn from the Rainy Day fund in the first year of a recession to 50% of the Rainy Day Fund’s balance.

Features of the Fiscal Year 2014-15 Proposed State Budget affecting school districts in general included, but were not limited to, the following:

1. The Fiscal Year 2014-15 Proposed State Budget proposed Proposition 98 funding for education in the amount of \$56.8 billion for Fiscal Year 2013-14 which reflects an increase of \$1.5 billion compared to the expected funding set forth in the Fiscal Year 2013-14 State Budget Act. The Fiscal Year 2014-15 Proposed State Budget proposed Proposition 98 funding in the amount of \$61.6 billion for Fiscal Year 2014-15.

2. The Fiscal Year 2014-15 Proposed State Budget proposed to eliminate all remaining deferrals of State Aid to school districts. The Fiscal Year 2014-15 Proposed State Budget proposed to repay approximately \$6.4 billion in remaining K-14 deferred payments.

3. The Fiscal Year 2014-15 Proposed State Budget projected that total per-pupil expenditures from all sources will be \$11,985 in Fiscal Year 2013-14 and \$12,833 in Fiscal Year 2014-15 including, among other things, amounts provided for prior year settle-up obligations. Such amounts will also include Proposition 98 expenditures of approximately \$8,469 per pupil and \$9,194 per pupil provided Fiscal Year 2013-14 and Fiscal Year 2014-15, respectively.

4. The Fiscal Year 2014-15 Proposed State Budget continued funding related to the Local Control Funding Formula. Pursuant to the Fiscal Year 2014-15 Proposed State Budget, the Local Control

Funding Formula for Fiscal Year 2014-15 will include: (i) a base grant for each LEA equivalent to \$7,829 per unit of ADA, inclusive of the application of COLAs for Fiscal Years 2013-14 and 2014-15, and an adjustment of 10.4% to the base grant to support lowering class sizes in kindergarten through grades 3 and an adjustment of 2.6% to reflect the cost of operating career technical education programs in high schools; (ii) a 20% supplemental grant for English learners, students from low-income families, and foster youth to reflect increased costs associated with educating those students; (iii) an additional concentration grant of up to 22.5% of an LEAs base grant, based on the number of English learners, students from low-income families, and foster youth served by the local agency that comprise more than 55% of enrollment. The Fiscal Year 2014-15 Proposed State Budget also included an Economic Recovery Target to ensure that almost every LEA receives at least their prerecession funding level, adjusted for inflation, at full implementation of the Local Control Funding Formula.

5. The Fiscal Year 2014-15 Proposed State Budget proposed a second-year investment of \$4.5 billion to eliminate more than 28% of the remaining gap in funding between the revenue limit formula and the Local Control Funding Formula. The Governor has proposed legislation to authorize a continuous appropriation to fund the Local Control Funding Formula to ensure it is implemented on schedule in future years.

6. The Fiscal Year 2014-15 Proposed State Budget stated that, in connection with the State's 2014 Five-Year Infrastructure Plan, the Governor may consider changes to the State's role concerning school facilities funding. The Fiscal Year 2014-15 Proposed State Budget proposed to transfer \$211 million of remaining School Facility Program bond authority from the specialized programs to core new construction (\$105.5 million) and modernization (\$105.5 million) programs. As of the date of the Fiscal Year 2014-15 Proposed State Budget, the State had general obligation authority in the approximate amounts of \$163 million for Seismic Mitigation program, \$3 million for the Career Technical Education program, \$35 million for the High-Performance Incentive Grant program and \$10 million for Overcrowding Relief Grant program.

7. The Fiscal Year 2014-15 Proposed State Budget proposed to dedicate \$188.1 million of one-time Proposition 98 General Fund to the Emergency Repair Program to provide grants or reimbursement to LEAs for the cost of repairing or replacing building systems that pose a health and safety threat to students and staff at eligible school sites.

8. In connection with the California Clean Energy Jobs Act of 2012, the Fiscal Year 2014-15 Proposed State Budget Act proposed to allocate the \$363 million of energy efficiency funds available in 2014-15 as follows: (i) \$316 million and \$39 million to K-12 school districts and community college districts, respectively, for energy efficiency project grants; (ii) \$5 million to the California Conservation Corps for continued technical assistance to K-12 school districts; and (iii) \$3 million to the Workforce Investment Board for continued implementation of the job-training program.

9. The Fiscal Year 2014-15 Proposed State Budget proposed to allocate \$33.3 million to support a 0.86% statutory COLA for categorical programs such as Special Education, Child Nutrition, American Indian Education Centers, and the American Indian Early Childhood Education Program which remain outside of the Local Control Funding Formula.

10. The Fiscal Year 2014-15 Proposed State Budget proposed an increase of \$188.1 million in one-time Proposition 98 General Fund resources for the Emergency Repair Program. The Fiscal Year 2014-15 Proposed State Budget would reduce the State's current obligation of \$462 million to schools under the *Williams v. California* settlement agreement. See "District Financial Information - Funding from the Quality Education Investment Act of 2006" herein.

***LAO Analysis of the Fiscal Year 2014-15 Proposed State Budget.*** On January 13, 2014, the Legislative Analyst's Office ("LAO") released a report entitled "The 2014-15 Budget: Overview of the Governor's Budget" (the "2014 LAO Budget Overview"), which provided an analysis by the LAO of the Fiscal Year 2014-15 Proposed State Budget. The 2014 LAO Budget Overview is available on the LAO website at [www.lao.ca.gov](http://www.lao.ca.gov). Information on the website is not incorporated herein by reference. The 2014 LAO Budget Overview stated that the State has made substantial progress in recent years in addressing its prior, persistent budgetary problems. This progress has been facilitated by a recovering economy, increased in the stock market and increased revenues from temporary taxes pursuant to Proposition 30. In addition, the LAO stated that by making relatively few ongoing new spending commitments outside of Proposition 98, the Governor is attempting to minimize, as much as possible, future budget pressures that could result from making such new commitments today. The LAO stated that the Governor's emphasis on debt repayment is prudent, and that overall, the Fiscal Year 2014-15 Proposed State Budget, if approved, would place California on a stronger fiscal footing. The LAO agrees with the Governor's proposals to set aside money while revenues are robust, but cautions that any formula-based proposal merits careful legislative consideration. The LAO also suggests setting aside State funds beginning in Fiscal Year 2013-14 in anticipation of a future long-term plan to fund CalSTRS' large unfunded liabilities.

***May Revision to the Fiscal Year 2014-15 Proposed State Budget.*** On May 13, 2014, the Governor released his May Revision to the 2014-15 Proposed State Budget (the "May Revision"), which projected Fiscal Year 2013-14 revenues and transfers of \$102.19 billion, total expenditures of \$100.71 billion and a year-end surplus of \$3.90 billion (inclusive of the \$2.43 billion fund balance from Fiscal Year 2012-13), of which \$955 million would be reserved for the liquidation of encumbrances and \$2.95 billion would be deposited in a reserve for economic uncertainties. The May Revision projected Fiscal Year 2014-15 revenues and transfers of \$105.35 billion, total expenditures of \$107.77 billion and a year-end surplus of \$1.48 billion (inclusive of the projected \$3.90 billion State General Fund balance as of June 30, 2014 which would be available for Fiscal Year 2014-15), of which \$955 million would be reserved for the liquidation of encumbrances and \$528 million would be deposited in a reserve for economic uncertainties. In addition, in Fiscal Year 2014-15, \$1.604 billion would be deposited into the State's Budget Stabilization Account/Rainy Day Fund. The May Revision stated that State revenues are forecasted to increase by \$2.4 billion, which amounts will be offset in part by unanticipated increased in Medi-Cal costs associated with the expansion under the Affordable Care Act, increased costs of drought management and additional costs associated with State pension obligations. The May Revision stated that a number of major risks continue to threaten the State's fiscal stability, including the overhang of fiscal debts, growing long-term liabilities and continuing uncertainties regarding the costs of the federal Affordable Care Act. The May Revision also stated that the agreement between the Governor and legislative leaders to create a Rainy Day Fund through an amendment to the State Constitution, if approved by voters in November 2014, will help the State minimize the volatility of future budgetary surplus and deficit cycles.

Features of the May Revision to the Fiscal Year 2014-15 Proposed State Budget affecting school districts in general included, but were not limited to, the following:

1. The May Revision to the Fiscal Year 2014-15 Proposed State Budget proposed a new funding strategy for CalSTRS which, if approved and all projections contained therein are met, will eliminate CalSTRS' unfunded liability by Fiscal Year 2045-46. Pursuant to the Governor's proposal teacher contributions will increase from 8.00% to 10.25% of pay from Fiscal Year 2013-14 to Fiscal Year 2016-17 and school contributions will increase from 8.25% to 19.10% of payroll from Fiscal Year 2013-14 to Fiscal Year 2016-17. The school contributions will be paid from existing revenue sources. The May Revision to the Fiscal Year 2014-15 Proposed State Budget proposed to increase the State's total contribution to the CalSTRS defined benefit plan from 3.0% to 6.3% of payroll from Fiscal Year 2013-14 to Fiscal Year 2016-17. Pursuant to the Governor's proposal, the State will continue 2.5% of payroll

annually for a supplemental inflation protection program. The May Revision to the Fiscal Year 2014-15 Proposed State Budget included approximately \$450 million including \$73.2 million from the State's General Fund in additional funding for CalSTRS in Fiscal Year 2014-15. See "District Financial Information - Retirement Systems - California State Teachers' Retirement System" herein.

2. The May Revision to the Fiscal Year 2014-15 Proposed State Budget proposed Proposition 98 funding for education in the amount of \$58.3 billion for Fiscal Year 2013-14 which reflects an increase of \$3 billion compared to the expected funding set forth in the Fiscal Year 2013-14 State Budget Act. The Fiscal Year 2014-15 Proposed State Budget proposed Proposition 98 funding in the amount of \$60.9 billion for Fiscal Year 2014-15.

3. The May Revision to the Fiscal Year 2014-15 Proposed State Budget proposed to eliminate all remaining deferrals of State Aid to school districts. The May Revision to the Fiscal Year 2014-15 Proposed State Budget proposed to repay approximately \$6.4 billion in remaining K-14 deferred payments with funds from Fiscal Year 2014-15 and one-time Proposition 98 funds in the amount of \$742.2 million attributable to Fiscal Years 2012-13 and 2013-14. The Governor expected that the acceleration of the deferral repayment schedule will be offset by reduction of \$742.2 in ongoing Proposition 98 General Fund. However, the Governor expected that total funding will eliminate all K-12 inter-year deferrals.

4. The May Revision to the Fiscal Year 2014-15 Proposed State Budget proposed to address a projected deficit in funding for implementation of the Local Control Funding Formula by allocating \$4.5 billion to continue implementing the formula during its second year.

5. Pursuant to the May Revision to the Fiscal Year 2014-15 Proposed State Budget, the State and LEAs will continue implementation of the Common Core academic standards. In accordance therewith, the May Revision to the Fiscal Year 2014-15 Proposed State Budget proposed to allocate approximately \$26.7 million for the K-12 High Speed Network which will include a comprehensive assessment of network connectivity and grant funding to school districts determined to have the greatest needs with respect to internet connectivity and infrastructure. The Governor expected that funding for this program will, upon its completion, provide maximum participation in computer adaptive testing in Fiscal Year 2014-15.

6. The May Revision to the Proposed 2014-15 State Budget proposed to authorize LEA to offer course-based independent study options for students in grades 9-12 and site-based blended learning programs for grades K-12 in order to increase the availability of independent study. The May Revision revises proposals with respect to independent study to, if approved, eliminate the requirement that certificated teachers and students meet weekly to assess if a student is making satisfactory academic progress in a school site-based blended learning independent study program, provide schools with the ability to offer site-based blended learning and modify the funding method for students enrolled in course-based independent study programs.

7. The May Revision to the Proposed 2014-15 State Budget Act proposed to decrease the total funds available for energy efficiency projected under the California Clean Energy Jobs Act of 2012 in Fiscal Year 2014-15 to \$307 million from the previously projected \$316 million due to reduced revenue estimates.

8. The May Revision to the Proposed 2014-15 State Budget Act proposed to increase expenditures from Proposition 98 General Fund by approximately \$83.9 million in Fiscal Year 2014-15 for school districts, special education local plan areas and county offices of education as a result of lower offsetting property tax revenues from such LEAs.

9. The May Revision to the Proposed 2014-15 State Budget Act proposed an increase of \$103.1 million in Fiscal Year 2013-14 and an increase of \$121.1 million in Fiscal Year 2014-15 for school districts, charter schools and county offices of education as a result of an increase in projected ADA in both years. In addition, The May Revision to the Proposed 2014-15 State Budget Act proposed an increase of \$15.3 million Proposition 98 General Fund for selected categorical programs based on updated estimates of projected ADA growth.

***LAO Analysis of the May Revision.*** On May 16, 2014, the LAO released an analysis of the May Revision entitled “The 2014-15 Budget: Overview of the May Revision” (the “LAO May Revision Overview”). The LAO May Revision Overview stated that the Governor’s budget plan takes a careful approach to State finances. The LAO May Revision Overview also stated that the State’s volatile tax revenue system, uncertainty about future stock and other asset prices, and the likelihood (based on historic trends) of another recession within a few years all emphasize the importance of building reserves and reducing State debt. The LAO May Revision Overview further stated that under the Governor’s approach, the State would improve its chances of managing the next significant State revenue downturn with less of the drastic budget cuts required during the last few recessions.

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

The Fiscal Year 2014-15 State Budget includes the constitutional amendment placed by the State Legislature on the November 2014 ballot proposing to change the formula by which the Rainy Day Fund is funded and to establish certain accounts therein. See “State Funding of Education – State Budget – Fiscal Year 2014-15 Proposed State Budget” and “– May Revision to the Proposed State Budget” herein. The Governor expects that the amendment, if approved by voters, will help the State minimize the volatility of future budgetary surplus and deficit cycles. If this constitutional amendment is approved, the State would, among other things, establish a Public School System Stabilization Account in the Rainy Day Fund. The State may deposit amounts into the Public School System Stabilization Account only after it has paid all amounts owing to school districts relating to the Proposition 98 maintenance factor for fiscal years prior to Fiscal Year 2014-15. Further, the State may not transfer funds to the Public School System Stabilization Account unless the State is in a Test 1 year under Proposition 98 or in any year in which a maintenance factor is created. See “California Constitutional and Statutory Provisions Relating to *Ad Valorem* Property Taxes, District Revenues and Appropriations – Proposition 98” herein.

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



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

2. The Fiscal Year 2014-15 State Budget Act allocates an additional \$4.5 billion of Proposition 98 General Fund to address the projected deficit in funding for implementation of the Local Control Funding Formula.

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

4. The Fiscal Year 2014-15 State Budget Act increases Proposition 98 General Fund by approximately \$400.5 million to reimburse LEAs for the costs of State-mandated programs. The Governor expects that these funds will provide school districts, county offices of education and charter schools with discretionary resources for expenditures such as implementation of the Common Core.

5. The Fiscal Year 2014-15 State Budget Act increases the Proposition 98 General Fund by approximately \$26.7 million for funding the K-12 High Speed Network. The Governor expects that this allocation will be used for technical assistance and grants to LEAs to address technical requirements necessary for implementation of the Common Core.

6. The Fiscal Year 2014-15 State Budget Act includes an increase of approximately \$250 million in the Proposition 98 General Fund for grants related to the Career Technical Education Pathways Program. Participating LEAs are eligible to receive grant awards to improve career technical programs and linkages between employers, schools and community colleges.

***Trailer Bills with respect to the Fiscal Year 2014-15 State Budget Act.*** On June 15, 2014, the State Legislature approved Senate Bill 858 ("SB 858"), an education omnibus bill. SB 858 was approved by the Governor on June 21, 2014. On June 15, 2014, the State Legislature approved Assembly Bill 1469 ("AB 1469") with respect to CalSTRS. AB 1469 was submitted to the Governor review on June 17, 2014. Pursuant to State law, the Governor must sign or veto a bill or portions thereof within 12 days of the day of transmittal or it becomes law without a signature.

**SB 858.** SB 858 amends the Education Code to limit school district reserves subject to voter approval in November 2014 of the proposed constitutional amendment with respect to the Rainy Day Fund. In addition to the conditions described herein, additional conditions must be satisfied before the reserve limitations are operative.

If the constitutional amendment is approved, in any fiscal year following a year in which the State has made a transfer into the Public School System Stabilization Account and all other applicable conditions have been satisfied, the combined unassigned and assigned ending fund balance in any budget adopted or revised by a school district may not be (i) more than two times the amount of the minimum recommended reserve specified under the Education Code for school districts with an ADA of less than 400,000 or (ii) more than three times the amount of the minimum recommended reserve specified under the Education Code for school districts such as the District with an ADA of 400,000 or greater. Further, a county superintendent of schools may grant a school district a waiver from this limitation on reserves for

up to two consecutive fiscal years within a three-year period if certain extraordinary fiscal circumstances exist.

The State-imposed minimum recommended reserve for the District, which is accounted for in the Reserve for Economic Uncertainties, is an amount equal to 1% of General Fund expenditures and other financing uses. The District's proposed budget for Fiscal Year 2014-15 (the "Fiscal Year 2014-15 Proposed District Budget") projects total expenditures and other financing uses of approximately \$6.390 billion. The Fiscal Year 2014-15 Proposed District Budget projects a combined assigned and unassigned ending fund balance of approximately \$392.9 million, which is approximately \$201.2 million in excess of \$191.7 million, the estimated maximum amount that would be permitted under the Education Code, as amended, in Fiscal Year 2014-15 if the provisions in the amended Education Code were operative in this fiscal year. Further, such excess amount assumes the State had contributed to the Public School System Stabilization Account in Fiscal Year 2013-14 and the other aforementioned conditions had been met.

The District cannot predict whether the proposed amendment to the Rainy Day Fund will be approved by voters or the extent to which the State will fund the Public School System Stabilization Account. In addition, the District cannot predict what steps it will implement, if any, to adjust its budgeted reserves to comply with the amended Education Code. Further, the District cannot predict whether the limitations on reserves in the Education Code, as amended, will apply solely to fund balances in the District's General Fund or if it will apply to other funds of the District. However, the District does not expect the limitations on reserves in the Education Code, as amended, to adversely affect its ability to pay the principal of and interest on the Bonds as and when due.

AB 1469. AB 1469 will, if signed by the Governor, implement a new funding strategy for CalSTRS. If approved, District's employer contribution rate for Fiscal Year 2014-15 will increase from 8.25% of covered payroll to 8.88% of covered payroll. Beginning in Fiscal Year 2015-16, the District's employer contribution rate will increase by 1.85% of covered payroll annually until the employer contribution rate is 19.10% of covered payroll. Pursuant to AB 1469, employee contributions for employees who joined CalSTRS prior to PEPRA will increase from 8.00% to 10.25% of covered payroll from Fiscal Year 2013-14 to Fiscal Year 2016-17. Pursuant to AB 1469, employee contributions for employees who joined CalSTRS after PEPRA will increase from 8.00% to 9.205% of covered payroll from Fiscal Year 2013-14 to Fiscal Year 2016-17. If AB 1469 is approved, the State Teachers Retirement Board will have the authority to modify the percentages paid by employers and employees for fiscal year 2021-22 and each fiscal year thereafter in order to eliminate CalSTRS' unfunded liability by June 30, 2046 based upon actuarial recommendations. See "District Financial Information – Retirement Systems California State Teachers' Retirement System" herein.

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

***Future State Budgets.*** The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address the State's current or future budget deficits and cash management practices. Future State budgets will be affected by national and State economic conditions, including the current economic downturn, over which the District has no control, and other factors over which the District will have no control. To the extent that the State budget process results in reduced

revenues deferred revenues or increased expenses for the District, the District will be required to make adjustments to its budget and cash management practices. In the event current or future State Budgets decrease the District's revenues or increase required expenditures by the District from the levels assumed by the District, the District will be required to generate additional revenues, curtail programs or services, or use its reserve funds to ensure a balanced budget.

### **State Funding of Schools without a State Budget**

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

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

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

### **Constitutionally Required Funding of Education**

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

### **Article XIII A of the State Constitution**

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

### **Legislation Implementing Article XIII A**

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

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

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

### **Article XIII B of the State Constitution**

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

The District Board adopted the annual appropriation limit for Fiscal Year 2012-13 of approximately \$4.14 billion. The limitation applies only to proceeds of taxes and therefore does not apply to service fees and charges, investment earnings on non-proceeds of taxes, fines, and revenue from the sale of property and taxes received from the State and federal governments that are tied to special programs. For Fiscal Year 2011-12, the funds subject to limitation totaled approximately \$3.79 billion and were approximately \$314.0 million below the Article XIII B limit.

### **Article XIII C and Article XIII D of the State Constitution**

On November 5, 1996, the voters of the State approved Proposition 218, the so called “Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D to the State Constitution (“Article XIII C” and “Article XIII D”), which contain a number of provisions affecting the ability of local

agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

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

### **Proposition 98**

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

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

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

The Fiscal Year 2014-15 Proposed State Budget proposes Proposition 98 expenditures for Fiscal Year 2013-14 of \$56.8 billion (inclusive of local property tax revenues and the approval of Proposition 30), which reflects an increase of \$1.5 billion compared to the projected Proposition 98 expenditures for Fiscal Year 2013-14 set forth in the Fiscal Year 2013-14 State Budget Act. The Fiscal Year 2014-15 Proposed State Budget proposes to fund the Proposition 98 minimum guarantee in full in the amount of \$61.6 million.

For further information concerning the impact of State Budgets on Proposition 98 funding, see “District Financial Information—State Budget” herein.

### **Proposition 39**

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

### **Proposition 1A**

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

## Proposition 22

Proposition 22 (“Proposition 22”), which was approved by California voters in November 2010, prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services and prohibits fuel tax revenues from being loaned for cash-flow or budget balancing purposes to the State General Fund or any other State fund. Due to the prohibition with respect to State’s ability to take, reallocate, and borrow money raised by local governments for local purposes, Proposition 22 supersedes certain provisions of Proposition 1A of 2004. See “ – Proposition 1A” herein. In addition, Proposition 22 generally eliminated the State’s authority to temporarily shift property taxes from cities, counties, and special districts to schools, temporarily increased school and community college district’s share of property tax revenues, prohibited the State from borrowing or redirecting redevelopment property tax revenues or requiring increased pass-through payments thereof, and prohibited the State from reallocating vehicle license fee revenues to pay for State-imposed mandates. In addition, Proposition 22 requires a two-thirds vote of each house of the State Legislature and a public hearing process to be conducted in order to change the amount of fuel excise tax revenues shared with cities and counties. The LAO stated that Proposition 22 would prohibit the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies. However, the California Supreme Court, in *California Redevelopment Association v. Matosantos*, held that the dissolution provisions set forth in ABx1 26 were constitutional and permitted the State to allocate revenues that would have been directed to the redevelopment agencies to make pass-through payments (*i.e.*, payments that such entities would have received under prior law) to local agencies and to successor agencies for retirement of the debts and certain administrative costs of the redevelopment agencies.

Proposition 22 prohibits the State from borrowing sales taxes or excise taxes on motor vehicle fuels or changing the allocations of those taxes among local government except pursuant to specified procedures involving public notices and hearings. In addition, Proposition 22 requires that the State apply the formula setting forth the allocation of State fuel tax revenues to local agencies revert to the formula in effect on June 30, 2009. The LAO stated that Proposition 22 would require the State to adopt alternative actions to address its fiscal and policy objectives, particularly with respect to short-term cash flow needs. The District does not believe that the adoption of Proposition 22 will have a significant impact on their respective revenues and expenditures during Fiscal Year 2013-14.

## State School Facilities Bonds

**Proposition 47.** The Class Size Reduction Kindergarten – University Public Education Facilities Bond Act of 2002 appeared on the November 5, 2002 ballot as Proposition 47 and was approved by State voters (“Proposition 47”). This measure authorizes the sale and issuance of \$13.05 billion in general obligation bonds by the State for funding construction and renovation of K-12 school facilities (\$11.4 billion) and higher education facilities (\$1.65 billion). Proposition 47 includes \$6.35 billion for acquisition of land and new construction of K-12 school facilities. Of this amount, \$2.9 billion will be set aside to fund backlog projects for which school districts submitted applications to the State on or prior to February 1, 2002. The balance of \$3.45 billion would be used to fund projects for which school districts submitted applications to the State after February 1, 2002. K-12 school districts will be required to pay 50% of the costs for acquisition of land and new construction with local revenues. In addition, Proposition 47 provided that up to \$100 million of the \$3.45 billion would be allocated for charter school facilities. Proposition 47 provides up to \$3.3 billion for reconstruction or modernization of existing K-12 school facilities. Of this amount, \$1.9 billion will be set aside to fund backlog projects for which school districts submitted applications to the State on or prior to February 1, 2002 and the balance of \$1.4 billion would be used to fund projects for which school districts submitted applications to the State after February 1, 2002. K-12 school districts will be required to pay 40% of the costs for reconstruction or



modernization with local revenues. Proposition 47 provides a total of \$1.7 billion to K-12 school districts which are considered critically overcrowded, specifically to schools that have a large number of pupils relative to the size of the school site. In addition, \$50 million will be available to fund joint-use projects. Proposition 47 also includes \$1.65 billion to construct new buildings and related infrastructure, alter existing buildings and purchase equipment for use in the State's public higher education systems.

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

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

**Proposition 1D.** The Kindergarten-University Public Education Facilities Bond Act of 2006 appeared on the November 7, 2006 ballot as Proposition 1D and was approved by State voters ("Proposition 1D"). This measure authorizes the sale and issuance of \$10.4 billion in general obligation bonds by the State for funding the construction and renovation of public K-12 school facilities (\$7.3 billion) and public higher education facilities (\$3.1 billion). Proposition 1D includes \$1.9 billion for the acquisition of land and construction of new school buildings. A school district would be required to pay for 50% of costs with local resources unless it qualifies for state hardship funding. Proposition 1D also provides that up to \$500 million of these construction funds is available for charter school facilities.

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

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

**Future Initiatives**

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

## REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION

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

### Population

The following Table A-28 sets forth the estimates of the population of the City, the County and the State in calendar years 2010 through 2014.

**TABLE A-28  
POPULATION ESTIMATES  
2010 through 2014**

<b>Year (as of January 1)</b>	<b><u>City of Los Angeles</u></b>	<b><u>County of Los Angeles</u></b>	<b><u>State of California</u></b>
2010	3,794,586	9,822,121	37,223,900
2011	3,806,411	9,847,712	37,427,946
2012	3,827,172	9,889,520	37,668,804
2013	3,866,133	9,963,811	37,984,138
2014	3,904,657	10,041,797	38,340,074

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

### Income

The following Table A-29 summarizes the median household income for the City, the County, the State and the United States for calendar years 2008 through 2012.

**TABLE A-29  
Median Household Income<sup>(1)</sup>  
2008 through 2012**

<b>Year</b>	<b><u>City of Los Angeles</u></b>	<b><u>County of Los Angeles</u></b>	<b><u>State of California</u></b>	<b><u>United States</u></b>
2008	\$48,882	\$55,499	\$61,021	\$52,029
2009	48,617	54,467	58,931	50,221
2010	47,031	52,684	57,708	50,046
2011	46,148	52,280	57,287	50,502
2012	46,803	53,001	58,328	51,371

---

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

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

Set forth in Table A-30 below is the distribution of income by certain income groupings per household for the City, the County, the State and the United States for calendar year 2012.

**TABLE A-30**  
**Income Groupings 2012<sup>(1)</sup>**  
**(Percent of Households)**

<b><u>Income Per Household</u></b>	<b><u>City of Los Angeles</u></b>	<b><u>County of Los Angeles</u></b>	<b><u>State of California</u></b>	<b><u>United States</u></b>
\$24,999 & Under	28.86%	24.44%	21.79%	24.42%
\$25,000-49,999	23.53	22.74	21.79	24.15
\$50,000 & Over	47.62	52.82	56.42	51.43

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

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

## Employment

The District is within the Los Angeles-Long Beach Primary Metropolitan Statistical Area Labor Market (Los Angeles County). Table A-31 below summarizes wage and salary employment in the County from calendar years 2009 through 2013.

**TABLE A-31**  
**Labor Force and Employment in Los Angeles County<sup>(1)</sup>**

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

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

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

<sup>(3)</sup> The State Employment Development Department has reported a seasonally adjusted unemployment rate within the County of 7.6% for April 2014.

<sup>(4)</sup> Based on place of work.

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

Table A-32 below sets forth taxable sales in the County for the calendar years 2009, 2010, 2011 and 2012.

**TABLE A-32**

**County of Los Angeles  
Taxable Transactions<sup>(1)</sup>  
Calendar Years 2009, 2010, 2011 and 2012  
(\$ in thousands)**

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

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

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

## Leading County Employers

The economic base of the County is diverse with no one sector being dominant. Some of the leading activities include government (including education), business/professional management services (including engineering), health services (including training and research), tourism, distribution, and entertainment. The top twenty-five non-governmental employers in the County are set forth below in Table A-33.

**TABLE A-33**  
**County of Los Angeles**  
**Major Non-Governmental Employers<sup>(1)</sup>**  
**As of September 9, 2013**

<u>Employer</u>	<u>Product/Service</u>	<u>Employees</u>
Kaiser Permanente	Non-profit health plan	36,495
Northrop Grumman Corp.	Defense contractor	16,100
Target Corp.	Retailer	15,000
University of Southern California	Private university	14,525
Bank of America Corp.	Banking and financial services	13,746
Ralphs/Food 4 Less (Kroger Co. division)	Retail grocer	13,500 <sup>(2)</sup>
Providence Health & Services Southern California	Health care	10,983
Cedars-Sinai Medical Center	Medical center	10,663
Home Depot	Home improvement specialty retailer	10,630
Walt Disney Co.	Entertainment	10,500 <sup>(2)</sup>
Boeing Co.	Integrated aerospace and defense systems	10,463
Wells Fargo	Diversified financial services	10,100
AT&T Inc.	Telecommunications	8,900
UPS	Transportation and freight	8,845
California Institute of Technology	Private university; operator of Jet Propulsion Laboratory	8,649
ABM Industries Inc.	Facility services, energy solutions, commercial cleaning, maintenance and repair	8,200
American Apparel Inc.	Apparel manufacturer and retailer	7,960
Edison International	Electric utility	7,850
Vons	Retail grocer	7,750
FedEx Corp.	Shipping and logistics	7,700 <sup>(2)</sup>
Warner Bros. Entertainment Inc.	Entertainment	7,400 <sup>(3)</sup>
Raytheon Co.	Aerospace and defense contractor	6,793 <sup>(4)</sup>
JPMorgan Chase	Banking and financial services	6,300
Dignity Health	Hospitals	6,106
Amgen Inc.	Biotechnology	6,000

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

<sup>(2)</sup> Business Journal estimate.

<sup>(3)</sup> Information provided by the City of Burbank.

<sup>(4)</sup> Information provided by the City of El Segundo.

Source: Los Angeles Business Journal.

## Construction

The following Table A-34 sets forth the valuation of permits for new residential buildings and the number of new single-family and multi-family dwelling units in the City for the years 2010 through 2013 and for the period from January 2014 through March 2014.

**TABLE A-34**  
**City of Los Angeles**  
**Permit Valuations and Units of Construction**  
**2010 to 2014**  
**(\$ in thousands)**

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

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

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

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

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

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

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

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

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

“ARC” means annual required contribution.

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

“CAFR” means comprehensive annual financial report.

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

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

“CDE” means the California Department of Education.

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

“Common Core” means Common Core State Standards.

“EPMC” means Employer-Paid Member Contributions.

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

“FTE” means full-time equivalent.

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

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

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

“LCAP” means the Local Control and Accountability Plan.



“LCFF” means the Local Control Funding Formula.

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

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

“NPO” means net pension obligation.

“OPEB” means Other Post-Employment Benefits.

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

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

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

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

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

“UAAL” means unfunded actuarial accrued liability.

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

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**APPENDIX B**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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LAUSD

LOS ANGELES UNIFIED SCHOOL DISTRICT



## COMPREHENSIVE ANNUAL FINANCIAL REPORT



For Fiscal Year Ended June 30, 2013

# 2012-2013

Los Angeles, CA



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

**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2013**

**MR. JOHN E. DEASY  
SUPERINTENDENT OF SCHOOLS**

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

**MR. V. LUIS BUENDIA  
CONTROLLER**



**PREPARED BY  
ACCOUNTING AND DISBURSEMENTS DIVISION**

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





**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
Comprehensive Annual Financial Report  
Year Ended June 30, 2013

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# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Comprehensive Annual Financial Report

Year Ended June 30, 2013

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# INTRODUCTORY SECTION





## MEMBERS OF THE BOARD

**RICHARD A. VLADOVIC, Ed.D., PRESIDENT**  
**TAMAR GALATZAN**  
**MÓNICA GARCÍA**  
**BENNETT KAYSER**  
**MÓNICA RATLIFF**  
**STEVEN ZIMMER**



## LOS ANGELES UNIFIED SCHOOL DISTRICT

**JOHN E. DEASY, Ph.D.**  
*Superintendent of Schools*

**MICHELLE KING**  
*Senior Deputy Superintendent School Operations*

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

**V. LUIS BUENDIA**  
*Controller*

January 15, 2014

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

Dear Board Members:

The Comprehensive Annual Financial Report of the Los Angeles Unified School District (District), for the fiscal year ended June 30, 2013, 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 2012-13 is Simpson & Simpson, CPAs. The independent auditor's report on the basic financial statements is presented in the Financial Section of this report on page 1.

### **Management Discussion and Analysis (MD&A)**

The MD&A provides an objective and easily readable analysis of the District's financial activities on both a short- and long-term basis. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

### **Profile of the Los Angeles Unified School District**

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

As of June 30, 2013, the District is operating 456 elementary schools, 86 middle/junior high schools, 106 senior high schools, 56 options schools, 21 multi level schools, 16 special education schools, 28 magnet schools and 145 magnet centers, 6 community adult schools, 3 regional occupational centers, 1 skills centers, 1 regional occupational program center, 82 early education centers, 4 infant centers, and 18 primary school centers. The District is governed by a seven-member Board of Education elected by district to serve alternating four-year terms. As of June 30, 2013, the District employed 38,158 certificated, 26,646 classified, and 10,829 unclassified employees. Enrollment as of September 2012 was 566,604 students in K-12 schools, 59,331 students in adult schools and centers, and 11,899 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**

Due to the federal government’s failure to adopt a timely budget for fiscal year 2014, 800,000 federal workers went on furlough on October 1, 2013. Several sectors of the government were closed such as the national parks, monuments, and all the memorials in Washington, D.C. In addition to these closures, the Treasury debt ceiling was the bigger issue that the government leaders had to deal with. Indecision of the government whether to raise the Treasury debt ceiling would have affected the government’s payment of its obligations, such as Social Security and Medical benefits, etc. Failure to pay the federal government’s bills would have affected the national credit rating.

In spite of the fact that the Republicans wanted some changes to the Affordable Care Act (ACA) as a condition to agreeing to the budget, a budget measure was signed on October 17, 2013 without any change to the ACA that extended government funding up to January 15, 2014. In addition to providing back pay for those who were furloughed, the budget measure allowed the president to authorize a 1% raise for federal employees effective January 2014. The executive order was signed by President Obama on December 23, 2013, ending a four-year freeze in salary rates.

Aside from the federal sequestration, Los Angeles Unified School District has not been affected by the federal government’s delay in implementing their budget. What the District is dealing with is the change in the funding formula called the Local Control Funding Formula (LCFF) that was introduced by Governor Jerry Brown for simplification and transparency of funding formula, and to let the local agencies decide as to how funds would be spent with the students’ success in mind.

California’s unemployment rate has improved more than twice as much as the nation’s unemployment rate. Comparison of the average monthly change shows that California’s unemployment rate declined by 1.57% from 2012 to 2013, while the nation’s unemployment rate declined by 0.64%. New Jersey and Florida have the second and third highest over-the-year unemployment rate change from November 2012 to November 2013 at -1.8% and -1.6%, respectively, with North Carolina topping the list at -2.0%. On the other hand, Texas, California, and Florida lead the nation with over-the-year job increases of 274,200, 226,200, and 183,100, respectively.

Month (2013)	U.S.	California
January	7.9%	9.8%
February	7.7%	9.6%
March	7.6%	9.4%
April	7.5%	9.0%
May	7.6%	8.6%
June	7.6%	8.5%
July	7.4%	8.7%
August	7.3%	8.9%
September	7.2%	8.7%
October	7.3%	8.7%
November	7.0%	8.5% (P)

*P – Preliminary estimate*

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

According to UCLA economists, the US unemployment rate will steadily decline to about 6.5% by 2015 and unemployment gains could be slowed down due to the requirements of the Federal Affordable Care Act. Due to the ACA, small business employers could be discouraged from hiring workers or encouraged to hire part-time employees instead of full-time employees. Jerry Nickelsburg, the Anderson Senior Economist, said that California is experiencing a “bifurcated recovery” because much of the Bay Area, Los Angeles, Orange, and San Diego enjoy a robust employment growth due to the high-tech and biotech employment growth. However, the East Bay, Central Valley, and Inland Empire are struggling to add jobs.

### **Superintendent’s Strategic Plan**

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

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

### **Financial Information**

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

School districts in California are required by Education Code Section 41010 to follow the California School Accounting Manual in preparing reports to the State. The District, in accordance with Board election on October 28, 2008, utilizes a single-adoption budget schedule that requires Final Budget

adoption by the State-mandated July 1 deadline. The District is allowed to modify its adopted budget within 45 days of the passage of the State budget.

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

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

### **Financial Results**

In 2012-13, the Statement of Changes in Net Position shows that the District's Net Position decreased \$918.7 million during the year after restating Net Position beginning balance. The change to the beginning balance is due to the cumulative effect of prior year's adjustment on depreciation as a result of untimely transfer of completed construction projects to capital asset accounts and incorrect capitalization of certain facilities costs. The Unrestricted Net Position, which is negative, declined from (\$3,211.8 million) to (\$4,035.2 million). The negative Unrestricted Net Position is largely the result of the District's retiree health benefit liability (OPEB liability). The liability reflected, which represents the previous year's liability increased by the current year's unfunded expense, is \$4,787.8 million, an increase of \$792.8 million from 2011-12. The latest actuarial report estimates the net present value of the entire 30-year liability to be \$11.2 billion. Unless the District begins to fund or reduce its OPEB liability, the District's Total Liabilities will eventually exceed its Total Assets.

In 2012-13, the fund balance of the General Fund decreased \$232.1 million from \$824.8 million to \$592.7 million. This decrease was primarily due to lower Revenue Limit Revenue brought about by the continuing decline in enrollment resulting to lower Average Daily Attendance plus a decrease in appropriation received from major categorical programs.

### **Audit Results**

The District received an Unmodified financial audit. An unmodified or "clean" opinion is issued when the auditor can state, without reservation, that the financial statements are fairly presented in all material respects in conformity with generally accepted accounting principles (GAAP). For the federal compliance audit, 19 programs received an Unmodified audit and 4 programs were Qualified. The District received an Unmodified state compliance audit.

The District is pleased that the number of findings declined from 18 in 2011-12 to 13 in 2012-13. In addition, the amount of the questioned costs declined 1.1%, from \$0.476 million in 2011-12 to \$0.470 million in 2012-13. Even with these improvements, the District will continue to work with schools and offices to focus on resolving the remaining areas of internal control and compliance issues.

### **Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Los Angeles Unified School District for its comprehensive annual financial report for the fiscal year ended June 30, 2012. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

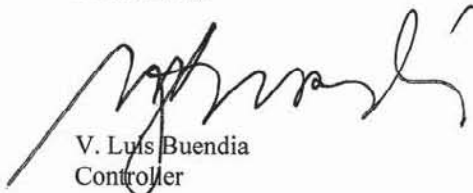
**Acknowledgments**

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

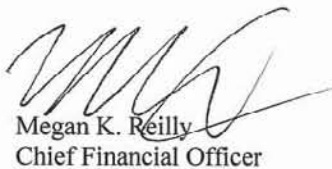
Respectfully submitted,

John E. Deasy  
Superintendent of Schools

Prepared by:



V. Luis Buendia  
Controller



Megan K. Reilly  
Chief Financial Officer



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Los Angeles Unified  
School District, California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

A handwritten signature in black ink, reading "Jeffrey R. Enos". The signature is written in a cursive, flowing style.

Executive Director/CEO

## **BOARD OF EDUCATION**

Richard Vladovic  
President

Marguerite Poindexter LaMotte  
(In Memoriam 2003 – 2013)

Bennett Kayser

Mónica García

Nury Martinez  
(July 2, 2009 – June 30, 2013)

Tamar Galatzan

Mónica Ratliff  
(Effective July 1, 2013)

Steve Zimmer

## **PRINCIPAL SCHOOL DISTRICT OFFICIALS**

John E. Deasy  
Superintendent of Schools

Megan K. Reilly  
Chief Financial Officer

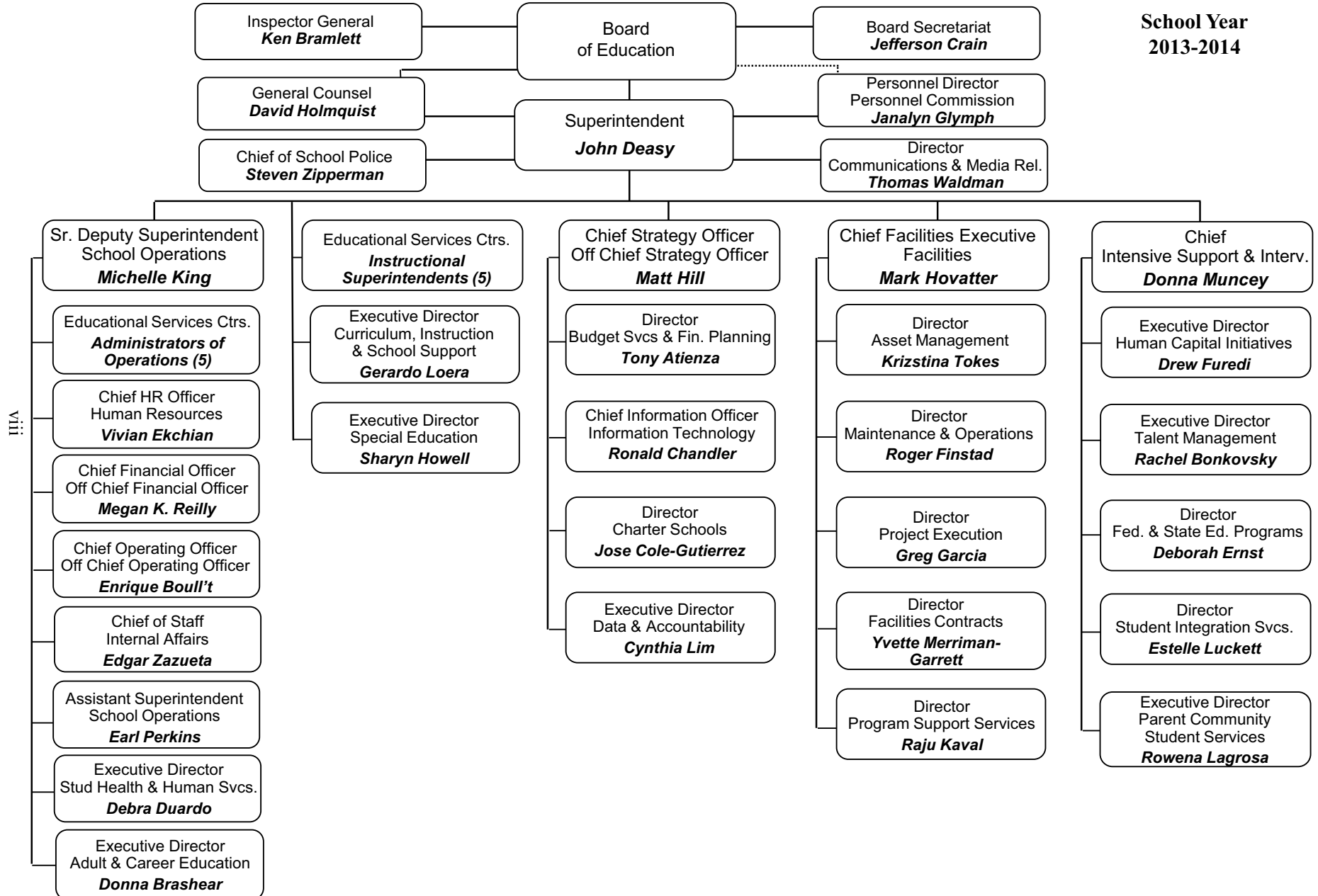
V. Luis Buendia  
Controller

## **EDUCATIONAL SERVICE CENTERS**

	Instructional Area Superintendents:	Administrator of Operations:	Administrator of Parent & Community Engagement:
North:	Byron Maltez	Juan A. Flecha	Marilu Pigliapoco
South:	Dr. Robert Bravo	Dr. James Noble	Rene Robinson
East:	Roberto A. Martinez	Eugene L. Hernandez	Dr. Fatima Castaneda-Gutierrez
West:	Cheryl Hildreth	Jan Davis	Sara Lasnover
ISIC:	Tommy Chang, Ed. D.	Daryl Narimatsu	Kevin Baker, D.M.

# LAUSD Organization Chart – Effective July 1, 2013

**School Year  
2013-2014**





# FINANCIAL SECTION





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633 WEST 5TH STREET, SUITE 3320  
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SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

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

## Independent Auditor's Report

To The Honorable Board of Education  
Los Angeles Unified School District

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Los Angeles Unified School District** (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of California Code of Regulations (CCR), Title 5, Education, Section 19810 et seq. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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





### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Los Angeles Unified School District as of June 30, 2013, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

As discussed in Note 1(q) to the financial statements, the fiscal year 2012 government-wide financial statements have been restated to correct a misstatement in capital assets and related depreciation and accumulated depreciation balances. Our opinion is not modified with respect to this matter.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 and the required supplementary information on page 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, the supplementary information, and statistical section, and the state and federal compliance information section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The supplementary information on pages 65 to 110 and the schedule of expenditures of federal awards on pages 242-246, the information on pages 189 to 235 and page 241 in the state and federal compliance section are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.



The introductory and statistical sections and the information on pages 159 to 188 and 236 to 240 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script, reading 'Simpson &amp; Simpson'.

Los Angeles, California  
January 15, 2014

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Management's Discussion and Analysis

June 30, 2013

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, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-v of this report.

### Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$2.2 billion (net position). This amount is net of a \$4.0 billion deficit in unrestricted net position resulting from the cumulative increase in unfunded liabilities for other postemployment benefits (OPEB).
- The District's total net position decreased by \$918.7 million from prior year total after restatement of net position beginning balance, primarily due to lower revenues as a result of the continuous decline in enrollment and lower average daily attendance plus decrease in appropriation received from major categorical programs.
- As of the close of the 2013 fiscal year, the District's governmental funds reported combined ending fund balances of \$3.8 billion, a decrease of \$587.3 million from June 30, 2012.
- At the end of the current fiscal year, committed, assigned and unassigned fund balances for the General Fund, including reserve for economic uncertainties, was \$435.7 million, or 7.5% of total General Fund expenditures.
- The District's total long-term obligations increased by \$521.8 million (3.1%) during the current fiscal year. The increase resulted primarily from additional net OPEB obligation offset by the decrease in certificate of participation and general obligation bonds payable resulting from payment of matured debts.

### Overview of the Basic Financial Statements

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

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

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

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

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Management's Discussion and Analysis

June 30, 2013

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

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

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

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

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

The District maintains 22 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, Bond interest and redemption fund, and all other funds. Individual account data for all other nonmajor governmental funds are provided in the form of *combining statements* elsewhere in this report.

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

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

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

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

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

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Management's Discussion and Analysis

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

The fiduciary fund financial statements can be found on page 24 of this report.

**Notes to basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-63 of this report.

**Combining and individual fund schedules and statements.** Combining schedules and statements consisting of the budget to actual comparisons for district bonds fund, bond interest and redemption fund, the individual accounts within the nonmajor governmental funds, the internal service funds and the fiduciary funds are presented immediately following the required supplementary information. Combining and individual fund schedules and statements can be found on pages 65-99 of this report.

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

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the District, assets plus deferred outflow of resources exceeded liabilities plus deferred inflows of resources by \$2.2 billion at the close of the most recent year.

By far the largest portion of the District's net position (\$5.1 billion) reflects its investments in capital assets (e.g., land, buildings, and equipment), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investments in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's restricted net position (\$1.2 billion) represent resources that are subject to external restrictions on how they may be used. Majority of this pertains to Federal Funded Programs. The remaining negative balance in unrestricted net position (-\$4.0 billion) resulted primarily from the recognition of \$4.8 billion of net OPEB obligation.

At the end of the 2013 fiscal year, the District is able to report positive balances in all categories of net position except for unrestricted net position.

The \$71.1 million increase in capital assets primarily relates to the continuing school construction and modernization projects throughout the District.

Long-term liabilities increased by \$521.8 million primarily due to additional net OPEB obligation offset by the decrease in certificate of participations and general obligation bonds payable as a result of debt service payments and debt refunding to avail of lower interest rates.



**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Management's Discussion and Analysis

June 30, 2013

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

As of June 30, 2013 and 2012:

	<b>Governmental Activities</b>	
		<b>2012</b>
	<b>2013</b>	<b>(As Restated)</b>
Current Assets	\$ 6,357,673	\$ 6,809,562
Capital Assets, net	14,668,690	14,597,626
Total Assets	21,026,363	21,407,188
Deferred Outflows of Resources	—	—
Current Liabilities	1,632,823	1,616,724
Long-term Liabilities	17,152,004	16,630,225
Total Liabilities	18,784,827	18,246,949
Deferred Inflows of Resources	—	—
Net Position:		
Net investment in capital assets	5,078,764	5,059,121
Restricted for:		
Debt service	459,309	416,294
Program activities	738,668	896,626
Unrestricted	(4,035,205)	(3,211,802)
Total Net Position	\$ 2,241,536	\$ 3,160,239

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Management's Discussion and Analysis

June 30, 2013

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

As of June 30, 2013 and 2012:

	<b>Governmental Activities</b>	
		<b>2012</b>
	<b>2013</b>	<b>(As Restated)</b>
Revenues:		
Program Revenues:		
Charges for services	\$ 104,263	\$ 99,508
Operating grants and contributions	2,569,029	3,016,200
Capital grants and contributions	166,197	95,183
Total Program Revenues	<u>2,839,489</u>	<u>3,210,891</u>
General Revenues:		
Property taxes levied for general purposes	1,139,313	901,213
Property taxes levied for debt service	965,955	850,359
Property taxes levied for community redevelopment	13,841	9,789
State aid – formula grants	1,774,431	2,066,980
Grants, entitlements, and contributions not restricted to specific programs	553,115	434,512
Unrestricted investment earnings	20,727	21,175
Miscellaneous	(18,464)	41,342
Total General Revenues	<u>4,448,918</u>	<u>4,325,370</u>
Total Revenues	<u>7,288,407</u>	<u>7,536,261</u>
Expenses:		
Instruction	3,604,189	3,773,915
Support services:		
Support services – students	306,293	316,132
Support services – instructional staff	363,839	403,779
Support services – general administration	80,969	43,047
Support services – school administration	382,251	395,728
Support services – business	298,548	173,489
Operation and maintenance of plant services	535,754	568,113
Student transportation services	152,485	158,177
Data processing services	66,306	83,517
Operation of noninstructional services	451,192	430,061
Facilities acquisition and construction services	157,361	111,859
Other uses	1,240	1,203
Interest expense	571,076	578,278
Depreciation – unallocated	442,802	406,910
Unfunded OPEB expense – unallocated	792,805	819,296
Total Expenses	<u>8,207,110</u>	<u>8,263,504</u>
Changes in Net Position	<u>(918,703)</u>	<u>(727,243)</u>
Net position – beginning, restated	<u>3,160,239</u>	<u>3,887,482</u>
Net position – ending	<u>\$ 2,241,536</u>	<u>\$ 3,160,239</u>

The District's net position decreased by \$918.7 million in the current fiscal year after restatement of beginning net position. The major components of this decrease is the restatement of beginning balance to reflect the

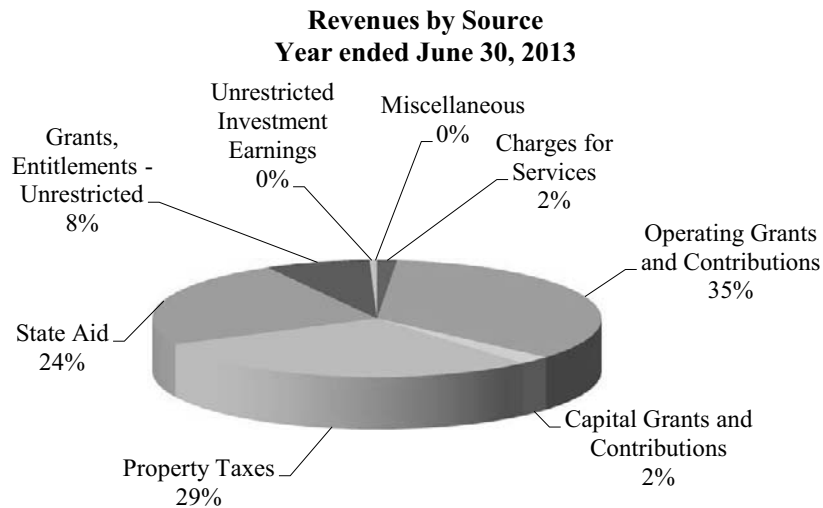
## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Management's Discussion and Analysis

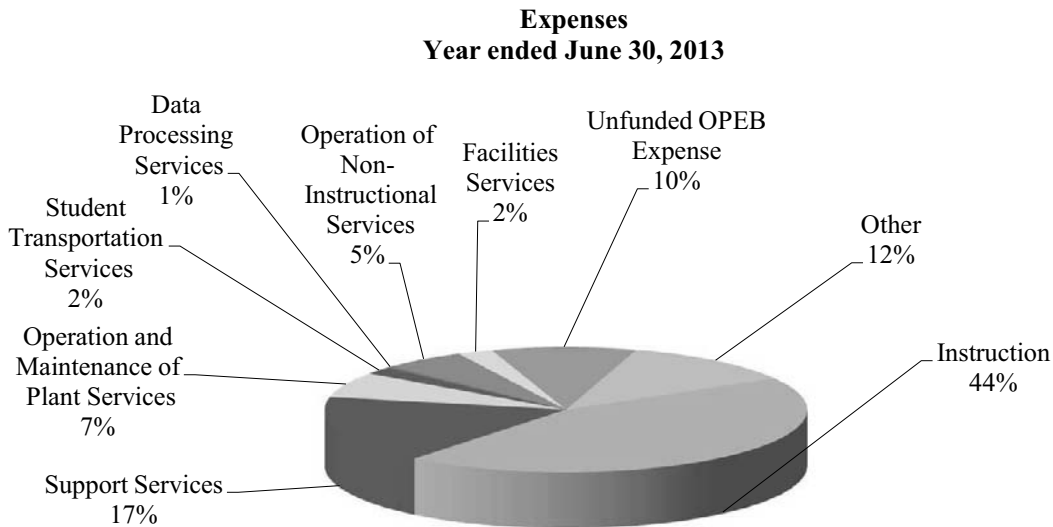
June 30, 2013

cumulative effect of prior year's adjustment on depreciation as a result of untimely transfer of completed construction projects to capital asset accounts and incorrect capitalization of certain facilities expense that totaled to \$639.5 million. In addition, operating grants and contributions is lower by \$447.2 million resulting from decreased funding appropriation for major categorical programs.

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



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



# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Management's Discussion and Analysis

June 30, 2013

### 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. Committed, assigned, and unassigned balances comprise the unrestricted fund balances and may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3.8 billion, a decrease of \$587.3 million in comparison with the prior year. Approximately 14.3% (\$546.8 million) of this total combined ending fund balance constitutes unrestricted fund balance, which is available for spending at the District's discretion. The remaining 85.8% are either restricted or nonspendable and are not available for new spending: restricted balances (\$3.3 billion), nonspendable inventories and revolving cash (\$32.5 million).

The General Fund is the primary operating fund of the District. At the end of the 2013 fiscal year, the unrestricted fund balance of the General Fund was \$435.7 million, while the total fund balance is \$592.7 million. As a measure of the General Fund's liquidity, it may be useful to compare both the unrestricted fund balance and the total fund balance to the total fund expenditures. The unrestricted fund balance represents 7.5% of the total General Fund expenditures, while the total fund balance represents 10.2% of that same amount.

The fund balance of the District's General Fund decreased by \$232 million during the current fiscal year. This is primarily due to lower federal revenues as a result of a decrease in funding appropriation. Revenue limit sources also decreased resulting from the continuous decline in the District's ADA. In addition, the District incurred higher legal costs.

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

	Other Governmental Funds					
	District Bonds	Bond Interest and Redemption	Special Revenue	Debt Service	Other Capital Projects	Total
Fund balance, June 30, 2013:						
Nonspendable						
Revolving cash and imprest funds	\$ 3,800	\$ —	\$ 63	\$ —	\$ —	\$ 63
Inventories	—	—	10,140	—	—	10,140
Restricted	1,725,266	750,540	14,711	54,698	573,575	642,984
Committed	—	—	8,789	—	—	8,789
Assigned	—	—	702	—	101,556	102,258
Total	1,729,066	750,540	34,405	54,698	675,131	764,234
Fund balance, July 1, 2012	2,106,630	681,562	28,957	59,708	722,217	810,882
Increase (decrease) in fund balance	\$ (377,564)	\$ 68,978	\$ 5,448	\$ (5,010)	\$ (47,086)	\$ (46,648)

Majority of the fund balances decreased during the current year: for the District Bonds, due to continued spending for school construction, modernization projects and renovation; for the Debt Service, mainly due to

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Management's Discussion and Analysis

June 30, 2013

debt service payments for fully matured certificate of participation in which corresponding reserves were used up to pay-off the liability in conjunction with revenues derived from operating transfers from user funds and investment income; and for Other Capital Projects, primarily due to less state revenue received for County School Facilities Bonds. On the other hand, Special Revenue increased primarily due to favorable operating results for cafeteria; for the Bond and Interest Redemption, primarily from higher property taxes levied to pay principal and interest on bond issues.

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

At the end of the year, the District's proprietary funds have unrestricted net position of \$333.4 million. The net increase of \$29.6 million in the current year can be attributed to the lower net operating loss for worker's compensation due to lower premium and claim expenses.

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

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

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

The District's Original Final Budget is based on assumptions from the State's May Revision Budget. The Modified Final Budget incorporates subsequent State budgetary changes and changes to the District's priority of program implementations and/or planned expenditures. Differences between the 2012-13 General Fund Original Final Budget adopted by the Board of Education in June 2012 and the Modified Final Budget resulted in a reduction to the budgeted ending balance by \$144.3 million – from \$525.5 million to \$381.2 million. Adjustments to the Original Final Budget were an increase in beginning balance by \$66.4 million, a decrease in budgeted revenues by \$11.5 million, an increase in other financing sources by \$18.2 million, and an increase in budgeted expenditures and other financing uses by \$217.3 million.

The increase in beginning balance by \$66.4 million was to reflect the actual ending balance as of June 30, 2012 as opposed to the estimated June 30, 2012 ending balance. The net increase in budgeted revenues and other financing sources of \$6.7 million was mainly due to a larger Transfer-In from Measure Y – Capital Improvement Program Reserve (CIPR) of \$14.3 million to support the Integrated Student Information System (ISIS) project.

The main increases in estimated expenditures were in Certificated Salaries (\$173.5 million), Services and Other Operating Expenditures (\$112.0 million), and Transfers-Out (\$69.6 million). Certificated Salaries increased due to furlough restoration. The increase in Services and Other Operating Expenditures was due to increases in Liability Insurance Premium (\$60.2 million) and COPs for Replacement of the Integrated Financial System (\$30.5 million). The increase in the Transfers-Out was due to a transfer of a portion of the Adult Education entitlement to Adult Education Fund, which was used to support the Adult Education operation (\$60.0 million), and support to Cafeteria operations (\$8.6 million).

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Management's Discussion and Analysis

June 30, 2013

### *Actual vs. Modified Final Budget*

The beginning balance remained the same on both the actual and the Modified Final Budget. The unfavorable variance of \$100.9 million in revenues and other financing sources between the actual and Modified Final Budget was primarily due to multi-year grants budgeted in their entirety but earned only to the extent of actual expenditures incurred.

The favorable variance of \$312.4 million in expenditures and other financing uses between the actual and the Modified Final Budget was due to lower than anticipated expenditures across all major objects of expenditures. The largest decreases in expenditures were in Certificated Salaries (\$82.5 million), Classified Salaries (\$31.4 million), Fringe Benefit (\$37.4 million), and Books and Supplies (\$126.4 million).

### **Capital Assets and Debt Administration**

**Capital assets.** The District's investment in capital assets for its governmental activities as of June 30, 2013 amounts to \$14.7 billion (net of accumulated depreciation), a 0.5% 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:

- A total of 30 new schools were completed in the 2012-13 fiscal year. These various building additions and modernizations were completed at a cost of \$1.4 billion.
- Capital asset beginning balance was restated to reflect the cumulative impact of net under depreciation resulting from either the untimely transfer of completed projects to the proper capital asset account or improper capitalization of certain facilities costs.

### **Capital Assets** (net of accumulated depreciation)

As of June 30, 2013 and 2012 (in thousands):

	<b>Governmental Activities</b>	
	<b>2013</b>	<b>2012 (As Restated)</b>
Sites	\$ 3,180,152	\$ 3,144,097
Improvement of sites	205,463	211,573
Buildings and improvements	10,375,371	9,328,573
Equipment	332,394	345,894
Construction in progress	575,310	1,567,489
Total	<u>\$ 14,668,690</u>	<u>\$ 14,597,626</u>

Additional information on the District's capital assets can be found in Note 1q on pages 34-35 and Note 7 on pages 42-43 of this report.

**Long-term obligations.** At the end of the current fiscal year, the District had total long-term obligations of \$17.2 billion. Of this amount, \$11.2 billion comprises debt to be repaid by voter-approved property taxes and not by the General Fund of the District.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Management's Discussion and Analysis

June 30, 2013

#### Outstanding Obligations

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

	Governmental Activities	
	2013	2012
General Obligation Bonds	\$ 11,151,210	\$ 11,507,002
Certificates of Participation (COPs)	416,597	442,884
Capital Lease Obligations	1,308	2,185
Children's Center Facilities Revolving Loan	634	792
Liability for Compensated Absences	61,595	65,075
Liability for Other Employee Benefits	87,870	108,431
Self-insurance Claims	644,947	507,738
Other Postemployment Benefits (OPEB)	4,787,843	3,995,038
Arbitrage Payable	—	1,080
Total	<u>\$ 17,152,004</u>	<u>\$ 16,630,225</u>

The District's total long-term obligations increased by \$521.8 million (3.1%) during the current fiscal year. The key factor in this increase was the recognition of additional net OPEB obligation and increase in legal cost accrual offset by the decrease in certificate of participations and general obligation bonds payable resulting from payment of matured debts.

#### Long-Term Credit Ratings

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

State statutes limit the issuance of general obligation bond debt by a unified school district if the outstanding general obligation bonds are more than 2.5% of its total taxable property. The debt limitation for the District as of June 30, 2013 is \$12.0 billion, which is in excess of the District's outstanding general obligation bond debt after reflecting assets available in the Bond Interest and Redemption Fund for payment of principal.

Additional information on the District's long-term obligations can be found in Notes 10 and 11 on pages 52-57 of this report.

#### Requests for Information

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

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Statement of Net Position  
June 30, 2013  
(in thousands)

	<b>Governmental Activities</b>
Assets:	
Cash and cash equivalents	\$ 4,565,223
Investments	659,445
Property taxes receivable	60,052
Accounts receivable, net	908,380
Accrued interest receivable	6,290
Prepaid expense	42,668
Unamortized issuance costs	57,611
Inventories	25,958
Accounts receivable, non current	32,046
Capital assets:	
Sites	3,180,152
Improvement of sites	559,575
Buildings and improvements	14,091,455
Equipment	1,622,452
Construction in progress	575,310
Less accumulated depreciation	(5,360,254)
Total Capital Assets, Net of Depreciation	<u>14,668,690</u>
Total Assets	<u>21,026,363</u>
Deferred Outflows of Resources	<u>—</u>
Liabilities:	
Vouchers and accounts payable	124,980
Contracts payable	42,320
Accrued payroll	199,014
Accrued interest	282,375
Other payables	177,644
Unearned revenue	12,796
Tax and revenue anticipation notes and related interest payable	793,694
Long-term liabilities:	
Portion due within one year	644,448
Portion due after one year	16,507,556
Total Liabilities	<u>18,784,827</u>
Deferred Inflows of Resources	<u>—</u>
Net Position:	
Net investment in capital assets	5,078,764
Restricted for:	
Debt service	459,309
Program activities	738,668
Unrestricted	(4,035,205)
Total Net Position	<u>\$ 2,241,536</u>

See accompanying notes to basic financial statements.



LOS ANGELES UNIFIED SCHOOL DISTRICT  
Statement of Activities  
Year Ended June 30, 2013  
(in thousands)

Functions/programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 3,604,189	\$ 17,063	\$ 1,148,684	\$ —	\$ (2,438,442)
Support services – students	306,293	—	261,735	—	(44,558)
Support services – instructional staff	363,839	91	324,794	—	(38,954)
Support services – general administration	80,969	—	1,888	—	(79,081)
Support services – school administration	382,251	—	62,682	—	(319,569)
Support services – business	298,548	10,110	49,105	—	(239,333)
Operation and maintenance of plant services	535,754	23,036	35,484	42	(477,192)
Student transportation services	152,485	—	265,013	—	112,528
Data processing services	66,306	—	—	—	(66,306)
Operation of non-instructional services	451,192	6,730	382,678	—	(61,784)
Facilities acquisition and construction services*	157,361	47,233	36,166	166,155	92,193
Other Uses	1,240	—	—	—	(1,240)
Interest expense	571,076	—	800	—	(570,276)
Depreciation – unallocated**	442,802	—	—	—	(442,802)
Unfunded OPEB expense – unallocated	792,805	—	—	—	(792,805)
Total Governmental Activities	<u>\$ 8,207,110</u>	<u>\$ 104,263</u>	<u>\$ 2,569,029</u>	<u>\$ 166,197</u>	<u>(5,367,621)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					1,139,313
Property taxes, levied for debt service					965,955
Property taxes, levied for community redevelopment					13,841
State aid – formula grants					1,774,431
Grants, entitlements, and contributions not restricted to specific programs					553,115
Unrestricted investment earnings					20,727
Miscellaneous					(18,464)
Total General Revenues					<u>4,448,918</u>
Change in Net Position					(918,703)
Net Position – Beginning of Year, restated					<u>3,160,239</u>
Net Position – End of Year					<u>\$ 2,241,536</u>

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

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

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Balance Sheet  
Governmental Funds  
June 30, 2013  
(in thousands)

	<b>General</b>	<b>District Bonds</b>	<b>Bond Interest and Redemption</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>					
Cash in county treasury, in banks, and on hand	\$ 303,350	\$ 1,762,360	\$ 776,630	\$ 697,922	\$ 3,540,262
Cash held by trustee	30,007	—	—	48,808	78,815
Investments	659,445	—	—	—	659,445
Taxes receivable	—	—	60,052	—	60,052
Accounts receivable – net	842,790	4,597	—	43,345	890,732
Accrued interest receivable	1,417	2,692	—	1,031	5,140
Due from other funds	8,400	—	—	—	8,400
Prepaid Expenses	22	—	—	—	22
Inventories	15,819	—	—	10,139	25,958
<b>Total Assets</b>	<b>1,861,250</b>	<b>1,769,649</b>	<b>836,682</b>	<b>801,245</b>	<b>5,268,826</b>
Deferred Outflows of Resources	—	—	—	—	—
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 1,861,250</b>	<b>\$ 1,769,649</b>	<b>\$ 836,682</b>	<b>\$ 801,245</b>	<b>\$ 5,268,826</b>
<b>Liabilities and Fund Balances:</b>					
Vouchers and accounts payable	\$ 114,685	\$ 6,217	\$ —	\$ 3,185	\$ 124,087
Contracts payable	2,198	34,356	—	5,766	42,320
Accrued payroll	203,897	8	—	1	203,906
Other payables	143,165	2	—	17,757	160,924
Due to other funds	—	—	—	8,400	8,400
Unearned revenue	10,894	—	86,142	1,902	98,938
Tax and revenue anticipation notes and related interest payable	793,694	—	—	—	793,694
<b>Total Liabilities</b>	<b>1,268,533</b>	<b>40,583</b>	<b>86,142</b>	<b>37,011</b>	<b>1,432,269</b>
Deferred Inflows of Resources	—	—	—	—	—
<b>Fund Balances:</b>					
Nonspendable	18,513	3,800	—	10,203	32,516
Restricted	138,469	1,725,266	750,540	—	2,614,275
Restricted, reported in:					
Special revenue funds	—	—	—	14,711	14,711
Debt service funds	—	—	—	54,698	54,698
Capital projects funds	—	—	—	573,575	573,575
Committed, reported in:					
Special revenue funds	—	—	—	8,789	8,789
Assigned	370,359	—	—	—	370,359
Assigned, reported in:					
Special revenue funds	—	—	—	702	702
Capital projects funds	—	—	—	101,556	101,556
Unassigned					
Reserved for economic uncertainties	65,376	—	—	—	65,376
Unassigned	—	—	—	—	—
<b>Total Fund Balances</b>	<b>592,717</b>	<b>1,729,066</b>	<b>750,540</b>	<b>764,234</b>	<b>3,836,557</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 1,861,250</b>	<b>\$ 1,769,649</b>	<b>\$ 836,682</b>	<b>\$ 801,245</b>	<b>\$ 5,268,826</b>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position  
June 30, 2013  
(in thousands)

Total Fund Balances – Governmental Funds	\$ 3,836,557
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$20,028,944 and the accumulated depreciation is \$5,360,254.	14,668,690
Property taxes receivable will be collected this year, but are not available soon enough to pay the current period's expenditures and therefore are unearned in the funds.	60,051
Receivables that will be collected in the following year and thereafter that are not available soon enough to pay the current period's expenditures.	35,605
Federal subsidies tied to debt service expenditures are recognized in the governmental funds only when the corresponding expenditure is recognized.	33,669
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.	333,376
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(16,784,023)
Other assets – unamortized issuance costs are not reflected in the fund financials.	57,611
Total Net Position – Governmental Activities	<u><u>\$ 2,241,536</u></u>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2013  
(in thousands)

	<b>General</b>	<b>District Bonds</b>	<b>Bond Interest and Redemption</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Revenues:					
Revenue limit sources	\$ 2,913,744	\$ —	\$ —	\$ —	\$ 2,913,744
Federal revenues	629,853	—	73,752	313,621	1,017,226
Other state revenues	2,002,517	—	5,401	257,537	2,265,455
Other local revenues	125,480	27,477	891,814	95,447	1,140,218
<b>Total Revenues</b>	<b>5,671,594</b>	<b>27,477</b>	<b>970,967</b>	<b>666,605</b>	<b>7,336,643</b>
Expenditures:					
Current:					
Certificated salaries	2,589,670	—	—	72,114	2,661,784
Classified salaries	771,484	60,963	—	135,126	967,573
Employee benefits	1,344,795	28,114	—	136,492	1,509,401
Books and supplies	165,374	7,701	—	181,439	354,514
Services and other operating expenditures	858,239	39,694	—	20,814	918,747
Capital outlay	52,270	413,166	—	105,921	571,357
Debt service – principal	882	—	333,930	24,847	359,659
Debt service – bond, COPs, and capital leases interest	66	—	568,059	16,471	584,596
Other outgo	1,240	—	—	—	1,240
<b>Total Expenditures</b>	<b>5,784,020</b>	<b>549,638</b>	<b>901,989</b>	<b>693,224</b>	<b>7,928,871</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(112,426)	(522,161)	68,978	(26,619)	(592,228)
Other Financing Sources (Uses):					
Transfers in	23,577	263,112	—	294,505	581,194
Transfers – support costs	12,627	—	—	(12,627)	—
Transfers out	(171,029)	(118,515)	—	(302,046)	(591,590)
Issuance of refunding COPs	—	—	—	24,780	24,780
Payment to refunded COPs escrow agent	—	—	—	(24,641)	(24,641)
Insurance proceeds – fire damage	15,154	—	—	—	15,154
Capital leases	4	—	—	—	4
<b>Total Other Financing Sources (Uses)</b>	<b>(119,667)</b>	<b>144,597</b>	<b>—</b>	<b>(20,029)</b>	<b>4,901</b>
<b>Net Changes in Fund Balances</b>	<b>(232,093)</b>	<b>(377,564)</b>	<b>68,978</b>	<b>(46,648)</b>	<b>(587,327)</b>
Fund Balances, July 1, 2012	824,810	2,106,630	681,562	810,882	4,423,884
Fund Balances, June 30, 2013	<u>\$ 592,717</u>	<u>\$ 1,729,066</u>	<u>\$ 750,540</u>	<u>\$ 764,234</u>	<u>\$ 3,836,557</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  
For the Fiscal Year Ended June 30, 2013  
(in thousands)

Total Net Changes in Fund Balances – Governmental Funds	\$ (587,327)
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.	71,064
Some of the capital assets acquired this year were financed with capital leases. The amount financed is reported in the governmental funds as a source of financing. On the other hand, the proceeds are not revenues in the statement of activities, but rather, constitute long-term liabilities in the statement of net position.	(4)
Proceeds of new debt and repayment of debt principal are reported as other financing sources and uses in the governmental funds, but constitute additions and reductions to liabilities in the statement of net position.	359,520
Premiums, discounts, refunding charges and issuance costs are reported as other financing sources and uses in the governmental funds, but presented as liabilities or unamortized issuance costs, net of amortization in the statement of net position.	(3,695)
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.	(46,168)
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).	25,731
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.	31,047
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.	1,080
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.	(792,805)
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.	29,621
Legal settlement gains are recognized in the government wide statements as soon as the underlying event has occurred but not until collected in the governmental funds	(3,559)
Federal subsidies for debt interest payments are recognized in the government wide statement as soon as it is earned. In the governmental funds, it is recorded when the corresponding expenditure is recognized.	(3,208)
Changes in Net Position of Governmental Activities	<u>\$ (918,703)</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, 2013  
(in thousands)

	<b>Budget</b>			<b>Variance with Final Budget – Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
Revenues:				
Revenue limit sources	\$ 2,912,119	\$ 2,907,801	\$ 2,913,744	\$ 5,943
Federal revenues	733,800	711,280	629,853	(81,427)
Other state revenues	2,002,038	2,018,732	2,002,517	(16,215)
Other local revenues	128,839	127,440	125,480	(1,960)
Total Revenues	<u>5,776,796</u>	<u>5,765,253</u>	<u>5,671,594</u>	<u>(93,659)</u>
Expenditures:				
Current:				
Certificated salaries	2,498,670	2,672,128	2,589,670	82,458
Classified salaries	779,722	802,863	771,484	31,379
Employee benefits	1,459,191	1,382,190	1,344,795	37,395
Books and supplies	389,423	291,794	165,374	126,420
Services and other operating expenditures	748,658	860,670	858,239	2,431
Capital outlay	39,510	53,251	52,270	981
Debt service – principal	1,838	1,785	882	903
Debt service – bond, COPs, and capital leases interest	—	70	66	4
Other outgo	1,654	1,674	1,240	434
Total Expenditures	<u>5,918,666</u>	<u>6,066,425</u>	<u>5,784,020</u>	<u>282,405</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(141,870)</u>	<u>(301,172)</u>	<u>(112,426)</u>	<u>188,746</u>
Other Financing Sources (Uses):				
Transfers in	11,067	28,399	23,577	(4,822)
Transfers – support costs	11,948	12,812	12,627	(185)
Transfers out	(131,475)	(201,053)	(171,029)	30,024
Insurance proceeds – fire damage	17,387	17,387	15,154	(2,233)
Capital leases	—	—	4	4
Total Other Financing Uses	<u>(91,073)</u>	<u>(142,455)</u>	<u>(119,667)</u>	<u>22,788</u>
Net Changes in Fund Balances	<u>(232,943)</u>	<u>(443,627)</u>	<u>(232,093)</u>	<u>211,534</u>
Fund Balances, July 1, 2012	<u>758,422</u>	<u>824,810</u>	<u>824,810</u>	<u>—</u>
Fund Balances, June 30, 2013	<u>\$ 525,479</u>	<u>\$ 381,183</u>	<u>\$ 592,717</u>	<u>\$ 211,534</u>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Statement of Net Position  
Proprietary Funds  
Governmental Activities – Internal Service Funds  
June 30, 2013  
(in thousands)

Assets:	
Cash in county treasury, in banks, and on hand	\$ 946,146
Accounts receivable – net	6,511
Accrued interest and dividends receivable	1,150
Prepaid expense	<u>42,646</u>
Total Assets	<u>996,453</u>
Liabilities:	
Current:	
Vouchers and accounts payable	897
Accrued payroll	513
Other payables	16,719
Estimated liability for self-insurance claims	<u>241,715</u>
Total Current Liabilities	259,844
Noncurrent:	
Estimated liability for self-insurance claims	<u>403,233</u>
Total Liabilities	<u>663,077</u>
Total Net Position – Unrestricted	<u><u>\$ 333,376</u></u>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Funds  
Governmental Activities – Internal Service Funds  
Year Ended June 30, 2013  
(in thousands)

Operating Revenues:	
In-district premiums	\$ 1,191,933
Others	1,078
Total Operating Revenues	<u>1,193,011</u>
Operating Expenses:	
Certificated salaries	165
Classified salaries	5,354
Employee benefits	2,872
Supplies	214
Premiums and claims expenses	1,152,497
Claims administration	12,685
Other contracted services	4,257
Total Operating Expenses	<u>1,178,044</u>
Operating Income	<u>14,967</u>
Nonoperating Revenues (Expenses):	
Interest income	4,284
Miscellaneous expense	(26)
Total Nonoperating Revenues	<u>4,258</u>
Income before transfers	19,225
Transfers in	<u>10,396</u>
Change in Net Position	29,621
Total Net Position, July 1, 2012	<u>303,755</u>
Total Net Position, June 30, 2013	<u><u>\$ 333,376</u></u>

See accompanying notes to basic financial statements.



LOS ANGELES UNIFIED SCHOOL DISTRICT  
Statement of Cash Flows  
Proprietary Funds  
Governmental Activities – Internal Service Funds  
Year Ended June 30, 2013  
(in thousands)

Cash Flows from Operating Activities:	
Cash payments to employees for services	\$ (8,325)
Cash payments for goods and services	(1,105,984)
Receipts from assessment to other funds	1,191,944
Other operating revenue	1,078
Net Cash Provided by Operating Activities	<u>78,713</u>
Cash Flows from Non-Capital Financing Activities	
Transfer from other funds	10,396
Loan payments from other funds	332,500
Net Cash Provided by Non-Capital Financing Activities	<u>342,896</u>
Cash Flows from Investing Activities:	
Earnings on investments	4,030
Net Cash Provided by Investing Activities	<u>4,030</u>
Net Increase in Cash and Cash Equivalents	425,639
Cash and Cash Equivalents, July 1	<u>520,507</u>
Cash and Cash Equivalents, June 30	<u><u>\$ 946,146</u></u>
Reconciliation of Operating Income to Cash Provided by Operating Activities:	
Operating income	\$ 14,967
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in operating assets and liabilities:	
Increase in accounts receivable	(4,768)
Increase in prepaid expense	(30,555)
Decrease in vouchers and accounts payable	(53,309)
Increase in accrued payroll	66
Increase in other payables	15,101
Increase in estimated liability for self-insurance claims – current	133,170
Increase in estimated liability for self-insurance claims – noncurrent	4,041
Total Adjustments	<u>63,746</u>
Net Cash Provided by Operating Activities	<u><u>\$ 78,713</u></u>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Statement of Changes in Assets and Liabilities  
Fiduciary Funds – Agency Funds  
June 30, 2013  
(in thousands)

Assets	
Cash in county treasury, in banks, and on hand	\$ 39,335
Total Assets	<u>\$ 39,335</u>
Liabilities	
Other payables	\$ 39,335
Total Liabilities	<u>\$ 39,335</u>

See accompanying notes to basic financial statements.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Notes to Basic Financial Statements

Year Ended June 30, 2013

#### (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, 2013

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

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements on pages 16 and 18. Nonmajor funds are aggregated in a single column.

**(c) *Measurement Focus and Basis of Accounting***

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

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

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

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Notes to Basic Financial Statements

Year Ended June 30, 2013

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

#### **(d) Financial Statement Presentation**

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

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

#### **(e) Fund Accounting**

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

##### **Major Governmental Funds**

The District has the following major governmental funds for the fiscal year 2012-13:

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

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

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Notes to Basic Financial Statements

Year Ended June 30, 2013

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

#### **Other Governmental Funds**

The District has the following nonmajor governmental funds:

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

*Debt Service Funds* – Debt Service Funds are used to account for all financial resources that are restricted, committed, or assigned to expenditures for the repayment of general long-term debt principal and interest. The District maintains the following nonmajor Debt Service Funds: Tax Override and Capital Services. The Bond Interest and Redemption Fund is reported separately as a major fund in fiscal year 2012-13.

*Capital Projects Funds* – Capital Projects Funds are used to account for all financial resources that are restricted, committed, or assigned to expenditures for the acquisition or construction of major capital facilities and equipment other than those financed by the General and Special Revenue Funds. The District maintains the following nonmajor Capital Projects Funds: Building, State School Building Lease-Purchase, Special Reserve, Special Reserve – FEMA-Earthquake, Special Reserve – FEMA-Hazard Mitigation, Special Reserve – Community Redevelopment Agency, Capital Facilities Account, and County School Facilities Bonds Fund (Proposition 1A, Proposition 47, Proposition 55, and Proposition 1D). The District Bonds Fund (BB Bonds, Measure K, Measure R, and Measure Y) is reported separately as a major fund in fiscal year 2012-13.

#### **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

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Notes to Basic Financial Statements

Year Ended June 30, 2013

Liability Self-Insurance Funds, the estimates are determined by applying an appropriate discount rate to estimated future claim payments. No discount is applied to estimated Health and Welfare Benefits Fund claims because they are generally paid within a short period of time after the claims are filed.

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

#### **Fiduciary Funds**

The District has the following Fiduciary Funds:

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

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

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

#### **(f) Budgetary Control and Encumbrances**

School districts in California are required by Education Code Section 41010 to follow the California School Accounting Manual in preparing reports to the State. The District utilizes a single-adoption budget schedule that requires Final Budget adoption by the State-mandated July 1 deadline. The District is allowed to modify its adopted budget within 45 days of the passage of the State budget. In addition, the District revises the budget during the year to give consideration to unanticipated revenues and expenditures (see Note 4 – Budgetary Appropriation Amendments).

In accordance with the District's Board policy, management has the authority to make routine transfers of budget appropriations among major categories within a fund. Routine budget transfers are summarized and periodically reported to the Board for ratification. Nonroutine transfers may not be processed without prior Board approval.

During the year, several supplementary appropriations were necessary. The original and final revised budgets are presented in the financial statements. Budgets for all governmental fund types are adopted on a basis consistent with generally accepted accounting principles. Budgets are adopted for the General, Special Revenue, Debt Service, Capital Projects, and Internal Service Funds.

## **LOS ANGELES UNIFIED SCHOOL DISTRICT**

### **Notes to Basic Financial Statements**

**Year Ended June 30, 2013**

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

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

#### **(g) *Cash and Investments***

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

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

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

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

Occasionally, a fund will not have sufficient cash to meet its financial obligations and a cash transfer will be required to enable that fund to pay its outstanding invoices and other obligations. These temporary borrowings between funds are classified as "due from other funds" or "due to other funds" on the governmental funds balance sheet. Interfund balances within governmental activities are eliminated on the government-wide statement of net position.



## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Notes to Basic Financial Statements

Year Ended June 30, 2013

**(i) Inventories**

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

**(j) Capital Assets**

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

<b>Assets</b>	<b>Years</b>
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, 2013.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Notes to Basic Financial Statements

Year Ended June 30, 2013

**(l) *Compensated Absences***

All vacation leaves are accrued in the government-wide statements when they are incurred. A liability is reported in the governmental funds only for vested or accumulated vacation leave of employees who have separated from the District as of June 30 and whose vacation benefits are payable within 60 days from the end of the fiscal year. The District, as a practice, does not accrue a liability for unused sick leave since accumulated sick leave is not a vested benefit. Employees who retire after January 1, 1999 who are members of the Public Employees' Retirement System (PERS) may use accumulated sick leave to increase their service years in the calculation of retirement benefits.

In 1995, pursuant to the District/UTLA Agreement (Article XIV, Section 1.2), the District agreed to compensate eligible employees for furlough days taken during the 1992-93 fiscal year to be paid in a lump-sum bonus upon retirement. The amount of bonus corresponds to the percentage that the employee's compensation was reduced in the 1992-93 school year based on the employee's salary band for that year.

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

**(m) *Long-term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective-interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are amortized over the term of the related debt using straight-line method. Gains and losses on refunding related to bonds redeemed by proceeds from the issuance of new bonds are amortized as an adjustment to interest expense using the effective-interest method over the shorter of the life of the new bonds or the remaining term of the bonds refunded.

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

**(n) *Revenue Limit Sources/Property Taxes/Education Protection Account (EPA)***

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, EPA, and state apportionments. For the fiscal year 2012-13, the District received \$992.4 million of local property taxes, \$659.4 million of EPA, and \$1,261.9 million of State aid.

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

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Notes to Basic Financial Statements

Year Ended June 30, 2013

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.

Starting in fiscal year 2013, there is another funding component to the total revenue limit – the Education Protection Account (EPA). The EPA provides local educational agencies (LEAs) with general purpose state aid funding pursuant to Proposition 30, The Schools and Local Public Safety Protection Act of 2012, approved by the voters on November 6, 2012. Proposition 30 temporarily increases the state's sales tax rate for all taxpayers and the personal income tax rates for upper-income taxpayers. A portion of the revenues generated by the measure's temporary tax increases is deposited into the EPA which is used to support increased school funding.

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

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) Estimates**

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

**(p) New Accounting Pronouncements**

The GASB has issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* effective for period beginning after December 15, 2011. This statement establishes accounting guidance and improves financial reporting for service concession arrangements (SCAs), which are a type of private or public-public partnership. The District does not have any SCA transactions. Accordingly, the statement did not have an impact on the District's financial statements.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Notes to Basic Financial Statements

Year Ended June 30, 2013

The GASB has issued Statement No. 61, *The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No.34* effective for period beginning after June 15, 2012. This statement modifies certain requirements for inclusion of component units in the financial reporting entity. The District's adoption of this statement did not have a material impact on its financial statements.

The GASB has issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, effective for periods beginning after December 15, 2011. The requirements in this statement provides improved financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. The District's adoption of this statement did not have a material impact on its financial statements.

The GASB has issued Statement No.63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* effective for period beginning after December 15, 2011. This statement provides financial reporting guidance for deferred outflows of resources, deferred inflows of resources and net position including required notes to financial statements disclosures. The District's adoption of this statement did not have a material impact on its financial statements. The primary change to the financial statements was changing references from net assets to net position.

#### **(q) Restatement**

The District staff has been engaged in the on-going work of migrating capital asset data from the Legacy System to the new SAP Finance System. While working on this migration, staff discovered two issues: 1) certain Facilities expense costs were capitalized as construction in progress (CIP), and 2) a number of capital projects completed in prior years remained in the CIP account. As a result, depreciation expenses have been understated in the District's previously issued government-wide financial statements. The beginning Net Position has been restated to give effect to the cumulative effects of these reporting errors. Net Position Beginning as of July 1, 2013, has been reduced by \$639.5 million to correct the aggregate effect of the errors noted.

The following table illustrates the correction of errors as shown on the face of the District's Statement of Activities (amounts in thousands).

Net position at beginning of year, as previously reported	\$ 3,799,726
Prior period adjustment – see Note 1 (q)	(639,487)
Net position at beginning of year, as restated	3,160,239
Change in net position	(918,703)
Net position at end of year	<u><u>\$ 2,241,536</u></u>

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Notes to Basic Financial Statements

Year Ended June 30, 2013

Below is a summary of the impact of these reporting errors on affected captions in the 2012 financial statements (amounts in thousands):

	<b>Governmental Activities</b>		
	<b>2012</b>		
	<b>(As Previously</b>	<b>Restatement</b>	<b>2012</b>
	<b>Reported)</b>	<b>Adjustment</b>	<b>(As Restated)</b>
Capital Assets			
Sites	\$ 3,144,862	\$ (765)	\$ 3,144,097
Improvement of sites	528,870	21,418	550,288
Buildings and improvements	11,063,327	1,572,035	12,635,362
Equipment	1,260,356	322,856	1,583,212
Construction in progress	3,536,934	(1,969,445)	1,567,489
Total	19,534,349	(53,901)	19,480,448
Accumulated Depreciation:			
Improvement of sites	(335,134)	(3,581)	(338,715)
Buildings and Improvements	(2,922,417)	(384,372)	(3,306,789)
Equipment	(1,039,685)	(197,633)	(1,237,318)
	(4,297,236)	(585,586)	(4,882,822)
Capital Assets, net of Depreciation	15,237,113	(639,487)	14,597,626
Expenses			
Instruction	3,773,834	81	3,773,915
Support services:			
Support services – instructional staff	403,585	194	403,779
Support services – general administration	43,048	(1)	43,047
Support services – school administration	393,922	1,806	395,728
Support services – business	173,516	(27)	173,489
Operation and maintenance of plant services	567,829	284	568,113
Student transportation services	158,202	(25)	158,177
Data processing services	61,072	22,445	83,517
Operation of noninstructional services	430,137	(76)	430,061
Facilities acquisition and construction services	87,588	24,271	111,859
Depreciation, unallocated	401,920	4,990	406,910
	\$ 6,494,653	\$ 53,942	\$ 6,548,595
Net position – beginning, July 1, 2011	\$ 4,473,027	\$ (585,545)	\$ 3,887,482

## (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.

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Notes to Basic Financial Statements

Year Ended June 30, 2013

On July 2, 2012, the District issued a total of \$600.0 million of 2012-13 TRANs with an overall true interest cost of 0.16% and total premium of \$7.0 million. The principal and interest on the notes were retired on their due date of February 28, 2013.

On February 26, 2013, the District issued a total of \$780.0 million of 2012-13 TRANs, Series B with an overall true interest cost of 0.32% and total premium of \$13.2 million. The principal and interest on the notes were retired on their due date of November 28, 2013.

### TRANs – Short-Term Notes Payable

	(in thousands)		
	Principal	Interest	Total
Beginning balance, July 1, 2012	\$ 550,000	\$ 11,782	\$ 561,782
Additions	1,380,000	35,114	1,415,114
Deductions	(1,150,000)	(33,202)	(1,183,202)
Ending balance, June 30, 2013	<u>\$ 780,000</u>	<u>\$ 13,694</u>	<u>\$ 793,694</u>

### (3) Reconciliation of Government-wide And Fund Financial Statements

#### (a) *Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position*

The accompanying governmental fund balance sheet includes reconciliation between *total fund balances – governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.” The details of the \$16,784,023 difference are as follows (in thousands):

Bonds payable and related accrued interest	\$ (11,151,210)
Certificates of participation (COPs)	(416,597)
Capital lease obligations	(1,308)
Children center facilities revolving loan	(634)
Liability for compensated absences	(59,762)
Retirement bonus	(71,481)
Early retirement incentive	(12,813)
Other Post Employment Benefits (OPEB)	(4,787,843)
Accrued interest	<u>(282,375)</u>
Net adjustment to reduce <i>total fund balances – governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ (16,784,023)</u>

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Notes to Basic Financial Statements

Year Ended June 30, 2013

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

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *total net changes in fund balances – governmental funds* and *changes in net position of governmental activities* as reported in the accompanying government-wide statement of activities. One element of that reconciliation explains that “Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.” The details of this \$71,064 difference are as follows (in thousands):

Capital related expenditures	\$ 571,357
Depreciation expense	(500,234)
Loss on disposal of capital assets	<u>(59)</u>
Net adjustment to increase net changes in <i>total fund balances – governmental funds</i> to arrive at <i>changes in net position – governmental activities</i>	<u>\$ 71,064</u>

Another element of that reconciliation states that “Proceeds of new debt and repayment of debt principal are reported as other financing sources and uses in the governmental funds, but constitute additions and reductions to liabilities in the statement of net position.” The details of this \$359,520 difference are as follows (in thousands):

Debt issued or incurred:	
Certificates of participation	\$ (24,780)
Principal repayments:	
General obligation bonds	333,930
Certificates of participation	24,689
Refunding COPs	24,641
Children Center Facilities Loan	158
Capital leases	<u>882</u>
Net adjustment to increase net changes in <i>total fund balances – governmental funds</i> to arrive at <i>changes in net position – governmental activities</i>	<u>\$ 359,520</u>

**(4) Budgetary Appropriation Amendments**

During the fiscal year, modifications were necessary to increase appropriations for expenditures and other financing uses for the General Fund by \$216 million.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Notes to Basic Financial Statements

Year Ended June 30, 2013

#### (5) Cash and Investments

Cash and investments as of June 30, 2013 are classified in the accompanying basic financial statements as follows (in thousands):

Statement of net position:	
Cash and investments	\$ 5,145,853
Cash and investments held by trustee	<u>78,815</u>
Subtotal	5,224,668
Fiduciary funds:	
Cash and investments	<u>39,335</u>
Total cash and investments	<u><u>\$ 5,264,003</u></u>

Cash and investments as of June 30, 2013 consist of the following (in thousands):

Cash on hand (cafeteria change funds) (a)	\$ 3
Deposits with financial institutions and LA County Pool (a)	4,604,555
Investments (b)	<u>659,445</u>
Total cash and investments	<u><u>\$ 5,264,003</u></u>

- (a) Deposits with financial institutions include cash in the Los Angeles County Pooled Surplus Investment Fund (\$4,494,259), cash held by fiscal agents or trustees (\$78,815), and cash deposited with various other financial institutions, including cash on hand (\$3) and imprest funds for schools and offices (\$31,481).

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 (\$659,445).



# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Notes to Basic Financial Statements

Year Ended June 30, 2013

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

	<b>Authorized Investment Type</b>	<b>Maximum Maturity</b>	<b>Maximum Total Par Value</b>	<b>Maximum Par Value per Issuer</b>
A.	Obligations of the U.S. government, its agencies and instrumentalities.	None	None	None
B.	Approved Municipal Obligations	5 to 30 years	10% of PSI portfolio	None
C.	Asset-Backed 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	3 years	30% of PSI portfolio	with credit rating limits
	Negotiable Certificates of Deposits – Euro	1 year	10% of PSI portfolio	with credit rating limits
F.	Corporate and Depository Notes	3 years	30% of PSI portfolio	with credit rating limits
G.	Floating Rate Notes	7 years	10% of PSI portfolio	with credit rating limits
H.	Commercial Paper of “prime” quality of the highest ranking or of the highest letter or number ranking as provided for by a nationally recognized statistical-rating organization (NRSRO)	270 days	40% of PSI portfolio	Lesser of 10% of PSI portfolio or credit rating limits
I.	Shares of Beneficial Interest – U.S. government obligations		15% of PSI portfolio with no more than 10% in any one fund	
J.	Repurchase Agreement	30 days	\$1.0 billion	\$500 million/dealer
K.	Reverse Repurchase Agreement	1 year	\$500 million	\$250 million/broker
L.	Forwards, Futures and Options	90 days	\$100 million	\$50 million/counterparty
M.	Interest-Rate Swaps in conjunction with approved bonds and limited to highest credit rating categories.			
N.	Securities Lending Agreement	180 days	20% of base portfolio value (combined total value of reverse purchase agreements and securities lending)	
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, 2013

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:

	<b>Authorized Investment Type</b>	<b>Maximum Maturity</b>	<b>Maximum Total Par Value</b>	<b>Maximum Par Value per Issuer</b>
A.	Obligations of the U.S. government, its agencies and instrumentalities.	None	None	None
B.	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, 2013, 64.20% of district funds in the County PSI Fund does not exceed one year. In addition, variable-rate notes that comprised 3.30% of the County PSI Fund and other investments portfolio are tied to periodic coupon resets eliminating interest-rate risk by repricing back to par value at each reset date.

Credit risk means the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment, as measured by assignment of a rating by a nationally recognized statistical rating organization. This County's investment guidelines establish minimum acceptable credit ratings issued by any two nationally recognized statistical rating organizations. For a short term debt issuer, the rating must be no less than A-1 from Standard & Poor's or P1 from Moody's, while for a long-term debt issuer, the rating must be no less than A from Standard & Poor's or P from Moody's. The County PSI Fund is not rated.

Concentration of credit risk means the risk of loss attributed to the magnitude of an investment in a single issuer. For District funds in the County pool, the County's investment policy states that no more than 5% of total market value of the pooled funds may be invested in securities of any one issuer, except for obligations of the United States government, and its agencies and instrumentalities. In addition, no more than 10% may be invested in one money market mutual fund. As of June 30, 2013, 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, 2013

**(6) Receivables/Payables**

Receivables by Fund at June 30, 2013 consist of the following (in thousands):

	<u>General</u>	<u>District Bonds</u>	<u>Bond Interest and Redemption</u>	<u>Other Governmental</u>	<u>Internal Service Funds</u>	<u>Total</u>
Taxes	\$ —	\$ —	\$ 60,052	\$ —	\$ —	\$ 60,052
Accrued grants and entitlements	811,945	—	—	33,114	—	845,059
Other	30,845	4,597	—	10,231	6,511	52,184
Interest and dividends	1,417	2,692	—	1,031	1,150	6,290
Total Receivables	<u>\$ 844,207</u>	<u>\$ 7,289</u>	<u>\$ 60,052</u>	<u>\$ 44,376</u>	<u>\$ 7,661</u>	<u>\$ 963,585</u>

Payables by Fund at June 30, 2013 consist of the following (in thousands):

	<u>General</u>	<u>District Bonds</u>	<u>Other Governmental</u>	<u>Internal Service Funds</u>	<u>Total</u>
Vouchers and accounts	\$ 114,685	\$ 6,217	\$ 3,185	\$ 897	\$ 124,984
Contracts	2,198	34,356	5,766	—	42,320
Accrued payroll	203,897	8	1	513	204,419
Other	143,165	2	17,757	16,719	177,643
Total payables	<u>\$ 463,945</u>	<u>\$ 40,583</u>	<u>\$ 26,709</u>	<u>\$ 18,129</u>	<u>\$ 549,366</u>

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Notes to Basic Financial Statements

Year Ended June 30, 2013

### (7) Capital Assets

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

	<b>Balance, June 30, 2012 (As Restated)</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance, June 30, 2013</b>
Governmental activities:				
Capital assets, not being depreciated:				
Sites	\$ 3,144,097	\$ 36,055	\$ —	\$ 3,180,152
Construction in progress	<u>1,567,489</u>	<u>409,511</u>	<u>(1,401,690)</u>	<u>575,310</u>
Total capital assets, not being depreciated	<u>4,711,586</u>	<u>445,566</u>	<u>(1,401,690)</u>	<u>3,755,462</u>
Capital assets, being depreciated:				
Improvement of sites	550,288	9,287	—	559,575
Buildings and improvements	12,635,362	1,456,093	—	14,091,455
Equipment	<u>1,583,212</u>	<u>62,101</u>	<u>(22,861)</u>	<u>1,622,452</u>
Total capital assets, being depreciated	<u>14,768,862</u>	<u>1,527,481</u>	<u>(22,861)</u>	<u>16,273,482</u>
Less accumulated depreciation for:				
Improvement of sites	(338,715)	(15,397)	—	(354,112)
Buildings and improvements	(3,306,789)	(409,295)	—	(3,716,084)
Equipment	<u>(1,237,318)</u>	<u>(75,542)</u>	<u>22,802</u>	<u>(1,290,058)</u>
Total accumulated depreciation	<u>(4,882,822)</u>	<u>(500,234)</u>	<u>22,802</u>	<u>(5,360,254)</u>
Total capital assets, being depreciated, net	<u>9,886,040</u>	<u>1,027,247</u>	<u>(59)</u>	<u>10,913,228</u>
Governmental activities capital assets, net	<u>\$ 14,597,626</u>	<u>\$ 1,472,813</u>	<u>\$ (1,401,749)</u>	<u>\$ 14,668,690</u>

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Notes to Basic Financial Statements

Year Ended June 30, 2013

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

Governmental activities:

Instruction	\$ 3,655
Support services – students	489
Support services – instructional staff	1,648
Support services – general administration	186
Support services – school administration	4,065
Support services – business	1,785
Operation and maintenance of plant services	5,626
Student transportation services	7,777
Data processing services	31,067
Operation of noninstructional services	1,132
Depreciation – unallocated	442,804
Total depreciation expense – governmental activities	<u>\$ 500,234</u>

#### (8) Retirement, Termination and Other Postemployment Benefit Plans

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

##### ***Retirement Plans***

Qualified District employees are covered under either multiple-employer defined benefit retirement plans maintained by agencies of the State of California, or a multiple-employer defined contribution retirement benefit plan administered under a Trust. The retirement plans maintained by the State are 1) the California Public Employees' Retirement System (CalPERS), 2) the California State Teachers' Retirement System (CalSTRS), and 3) the Public Agency Retirement (PARS) which is administered under a Trust. In general, certificated employees are members of CalSTRS and classified employees are members of CalPERS. Part-time, seasonal, temporary and other employees who are not members of CalPERS or CalSTRS are members of PARS.

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

###### **Plan Description**

The District contributes to a cost-sharing multiple-employer plan for Miscellaneous, and an agent multiple-employer plan for Safety, to the Public Employees' Retirement Fund (PERF), defined benefit pension plans administered by CalPERS. The plans provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Notes to Basic Financial Statements

Year Ended June 30, 2013

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).

### Funding Policy

Active plan members are required to contribute 7% (miscellaneous) or 9% (safety) of their monthly salary and the District is required to contribute based on an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rates for fiscal year 2012-13 were 11.417% for miscellaneous and 33.233% 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, 2013, 2012, and 2011 (in thousands).

### Schedule of Employer Contributions:

	2013		2012	2011
	Safety	Miscellaneous	Safety and Miscellaneous	Safety and Miscellaneous
District contributions:				
Regular	\$ 8,489	\$ 101,952	\$ 112,011	\$ 112,871
Annual Savings Recapture – AB 702 Credits	(5,132)	7,502	6,623	9,772
Total district contributions	3,357	109,454	118,634	122,643
Employee contributions:				
Paid by Employees	495	48,085	51,374	52,420
Paid by District	1,820	14,034	17,801	19,966
Total employee contributions	2,315	62,119	69,175	72,386
Total CalPERS contributions	\$ 5,672	\$ 171,573	\$ 187,809	\$ 195,029
Percentage of required contributions made	100%	100%	100%	100%

The District's contributions for all members for the fiscal years ended June 30, 2013, 2012, and 2011 were in accordance with the required contribution rates calculated by the CalPERS actuary for each year. Therefore, annual pension costs for these years were equal to the annual required contributions. There was no net pension obligation for the years ended June 30, 2013, 2012, and 2011.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Notes to Basic Financial Statements

Year Ended June 30, 2013

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

Valuation Date	June 30, 2010
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	29 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate Return	7.75 % (net of administrative expenses)
Projected Salary Increases	3.55% to 13.15% depending on Age, Service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00 % and an annual production growth of 0.25%

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30 year rolling period, which results in an amortization of about 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

#### **Schedule of Funding Progress – Safety**

As of June 30, 2012, the most recent actuarial valuation date, the actuarial value of plan assets was \$227,075,678 and the actuarial accrued liability for benefits was \$266,875,028. The unfunded actuarial liability was \$39,799,350. The actuarial value of assets as a percentage of the actuarial accrued liability was 85.1% (funded ratio). The covered payroll (annual payroll of active employees covered by the plan) was \$24,937,992, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 159.6%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The Schedule of Funding Progress presented as Required Supplementary Information on page 64 following the Notes to the Basic Financial Statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial liability of the benefits.

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Notes to Basic Financial Statements

Year Ended June 30, 2013

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

#### **Plan Description**

The District contributes to the CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan and a tax-deferred supplemental program established and administered by the State Teachers' Retirement Law (Section 22000 et seq.) of the California Education Code. The Teachers' Retirement Fund (TRF) is a defined benefit pension plan under the CalSTRS. At June 30, 2013, there were 1,659 contributing employers (charter schools, school districts, community college districts, county offices of education and regional occupational programs). The State of California is a nonemployer contributor to the TRF.

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

#### **Funding Policy**

Active plan members are required to contribute 8% of their salary (6% to the Defined Benefit (DB) Program and 2% to the Defined Benefit Supplement (DBS) Program). The District is required to contribute based on an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-13 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. Required contributions to CalSTRS for fiscal years ended June 30, 2013, 2012, and 2011 (in thousands) are as follows:

	Percentage of applicable member earnings	2013	2012	2011
District contributions	8.25%	\$ 213,485	\$ 224,963	\$ 236,730
Employee contributions (including adjustments)	8.00%	208,248	218,026	233,207
Total STRS contributions	16.25%	\$ 421,733	\$ 442,989	\$ 469,937
Percentage of required contributions made		100%	100%	100%



## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Notes to Basic Financial Statements

Year Ended June 30, 2013

The District's contributions for all members for the fiscal years ended June 30, 2013, 2012, and 2011 were in accordance with the required contribution rates calculated by the CalSTRS actuary for each year.

Beginning July 1, 2003, the State's contribution to the system is 2.017% of the previous calendar year's teachers' payroll. Subsequent to achieving a fully funded System, the State expects to contribute only the amount necessary to help fund the normal cost of the current benefit program unless a subsequent unfunded obligation occurs.

#### **(c) *Public Agency Retirement System (PARS)***

##### **Plan Description**

The Omnibus Budget Reconciliation Act of 1990 requires state and local public agencies to provide a retirement plan for all employees not covered under existing employer pension plans and/or Social Security. These employees are primarily part-time, seasonal, and temporary employees (PSTs). This Act also requires that contributions for PSTs be vested immediately and permits any split of the minimum contributions between employee and employer.

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

##### **Funding Policy**

The minimum total contribution is 7.5% of employees' salaries, of which the District and the employees contribute 3.75% each. The District paid the employee's contribution for certain collective bargaining units. Employees are vested 100% in both employer and employee contributions from the date of membership. When separated from employment, all employees can choose to receive their funds in lump sum or leave it on deposit until the mandatory age of 70 ½ when they must get a distribution.

District employees covered under PARS total 52,549 as of June 30, 2013. District and employee contributions to the plan for the last three fiscal years are as follows: 2012-13 – \$7,697,655, 2011-12 – \$9,001,987, and 2010-11 – \$10,486,286.

The District's contributions for all members for the fiscal years ended June 30, 2013, 2012, and 2011 were in accordance with the required contributions.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Notes to Basic Financial Statements

Year Ended June 30, 2013

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

To lessen the impact of anticipated reductions in work force, the District offered early retirement incentive programs in fiscal years 2008-09 and 2009-10 to certificated and classified employees. The retirement incentive was equal to 40% of basic salary in effect on February 24, 2009 for certificated employees, May 1, 2009 for school-based classified employees, and September 8, 2009 for central office classified employees. The basic benefit is paid in the form of an annuity with lifetime monthly payment options or fixed term monthly payments ranging from 5 to 15 years. It was purchased from Pacific Life Insurance Company and is administered by the Public Agency Retirement System (PARS). The benefits are to be funded in five (5) annual District contributions starting in 2009-10. After discounting the expected future payments to their present value, the remaining cost of this early retirement incentive is \$12.8 million as of June 30, 2013.

From fiscal years 2008-09 to 2011-12, the District also purchased 2 years of additional service credits for certain organizational unit or division identified employees covered by the California Public Employees' Retirement System (CalPERS). The total cost of this incentive was \$3.7 million.

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

##### **Plan Description**

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

- a. Those hired prior to March 11, 1984 must have served a minimum of five consecutive qualifying years immediately prior to retirement;
- b. Those hired from March 11, 1984 through June 30, 1987 must have served a minimum of ten consecutive qualifying years immediately prior to retirement;
- c. Those hired from July 1, 1987 through May 31, 1992 must have served a minimum of 15 consecutive qualifying years immediately prior to retirement, or served ten consecutive qualifying years immediately prior to retirement plus an additional previous ten years which are not consecutive.
- d. Those hired from June 1, 1992 through February 28, 2007 must have at least 80 years combined total of qualifying service and age. For those employees that have a break in service, this must include 10 consecutive years immediately prior to retirement.
- e. Those hired from March 1, 2007 through March 31, 2009 must have at least 80 years combined total of qualifying service and age. In addition, the employee must have 15 consecutive years of qualifying service immediately prior to retirement.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Notes to Basic Financial Statements

Year Ended June 30, 2013

- f. Those hired on or after April 1, 2009, except School Police, must have at least 85 years combined total of qualifying service and age. In addition, the employee must have a minimum of 25 consecutive years of qualifying service immediately prior to retirement.
- g. School Police (sworn personnel) hired on or after April 1, 2009 must have at least 80 years combined total of qualifying service and age. In addition, the employee must have a minimum of 20 consecutive years of qualifying service immediately prior to retirement.

In order to maintain coverage, the retirees must continue to receive a CalSTRS/CalPERS retirement allowance and retirees/spouses or domestic partners must enroll in those parts of Medicare for which they are eligible. Lack of Medicare does not impact dental or vision coverage. As of July 1, 2013, approximately 38,000 retirees now meet these eligibility requirements. The plan does not issue a separate financial report.

#### **Funding Policy**

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

For fiscal year 2013, the District contributed \$245.4 million 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.

#### **Healthcare Reform Act**

The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010, collectively referred to as the Health Care Reform Act of 2010 ("The Act"), were signed into law in March 2010. The Act imposes a 40% excise tax on employers that carry "Cadillac healthcare plans" beginning in 2018. The tax is applied to the amount of premium in excess of stated single (\$10,200) and family (\$27,500) thresholds. As of June 30, 2011 actuarial valuation, the District's actuary estimated the impact of the excise tax using the assumptions and calculations from that valuation. Amounts provided in the ensuing paragraphs include the effects of the new legislation.

#### **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.

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Notes to Basic Financial Statements

Year Ended June 30, 2013

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

Annual required contribution	\$ 1,085,949
Interest on net OPEB obligation	199,752
Adjustment to annual required contribution	<u>(247,508)</u>
Annual OPEB cost (expense)	1,038,193
Contributions made	<u>(245,388)</u>
Increase in net OPEB obligation	792,805
Net OPEB obligation – beginning of year	<u>3,995,038</u>
Net OPEB obligation – end of year	<u><u>\$ 4,787,843</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2013, 2012, and 2011 were as follows (in thousands):

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
6/30/2013	\$ 1,038,193	24 %	\$ 4,787,843
6/30/2012	1,047,987	22	3,995,038
6/30/2011	1,022,031	23	3,175,742

### Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, updated for the effects of new legislation, the plan was substantially unfunded. The actuarial accrued liability for benefits was \$11.2 billion, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$11.2 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 242%.

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, 2013

#### **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, 2011 actuarial valuation, the actuarial method used in estimating the liability is the entry age normal method which is based on the assumption that the Actuarial Present Value (APV) of employees' expected postretirement benefits accrue on a level basis over their expected working careers, from hire until the date of full eligibility for postretirement medical benefits. The significant assumptions used in the computation include a 5% discount rate and a healthcare cost trend of 9.25% for Kaiser/HealthNet and 9% for Anthem HMO/EPO in 2012, ultimately declining to 5% in 2021 and 2020 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, open of projected payroll over a 30-year period.

#### **(9) Risk Management**

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

Excess insurance has been purchased for physical property loss damages, which currently provides \$500 million coverage above a \$1 million self-insurance retention and for general liability, which currently provides \$30 million coverage above a \$10 million self-insurance retention. No settlements exceeded insurance coverage in the last four fiscal years ended June 30, 2013.

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

The District has also purchased contractors' pollution liability insurance coverage for the construction program. The policy protects contractors and the District from losses resulting from pollution liability related incidents occurring during construction. The policy provides optional coverage to ensure that site

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Notes to Basic Financial Statements

Year Ended June 30, 2013

cleanup cost overruns are not borne by the District. The limits of coverage on the cleanup cost-cap policy are variable by specific project. The total limit available on the other policies is \$50 million.

Liabilities for loss and loss adjustment expenses under school operations workers' compensation and general liability are based on the estimated present value of the ultimate cost of settling the claims including the accumulation of estimates for losses reported prior to the balance sheet date, estimates of losses incurred but not reported, and estimates of expenses for investigating and adjusting reported and unreported losses. Such liabilities are estimates of the future expected settlements and are based upon analysis of historical patterns of the number of incurred claims and their values. Individual reserves are continuously monitored and reviewed and as settlements are made, or reserves adjusted, differences are reflected in current operations.

As of June 30, 2013, the amount of the total claims liabilities recorded for health and welfare, liability self-insurance, and workers' compensation was \$645.0 million. In the current fiscal year, there have been some significant reserve increases for a number of cases in the Liability Self-Insurance Fund, causing the estimated liability to be higher. The decrease in workers' compensation liability is due to a campaign to resolve claims, effective cost containment strategies, and a decrease in newly reported claims. The Health and Welfare Benefits Fund lowered its estimated liability due to a reduction in active participants and an increase in Medicare-eligible retirees. Changes in the reported liabilities since July 1, 2011 (in thousands) are summarized as follows:

	<b>Beginning of Fiscal Year Liability</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>End of Fiscal Year Liability</b>
<b>2012-2013</b>				
Health and welfare benefits	\$ 24,246	\$ 216,728	\$ (218,611)	\$ 22,363
Workers' compensation	433,988	89,286	(102,443)	420,831
Liability self-insurance	49,504	168,345	(16,096)	201,753
Total	<u>\$ 507,738</u>	<u>\$ 474,359</u>	<u>\$ (337,150)</u>	<u>\$ 644,947</u>
<b>2011-2012</b>				
Health and welfare benefits	\$ 37,764	\$ 206,838	\$ (220,356)	\$ 24,246
Workers' compensation	430,840	98,418	(95,270)	433,988
Liability self-insurance	34,702	24,829	(10,027)	49,504
Total	<u>\$ 503,306</u>	<u>\$ 330,085</u>	<u>\$ (325,654)</u>	<u>\$ 507,738</u>

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

The District has entered into Certificates of Participation (COPs) for the acquisition of school sites, relocatable classroom buildings, a new administration building, furniture and equipment, and for various other construction projects. The COPs outstanding as of June 30, 2013 are as follows:

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Notes to Basic Financial Statements

Year Ended June 30, 2013

<b>COPs Issue</b>	<b>Sale Date</b>	<b>Original Principal Amount (in thousands)</b>	<b>Outstanding June 30, 2013 (in thousands)</b>	<b>Interest Rates to Maturity</b>	<b>Final Maturity</b>
2004 Series A	2004	\$ 50,700	\$ 4,590	4.0%	2014
Series 2005 (QZAB)	2005	10,000	10,000	0.0	2020
2007 Series A	2007	99,660	51,986	5.0	2017
2009 Series A	2009	40,728	24,960	3.92	2019
2010 Series A	2010	69,685	48,480	3.0 - 5.0	2017
2010 Series B-1 (BABs)	2010	21,615	21,615	7.663 - 8.525	2035
2010 Series B-2	2010	61,730	51,565	4.0 - 5.75	2020
2012 Series A	2012	87,845	86,675	2.0 - 5.0	2031
2012 Series B	2012	72,345	71,715	2.0 - 5.0	2031
2013 Series A	2013	24,780	24,780	2.29	2028
			<u>\$ 396,366</u> *		

\* The total amount shown above excludes net unamortized premium of \$20,231.

On June 24, 2013, the District issued Refunding COPs 2013 Series A (Refunding Lease) in the amount of \$24.78 million. Interest is payable semiannually at 2.29%. Principal payments are due annually through 2028. The proceeds were used to refinance COPs 2003 Series B. The refunding resulted in a reduction of debt service payments of \$4.8 million over 14 years and an economic gain of \$4.1 million.

In prior years, the District defeased certain principal amounts of its certificates of participation and refunding certificates of participation by placing proceeds of refunding certificates of participation and general obligation bonds into irrevocable escrow funds to provide for all future debt service payments on the refunded and defeased certificates of participation and refunding certificates of participation. Accordingly, the escrow account assets and the liability for the defeased certificates of participation are not included in the District's financial statements. At June 30, 2013, \$33.9 million of defeased COPs were still outstanding.

In prior years, the District defeased certain sinking fund payments for its 2005 Certificates of Participation (Qualified Zone Academy Bonds) by placing proceeds of general obligation bonds, interest earnings on all said deposits and interest earnings on forward delivery agreements into the sinking fund account held by the trustee to provide for the payment of the 2005 Certificates of Participation (Qualified Zone Academy Bonds) at maturity. While the District's financial statements indicate that the full principal amount of the 2005 Certificates of Participation (Qualified Zone Academy Bonds) are outstanding as of June 30, 2013, a total of \$4.57 million of accumulated sinking fund payments have been made, which amount reflects the portion of the certificates of participation that are considered economically defeased.

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Notes to Basic Financial Statements

Year Ended June 30, 2013

### *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 80 years. Some leases are month to month. The leases expire over the next 70 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 2 years.

The total expenditure for all operating leases amounted to \$11.0 million in 2012-13. The future minimum commitments for noncancelable operating lease of the District as of June 30, 2013 are as follows (in thousands):

	Amount (in thousands)
Fiscal year ending:	
2014	\$ 7,948
2015	6,974
2016	5,587
2017	4,753
2018	4,884
2019-2023	16,103
2024-2028	12,418
2029-2033	15,223
2034-2038	18,051
2039-2043	18,895
2044-2048	10,764
2049-2053	11,885
2054-2058	13,122
2059-2063	14,487
2064-2068	15,995
2069-2073	17,660
2074-2078	19,498
2079-2083	21,341
	<u>\$ 235,588</u>



# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Notes to Basic Financial Statements

Year Ended June 30, 2013

### (11) Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2013 (in thousands):

	Balance, July 1, 2012	Additions	Deductions	Balance, June 30, 2013	Due Within One Year	Interest Expense
General Obligation Bonds*	\$ 11,507,002	\$ 12,471	\$ 368,263	\$ 11,151,210	\$ 350,937	\$ 537,912
Certificates of Participation (Note 10)**	442,884	24,796	51,083	416,597	33,360	14,507
Capital Lease Obligations	2,185	4	881	1,308	650	66
Children Center Facilities Revolving Loan	792	—	158	634	79	—
Liability for Compensated Absences	65,075	59,956	63,436	61,595	1,382	—
Liability for Other Employee Benefits	108,431	—	20,561	87,870	16,325	—
Self-Insurance Claims (Note 9)	507,738	474,358	337,149	644,947	241,715	—
Other Postemployment Benefits (OPEB)	3,995,038	1,038,193	245,388	4,787,843	—	—
Arbitrage Payable	1,080	—	1,080	—	—	—
Total	<u>\$ 16,630,225</u>	<u>\$ 1,609,778</u>	<u>\$ 1,087,999</u>	<u>\$ 17,152,004</u>	<u>\$ 644,448</u>	<u>\$ 552,485</u>

\* Net of unamortized premiums and discounts.

\*\* Including unamortized premium.

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

Year Ending June 30	General Obligation Bonds			Capital Lease Obligations/ Certificates of Participation			Other Loans		Total		
	Principal	Amortization	Interest	Principal	Amortization	Interest	Principal	Interest	Principal	Amortization	Interest
2014	\$ 327,270	\$ 23,667	\$ 551,369	\$ 31,158	\$ 2,852	\$ 16,078	\$ 79	\$ —	\$ 358,507	\$ 26,519	\$ 567,447
2015	332,225	22,446	536,007	38,770	2,828	16,443	79	—	371,074	25,274	552,450
2016	338,870	21,757	519,918	37,802	2,564	14,748	79	—	376,751	24,321	534,666
2017	341,215	20,300	503,377	38,793	2,192	12,964	79	—	380,087	22,492	516,341
2018	370,490	17,868	486,063	48,014	1,709	10,911	79	—	418,583	19,577	496,974
2019-2023	2,126,805	55,757	2,133,606	87,367	5,196	38,274	239	—	2,214,411	60,953	2,171,880
2024-2028	3,290,070	20,046	1,542,439	57,800	2,333	23,410	—	—	3,347,870	22,379	1,565,849
2029-2033	2,527,450	12,306	786,693	52,195	573	8,340	—	—	2,579,645	12,879	795,033
2034-2036	1,302,160	508	82,431	5,775	(16)	724	—	—	1,307,935	492	83,155
	<u>\$ 10,956,555</u>	<u>\$ 194,655</u>	<u>\$ 7,141,903</u>	<u>\$ 397,674</u>	<u>\$ 20,231</u>	<u>\$ 141,892</u>	<u>\$ 634</u>	<u>\$ —</u>	<u>\$ 11,354,863</u>	<u>\$ 214,886</u>	<u>\$ 7,283,795</u>

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Notes to Basic Financial Statements

Year Ended June 30, 2013

The General Obligation Bonds balance of \$11.2 billion, which includes unamortized bond premiums (net of unamortized discount and refunding charges) of \$194.7 million, consists of:

Bond Issue	Sale Date	Original Principal Amount (in thousands)	Outstanding June 30, 2013 (in thousands)	Interest Rates to Maturity	Final Maturity
Proposition BB, Series A	1997	\$ 356,000	\$ 49,500	6.0%	2015
Proposition BB, Series F	2003	507,345	17,885	3.6 - 4.5	2013
Measure K, Series A	2003	2,100,000	45,075	3.9 - 5.0	2013
Measure K, Series B	2007	500,000	435,015	4.0 - 5.0	2031
Measure K, Series C	2007	150,000	130,845	4.0 - 5.0	2032
Measure K, Series D	2009	250,000	228,410	2.5 - 5.3	2034
Measure R, Series C	2004	50,000	35,355	3.6 - 5.0	2029
Measure R, Series E	2005	400,000	218,770	3.75 - 5.0	2030
Measure R, Series F	2006	500,000	421,605	3.625 - 5.0	2030
Measure R, Series G	2006	400,000	323,950	4.0 - 5.0	2031
Measure R, Series H	2007	550,000	462,715	3.75 - 5.0	2032
Measure R, Series I	2009	550,000	505,425	5.0 - 5.25	2034
Measure Y, Series A	2006	56,785	16,025	3.625 - 5.0	2022
Measure Y, Series B	2006	80,200	18,875	3.625 - 4.4	2028
Measure Y, Series C	2006	210,000	168,345	5.0	2030
Measure Y, Series D (taxable)	2006	47,400	15,395	6.0	2014
Measure Y, Series E	2007	300,000	263,430	4.75 - 5.0	2032
Measure Y, Series F	2009	150,000	137,425	2.5 - 5.25	2034
Measure Y, Series G	2009	5,615	5,615	3.0	2013
Measure Y, Series H	2009	318,800	318,800	1.54	2025
Measure Y, Series I	2010	3,795	3,795	2.75	2013
Measure Y, Series J-1 (QSCB)	2010	190,195	190,195	5.981	2027
Measure Y, Series J-2 (QSCB)	2010	100,000	100,000	5.72	2027
Series KRY (Tax Exempt)	2009	205,785	139,255	4.0 - 5.0	2020
Series KRY (BABs)	2009	1,369,800	1,369,800	5.75 - 5.755	2034
Series KRY (Tax Exempt)	2010	478,575	432,865	4.0-5.25	2034
Series RY (BABs)	2010	1,250,585	1,250,585	6.758	2034
Series KY	2010	159,495	131,080	1.5 - 5.0	2018
2002 GO Refunding Bonds	2002	258,375	175,645	4.5 - 5.75	2017
2004 GO Refunding Bonds, Series A-1	2004	90,740	90,060	3.4 - 5.0	2018
2004 GO Refunding Bonds, Series A-2	2004	128,385	126,840	3.4 - 5.0	2022
2005 GO Refunding Bonds, Series A-1	2005	346,750	346,005	3.5 - 5.5	2025
2005 GO Refunding Bonds, Series A-2	2005	120,925	120,925	5.0 - 5.5	2024
2006 GO Refunding Bonds, Series A	2006	132,325	132,325	5.0	2018
2006 GO Refunding Bonds, Series B	2006	574,905	557,045	4.0 - 5.0	2027
2007 GO Refunding Bonds, Series A-1	2007	1,153,195	1,130,055	4.0 - 5.0	2028
2007 GO Refunding Bonds, Series A-2	2007	136,055	136,055	4.25 - 4.5	2028
2007 GO Refunding Bonds, Series B	2007	24,845	24,650	5.0	2019
2009 GO Refunding Bonds, Series A	2009	74,765	51,560	3.0 - 5.0	2019
2010 GO Refunding Bonds, Series A	2010	74,995	72,570	3.0 - 5.0	2015
2011 GO Refunding Bonds, Series A-1	2011	206,735	203,150	2.0 - 5.0	2024
2011 GO Refunding Bonds, Series A-2	2011	201,070	197,635	2.0 - 5.0	2023
2012 GO Refunding Bonds, Series A	2012	156,000	156,000	2.0 - 5.0	2028
			<u>\$ 10,956,555</u>	*	

\* The total amount shown above excludes net unamortized premium of \$194,655.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Notes to Basic Financial Statements

Year Ended June 30, 2013

There were no GO Refunding bonds during 2012-13.

In prior years, the District defeased certain principal amounts of its general obligation bonds by placing proceeds of refunding bonds in an irrevocable escrow fund to provide for all future debt service payments on the refunded and defeased bonds. Accordingly, the escrow account assets and the liability for the defeased general obligation bonds are not included in the District's financial statements. At June 30, 2013, \$2.395 billion of the defeased general obligation bonds are still outstanding.

The Children Center Facilities revolving loan represents loan proceeds from the State Child Development Revolving Fund for the purchase of relocatable buildings, sites and site improvements for child care facilities. The loan, which does not incur interest charges, must be repaid in ten equal installments to commence on July 1, 2012 and each year thereafter until July 1, 2021.

The Arbitrage Payable balance reflects amounts due to the United States Treasury in order to comply with Internal Revenue Code Section 148(f). When the District issues tax-exempt debt, 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.

#### ***Debt Liquidation***

Payments on the General Obligation Bonds and Certificates of Participation are made by the debt service funds. The employee benefits liability for retirement bonus and early retirement incentive are all paid out of the General Fund, while the compensated absences portion will be liquidated from different governmental funds. In fiscal year 2013, approximately 79% has been paid by the General Fund, 7% by the Cafeteria Fund, 7% by the District Bonds Fund, 5% by the Child Development Fund, and 1% by the Adult Education Fund.

The self-insurance claims and other postemployment benefits will generally be liquidated through the internal service funds which will finance the payment of those claims and benefits by charging user funds. The General Fund assumes 100% of liability self-insurance claims. For workers' compensation and health benefit claims, including retiree health benefits, the General Fund currently bears approximately 89% of the cost, while the Cafeteria Fund carries 6%; no other individual fund is charged more than 3% of the total amount.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2013

**(12) Interfund Transactions**

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

Interfund receivables/payables are eliminated on the government-wide statement of net position but are reported on the fund financial statements. These consist of borrowings between funds to cover temporary cash insufficiencies and permit payment of obligations. Interfund receivables and payables at June 30, 2013 (in thousands) are as follows:

<u>Fund Group</u>	<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General:	Unrestricted	\$ 8,400	\$ —
	Total General	8,400	—
Special Revenue:	Cafeteria	—	6,400
	Child development	—	2,000
	Total Special Revenue	—	8,400
	Total Interfund Receivables/Payables	<u>\$ 8,400</u>	<u>\$ 8,400</u>

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Notes to Basic Financial Statements

Year Ended June 30, 2013

### (b) *Interfund Transfers*

Interfund transfers are eliminated on the government-wide statement of activities but are reported on the fund financial statements. These consist of transfers for exchange of services or reimbursement of expenditures. In addition, interfund transactions are also made to move revenue collected in one fund to another fund where the resources are spent or accounted for, in accordance with budgetary authorization, including amounts provided as matching funds or for debt service. Transfers between funds for the year ended June 30, 2013 were as follows (in thousands):

From	To	Purpose	
General	Cafeteria	Cafeteria repayment per MOU dated March 18, 2011	\$ 38,583
General	Cafeteria	Cafeteria support	15,000
General	Child Development	Child development support	15,322
General	Adult Education	Apportionment	60,481
General	Capital Services	Debt service	30,263
General	Health & Welfare	Medicare Part D subsidy	10,396
General	Building – Measure R	Reimbursement of capital expenditures	8
General	Building – Measure Y	Reimbursement of capital expenditures	976
Adult Education	General	Flexibility transfer	10,431
Adult Education	Special Reserve	Reimbursement of capital expenditures	971
Cafeteria	Capital Services	Debt service	787
Capital Services	General	Reimbursement of capital expenditures	99
Capital Services	Building – Measure Y	Reimbursement of capital expenditures	5,744
Special Reserve	General	Funding for capital expenditures	140
Special Reserve	Adult Education	Funding for capital expenditures	27
Special Reserve	Building – Measure K	Reimbursement of capital expenditures	4,583
Special Reserve	Building – Measure R	Reimbursement of capital expenditures	4,614
Special Reserve	Building – Measure Y	Reimbursement of capital expenditures	7,118
Special Reserve	Building – Bond Proceeds	Reimbursement of capital expenditures	773
Special Reserve	County School Facilities	Reimbursement of capital expenditures	1
Special Reserve	CSF – Prop 47	Reimbursement of capital expenditures	343
Special Reserve	CSF – Prop 55	Reimbursement of capital expenditures	1,233
Special Reserve	Capital Facilities	Reimbursement of capital expenditures	11
Special Reserve	SSBldg Lease/Purchase	Reimbursement of capital expenditures	1
Capital Facilities	Special Reserve	Reimbursement of capital expenditures	22
Capital Facilities	Capital Services	Debt service	9,574
Capital Facilities	Building – Measure K	Reimbursement of capital expenditures	499
Capital Facilities	Building – Measure R	Reimbursement of capital expenditures	259
Capital Facilities	CSF – Prop 55	Reimbursement of capital expenditures	1
Building – Bond Proceeds	Building – Measure K	Reimbursement of capital expenditures	1,423
Building – Bond Proceeds	Building – Measure R	Reimbursement of capital expenditures	11,222
Building – Bond Proceeds	Building – Measure Y	Reimbursement of capital expenditures	8,236
Building – Bond Proceeds	County School Facilities	Reimbursement of capital expenditures	1,005
Building – Bond Proceeds	CSF – Prop 47	Reimbursement of capital expenditures	2,087
Building – Bond Proceeds	CSF – Prop 55	Reimbursement of capital expenditures	3,284
Building – Bond Proceeds	CSF – Prop 1D	Reimbursement of capital expenditures	414
Building – Bond Proceeds	SSBldg Lease/Purchase	Reimbursement of capital expenditures	13
Building – Measure K	Building – Measure R	Reimbursement of capital expenditures	288
Building – Measure K	Building – Measure Y	Reimbursement of capital expenditures	10,583
Building – Measure K	Building – Bond Proceeds	Reimbursement of capital expenditures	1
Building – Measure K	CSF – Prop 55	Reimbursement of capital expenditures	716
Building – Measure K	CSF – Prop 1D	Reimbursement of capital expenditures	984
Building – Measure K	General	Reimbursement of capital expenditures	567
Building – Measure K	Special Reserve	Reimbursement of capital expenditures	200

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Notes to Basic Financial Statements

Year Ended June 30, 2013

Transfers between funds for the year ended June 30, 2013 (continued) (in thousands):

From	To	Purpose	
Building – Measure R	General	Reimbursement of capital expenditures	510
Building – Measure R	Building – Bond Proceeds	Reimbursement of capital expenditures	1,283
Building – Measure R	Building – Measure K	Reimbursement of capital expenditures	9,876
Building – Measure R	Building – Measure Y	Reimbursement of capital expenditures	7,395
Building – Measure R	County School Facilities	Reimbursement of capital expenditures	529
Building – Measure R	CSF – Prop 47	Reimbursement of capital expenditures	309
Building – Measure R	CSF – Prop 55	Reimbursement of capital expenditures	7,765
Building – Measure R	CSF – Prop 1D	Reimbursement of capital expenditures	6,116
Building – Measure R	SSBldg Lease/Purchase	Reimbursement of capital expenditures	76
Building – Measure Y	General	Reimbursement of capital expenditures	11,830
Building – Measure Y	Special Reserve	Reimbursement of capital expenditures	994
Building – Measure Y	Adult Education	Reimbursement of capital expenditures	44
Building – Measure Y	Cafeteria	Reimbursement of capital expenditures	1,082
Building – Measure Y	Capital Services	Debt service	542
Building – Measure Y	Building – Bond Proceeds	Reimbursement of capital expenditures	1,551
Building – Measure Y	Building – Measure K	Reimbursement of capital expenditures	11,747
Building – Measure Y	Building – Measure R	Reimbursement of capital expenditures	3,932
Building – Measure Y	County School Facilities	Reimbursement of capital expenditures	355
Building – Measure Y	CSF – Prop 47	Reimbursement of capital expenditures	18
Building – Measure Y	CSF – Prop 55	Reimbursement of capital expenditures	7,795
Building – Measure Y	CSF – Prop 1D	Reimbursement of capital expenditures	3,743
County School Facilities	Building – Bond Proceeds	Reimbursement of capital expenditures	473
County School Facilities	Building – Measure K	Reimbursement of capital expenditures	883
County School Facilities	CSF – Prop 47	Reimbursement of capital expenditures	11
CSF – Prop 47	Building – Bond Proceeds	Reimbursement of capital expenditures	2,963
CSF – Prop 47	Building – Measure K	Reimbursement of capital expenditures	8,086
CSF – Prop 47	Building – Measure R	Reimbursement of capital expenditures	39
CSF – Prop 47	Building – Measure Y	Reimbursement of capital expenditures	5
CSF – Prop 47	CSF – Prop 55	Reimbursement of capital expenditures	62,000
CSF – Prop 47	Capital Facilities	Reimbursement of capital expenditures	384
CSF – Prop 47	SSBldg Lease/Purchase	Reimbursement of capital expenditures	24
CSF – Prop 55	Special Reserve	Reimbursement of capital expenditures	193
CSF – Prop 55	Building – Bond Proceeds	Reimbursement of capital expenditures	11,133
CSF – Prop 55	Building – Measure K	Reimbursement of capital expenditures	40,256
CSF – Prop 55	Building – Measure R	Reimbursement of capital expenditures	21,175
CSF – Prop 55	Building – Measure Y	Reimbursement of capital expenditures	19,823
CSF – Prop 55	County School Facilities	Reimbursement of capital expenditures	2
CSF – Prop 55	CSF – Prop 1D	Reimbursement of capital expenditures	422
CSF – Prop 1D	Special Reserve	Reimbursement of capital expenditures	571
CSF – Prop 1D	Capital Facilities	Reimbursement of capital expenditures	9,152
CSF – Prop 1D	SSBldg Lease/Purchase	Reimbursement of capital expenditures	35
CSF – Prop 1D	Building – Bond Proceeds	Reimbursement of capital expenditures	10,916
CSF – Prop 1D	Building – Measure K	Reimbursement of capital expenditures	6,931
CSF – Prop 1D	Building – Measure R	Reimbursement of capital expenditures	19,078
CSF – Prop 1D	Building – Measure Y	Reimbursement of capital expenditures	29,240
CSF – Prop 1D	County School Facilities	Reimbursement of capital expenditures	838
CSF – Prop 1D	CSF – Prop 55	Reimbursement of capital expenditures	10,182
Sub-total			591,590
Adult Education	General	Transfer of support costs	81
Cafeteria	General	Transfer of support costs	9,300
Child Development	General	Transfer of support costs	3,246
Total			<u>\$ 604,217</u>

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Notes to Basic Financial Statements

Year Ended June 30, 2013

### (13) Fund Equity

The following is a summary of fund balances at June 30, 2013 (in thousands):

	General Fund	District Bonds	Bond Interest and Redemption	Other Governmental Funds
Nonspendable:				
Revolving cash and imprest funds	\$ 2,673	\$ 3,800	\$ —	\$ 63
Inventories	15,818	—	—	10,140
Prepays	22	—	—	—
Total Nonspendable Balances	18,513	3,800	—	10,203
Restricted for:				
Child Nutrition: School Programs	—	—	—	14,711
Medi-Cal Billing Options	1,849	—	—	—
FEMA Public Assistance Funds	82	—	—	240
Cops More Program	35	—	—	—
School Mental Health Medi-Cal Rehabilitation	6,043	—	—	—
English Language Acquisition Program, Teacher Training & Student Assistance	3,764	—	—	—
Special Education	3,467	—	—	—
Special Ed: Early Ed Individuals with Exceptional Needs (Infant Program)	139	—	—	—
Economic Impact Aid (EIA)	1,349	—	—	—
Economic Impact Aid: Limited English Proficiency (LEP)	60,048	—	—	—
Quality Education Investment Act (QEIA)	32,018	—	—	—
State School Facilities Projects	—	—	—	458,589
California Energy Commission Loan Expenditures	397	—	—	—
CDE Grant Olive Vista Middle School	—	—	—	44
Employment Training Panel – ROC/P	60	—	—	—
Capital Projects	—	—	—	114,702
Certificates of Participation (Acquisition Accounts) Proceeds	28,539	—	—	—
Clean Cities Grant	86	—	—	—
Cognitive Behavioral Intervention Therapy	490	—	—	—
B.E.S.T. Behavior – Special Education	103	—	—	—
Debt Service Reserve	—	—	750,540	54,698
District Bonds	—	1,725,266	—	—
Total Restricted Balances	138,469	1,725,266	750,540	642,984
Committed to:				
Adult Education	—	—	—	8,789
Assigned to:				
Subsequent year expenditures	370,359	—	—	102,258
Unassigned				
Reserved for economic uncertainties	65,376	—	—	—
Unassigned	—	—	—	—
Total Fund Balances	\$ 592,717	\$ 1,729,066	\$ 750,540	\$ 764,234

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Notes to Basic Financial Statements

Year Ended June 30, 2013

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

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

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

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

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

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

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

Effective beginning 2010-11, the governing board adopted a minimum fund balance policy for the General Fund in order to avoid the need for service level reductions in the event that an economic downturn causes revenues to be substantially lower than budgeted. The policy requires the District to maintain an economic uncertainty reserve consisting of unassigned amounts equal to at least 1% of total General Fund operating expenditures. In the event that the District must expend all or part of this reserve, the District will identify and implement a budgetary plan to replenish this reserve the following year. This reserve may be increased based on legal requirement.

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

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

The District, as well as current and former Board Members and employees to whom the District has defense and indemnification responsibilities under the Government Code, has been named as defendants in numerous lawsuits, administrative proceedings and arbitrations. These seek, among other things, to require the District to reinstate terminated, demoted, suspended, and laid-off



## **LOS ANGELES UNIFIED SCHOOL DISTRICT**

### **Notes to Basic Financial Statements**

**Year Ended June 30, 2013**

employees, to remedy alleged noncompliance regarding special education schools, and to change existing instructional programs, pupil integration methods, and employment and administration procedures. In many proceedings, monetary damages are sought including, for example, claims for retroactive pay and benefits and future pay and benefits. Based on the opinion of counsel, management believes that the ultimate outcome of such lawsuits will not have a material effect on the District's financial condition.

**(b) *Grants***

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under the terms of the grants, management believes that any required reimbursement will not be material to the financial statements.

**(c) *Construction Contracts***

The District has entered into various contracts for the construction of facilities throughout the campuses. During fiscal year 2012-13 the District entered into approximately 117 contracts with a combined value of \$66.57 million. The durations of the contracts range from three weeks to two years.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Required Supplementary Information  
Year Ended June 30, 2013  
(in thousands)

1. Schedule of Funding Progress for California Public Employees' Retirement System (CalPERS) - Safety:

Valuation Date	Accrued Liability	Actuarial Value of Assets (AVA)	Market Value of Assets (MVA)	Unfunded Liability (UL)	Funded Ratio		Annual Covered Payroll	UL as a percentage of Payroll
					AVA	MVA		
06/30/10	\$ 249,236	\$ 201,794	\$ 158,890	\$ 47,442	81.0%	63.8%	\$ 23,550	201.5%
06/30/11	258,518	214,253	191,662	44,265	82.9	74.1	24,677	179.4
06/30/12	266,875	227,076	190,589	39,799	85.1	71.4	24,938	159.6

2. Schedule of Funding Progress for Postemployment Healthcare Benefits:

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Liability (Entry Age Normal) (AAL)	Unfunded Actuarial Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2007	\$ —	\$ 10,563,623	\$ 10,563,623	0%	\$ 4,609,494	229 %
6/30/2009	—	10,339,628 *	10,339,628 *	0	4,628,914	223
6/30/2011	—	11,154,190	11,154,190	0	4,600,000	242

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

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
District Bonds Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual  
Year Ended June 30, 2013  
(in thousands)

	<b>Budget</b>		<b>Actual</b>	<b>Variance with Final Budget – Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
Revenues:				
Other local revenues	\$ 32,950	\$ 32,950	\$ 27,477	\$ (5,473)
Total Revenues	<u>32,950</u>	<u>32,950</u>	<u>27,477</u>	<u>(5,473)</u>
Expenditures:				
Current:				
Classified salaries	78,030	107,915	60,963	46,952
Employee benefits	28,220	44,836	28,114	16,722
Books and supplies	1,199	75,593	7,701	67,892
Services and other operating expenditures	1,101	103,966	39,694	64,272
Capital outlay	<u>1,586,979</u>	<u>1,452,151</u>	<u>413,166</u>	<u>1,038,985</u>
Total Expenditures	<u>1,695,529</u>	<u>1,784,461</u>	<u>549,638</u>	<u>1,234,823</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,662,579)</u>	<u>(1,751,511)</u>	<u>(522,161)</u>	<u>1,229,350</u>
Other Financing Sources (Uses):				
Transfers in	—	263,113	263,112	(1)
Transfers out	<u>(1,511)</u>	<u>(125,532)</u>	<u>(118,515)</u>	<u>7,017</u>
Total Other Financing Sources (Uses)	<u>(1,511)</u>	<u>137,581</u>	<u>144,597</u>	<u>7,016</u>
Net Changes in Fund Balances	<u>(1,664,090)</u>	<u>(1,613,930)</u>	<u>(377,564)</u>	<u>1,236,366</u>
Fund Balances, July 1, 2012	<u>2,156,790</u>	<u>2,106,630</u>	<u>2,106,630</u>	<u>—</u>
Fund Balances, June 30, 2013	<u>\$ 492,700</u>	<u>\$ 492,700</u>	<u>\$ 1,729,066</u>	<u>\$ 1,236,366</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Bond Interest and Redemption Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual  
Year Ended June 30, 2013  
(in thousands)

	<b>Budget</b>		<b>Actual</b>	<b>Variance with Final Budget – Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
Revenues:				
Federal revenues	\$ 73,752	\$ 73,752	\$ 73,752	\$ —
Other state revenues	5,453	5,453	5,401	(52)
Other local revenues	804,159	804,159	891,814	87,655
Total Revenues	<u>883,364</u>	<u>883,364</u>	<u>970,967</u>	<u>87,603</u>
Expenditures:				
Debt service – principal	799,794	717,742	333,930	383,812
Debt service – refunding bond issuance cost	—	—	—	—
Debt service – bond and COPs interest	452,570	568,684	568,059	625
Total Expenditures	<u>1,252,364</u>	<u>1,286,426</u>	<u>901,989</u>	<u>384,437</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(369,000)</u>	<u>(403,062)</u>	<u>68,978</u>	<u>472,040</u>
Other Financing Sources (Uses):				
Premium on bonds issued	—	—	—	—
Issuance of refunding bonds	—	—	—	—
Payment to refunded bond escrow agent	—	—	—	—
Total Other Financing Sources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net Changes in Fund Balances	<u>(369,000)</u>	<u>(403,062)</u>	<u>68,978</u>	<u>472,040</u>
Fund Balances, July 1, 2012	<u>786,500</u>	<u>681,562</u>	<u>681,562</u>	<u>—</u>
Fund Balances, June 30, 2013	<u>\$ 417,500</u>	<u>\$ 278,500</u>	<u>\$ 750,540</u>	<u>\$ 472,040</u>

See accompanying independent auditor's report.

## **LOS ANGELES UNIFIED SCHOOL DISTRICT**

### **Nonmajor Governmental Funds**

#### **Special Revenue Funds**

The Adult Education Fund is used to account for resources committed to the operation of Community Adult Schools including educational programs funded by other government agencies. This Fund was established as authorized by State Education Code Section 42238. Revenues are primarily derived from State apportionments, federal subventions, investment income, and adult education fees.

The Cafeteria Fund is used to account for resources designated for the operation of the District's food services programs. Revenues are primarily derived from federal and state subsidies, food sales, and investment income. Since the primary source of revenues is from federal and state subsidies rather than food sales, this fund is classified as a Special Revenue Fund rather than as an Enterprise Fund.

The Child Development Fund is used to account for resources committed to the operation of the District's child development programs. Revenues are primarily derived from federal and state grants and apportionments, early education center fees, and investment income.

#### **Debt Service Funds**

The Tax Override Fund is used to account for the accumulation of resources from ad valorem tax levies for the repayment of State School Building Aid Fund apportionments. The loan was paid in full in May 2010.

The Capital Services Fund is used to account for the accumulation of resources for the repayment of principal and interest on Certificates of Participation and long-term capital lease agreements. Revenues are derived primarily from operating transfers from user funds and investment income.

#### **Capital Projects Funds**

The Building Fund is used to account for revenue from rentals and leases of real property and other resources designated for facility expansion.

The State School Building Lease - Purchase Fund is used to account for State apportionments received in accordance with State Education Code Sections 17700-17780. Projects are funded by the State subject to appropriation of funds in the State Budget. The District may be required to transfer to this fund any available moneys from other funds as the District's contribution to a particular project.

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

The Special Reserve Fund – FEMA-Earthquake is used to account for funds received from the Federal Emergency Management Agency (FEMA) for capital outlay projects resulting from the January 17, 1994 Northridge Earthquake.

The Special Reserve Fund – FEMA-Hazard Mitigation was established on April 15, 1996 to account for funds received from FEMA and for the 25% District-matching funds for the retrofit/replacement of pendant lighting and suspended ceilings in selected buildings at schools, offices, and children's centers.

The Special Reserve Fund – Community Redevelopment Agency is used to account for reimbursements of tax increment revenues from certain community redevelopment agencies based on agreements between the District and the agencies. These reimbursements are to be used for capital projects within the respective redevelopment areas covered in the agreements.

## **LOS ANGELES UNIFIED SCHOOL DISTRICT**

### **Nonmajor Governmental Funds**

The Capital Facilities Account Fund was established on January 1, 1987 in accordance with Section 53080 of the California Government Code and is used to account for resources received from fees levied upon new residential, commercial, or industrial development projects within the District's boundaries in order to obtain funds for the construction or acquisition of school facilities to relieve overcrowding.

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

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

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

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



LOS ANGELES UNIFIED SCHOOL DISTRICT  
Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2013  
(in thousands)

<b>Special Revenue</b>				
	<b>Adult Education</b>	<b>Cafeteria</b>	<b>Child Development</b>	<b>Total</b>
Assets:				
Cash in county treasury, in banks, and on hand	\$ 82	\$ 323	\$ 2,340	\$ 2,745
Cash held by trustee	—	—	—	—
Accounts receivable – net	9,595	23,295	1,204	34,094
Accrued interest receivable	22	8	1	31
Inventories	—	10,139	—	10,139
Total Assets	<u>9,699</u>	<u>33,765</u>	<u>3,545</u>	<u>47,009</u>
Deferred Outflows of Resources	—	—	—	—
Total Assets and Deferred Outflows of Resources	<u>\$ 9,699</u>	<u>\$ 33,765</u>	<u>\$ 3,545</u>	<u>\$ 47,009</u>
Liabilities and Fund Balances:				
Vouchers and accounts payable	\$ 728	\$ 546	\$ 458	\$ 1,732
Contracts payable	1	—	—	1
Accrued payroll	—	—	—	—
Other payables	9	1,673	50	1,732
Due to other funds	—	6,400	2,000	8,400
Unearned revenue	110	295	334	739
Total Liabilities	<u>848</u>	<u>8,914</u>	<u>2,842</u>	<u>12,604</u>
Deferred Inflows of Resources	—	—	—	—
Fund Balances:				
Nonspendable	62	10,140	1	10,203
Restricted	—	14,711	—	14,711
Committed	8,789	—	—	8,789
Assigned	—	—	702	702
Total Fund Balances	<u>8,851</u>	<u>24,851</u>	<u>703</u>	<u>34,405</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 9,699</u>	<u>\$ 33,765</u>	<u>\$ 3,545</u>	<u>\$ 47,009</u>

See accompanying independent auditors' report.



**Debt Service**

<b>Tax Override</b>	<b>Capital Services</b>	<b>Total</b>
\$ 332	\$ 10,328	\$ 10,660
—	44,014	44,014
—	—	—
—	24	24
—	—	—
332	54,366	54,698
—	—	—
<u>\$ 332</u>	<u>\$ 54,366</u>	<u>\$ 54,698</u>
\$ —	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
332	54,366	54,698
—	—	—
—	—	—
332	54,366	54,698
<u>\$ 332</u>	<u>\$ 54,366</u>	<u>\$ 54,698</u>

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Nonmajor Governmental Funds  
Combining Balance Sheet (Continued)  
June 30, 2013  
(in thousands)

	<b>Capital</b>			
	<b>Building</b>	<b>State School Building Lease – Purchase</b>	<b>Special Reserve</b>	<b>Special Reserve – FEMA – Earthquake</b>
Assets:				
Cash in county treasury, in banks, and on hand	\$ 3,632	\$ 14,684	\$ 98,349	\$ 240
Cash held by trustee	—	—	4,794	—
Accounts receivable – net	—	—	—	—
Accrued interest receivable	4	23	148	—
Inventories	—	—	—	—
Total Assets	<u>3,636</u>	<u>14,707</u>	<u>103,291</u>	<u>240</u>
Deferred Outflows of Resources	—	—	—	—
Total Assets and Deferred Outflows of Resources	<u>\$ 3,636</u>	<u>\$ 14,707</u>	<u>\$ 103,291</u>	<u>\$ 240</u>
Liabilities and Fund Balances:				
Vouchers and accounts payable	\$ —	\$ 133	\$ 171	\$ —
Contracts payable	—	174	2,484	—
Accrued payroll	—	—	—	—
Other payables	171	9,991	5,437	—
Due to other funds	—	—	—	—
Unearned revenue	—	—	1,163	—
Total Liabilities	<u>171</u>	<u>10,298</u>	<u>9,255</u>	<u>—</u>
Deferred Inflows of Resources	—	—	—	—
Fund Balances:				
Nonspendable	—	—	—	—
Restricted	—	4,255	94,036	240
Committed	—	—	—	—
Assigned	3,465	154	—	—
Total Fund Balances	<u>3,465</u>	<u>4,409</u>	<u>94,036</u>	<u>240</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,636</u>	<u>\$ 14,707</u>	<u>\$ 103,291</u>	<u>\$ 240</u>

See accompanying independent auditors' report.

**Projects**

Special Reserve – FEMA – Hazard Mitigation	Special Reserve – Community Redevelopment Agency	Capital Facilities Account	County School Facilities Bonds				Total
			County School Facilities	County School Facilities – Prop 47	County School Facilities – Prop 55	County School Facilities – Prop 1D	
\$ 2,043	\$ 21,455	\$ 87,029	\$ 18,429	\$ 55,304	\$ 221,755	\$ 161,597	\$ 457,085
—	—	—	—	—	—	—	—
—	—	9,251	—	—	—	—	—
—	18	122	27	80	318	236	661
—	—	—	—	—	—	—	—
2,043	21,473	96,402	18,456	55,384	222,073	161,833	457,746
—	—	—	—	—	—	—	—
\$ 2,043	\$ 21,473	\$ 96,402	\$ 18,456	\$ 55,384	\$ 222,073	\$ 161,833	\$ 457,746
\$ —	\$ 760	\$ 57	\$ 5	\$ 11	\$ 248	\$ 68	\$ 332
—	—	27	—	18	1,825	1,237	3,080
—	1	—	—	—	—	—	—
—	2	424	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	763	508	5	29	2,073	1,305	3,412
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	20,710	—	18,451	55,355	220,000	160,528	454,334
—	—	—	—	—	—	—	—
2,043	—	95,894	—	—	—	—	—
2,043	20,710	95,894	18,451	55,355	220,000	160,528	454,334
\$ 2,043	\$ 21,473	\$ 96,402	\$ 18,456	\$ 55,384	\$ 222,073	\$ 161,833	\$ 457,746

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Nonmajor Governmental Funds  
Combining Balance Sheet (Continued)  
June 30, 2013  
(in thousands)

	<b><u>Capital Projects</u></b>	
	<b>Total</b>	<b>Total Nonmajor Governmental Funds</b>
Assets:		
Cash in county treasury, in banks, and on hand	\$ 684,517	\$ 697,922
Cash held by trustee	4,794	48,808
Accounts receivable – net	9,251	43,345
Accrued interest receivable	976	1,031
Inventories	—	10,139
Total Assets	<u>699,538</u>	<u>801,245</u>
Deferred Outflows of Resources	—	—
Total Assets and Deferred Outflows of Resources	<u>\$ 699,538</u>	<u>\$ 801,245</u>
Liabilities and Fund Balances:		
Vouchers and accounts payable	\$ 1,453	\$ 3,185
Contracts payable	5,765	5,766
Accrued payroll	1	1
Other payables	16,025	17,757
Due to other funds	—	8,400
Unearned revenue	1,163	1,902
Total Liabilities	<u>24,407</u>	<u>37,011</u>
Deferred Inflows of Resources	—	—
Fund Balances:		
Nonspendable	—	10,203
Restricted	573,575	642,984
Committed	—	8,789
Assigned	101,556	102,258
Total Fund Balances	<u>675,131</u>	<u>764,234</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 699,538</u>	<u>\$ 801,245</u>



LOS ANGELES UNIFIED SCHOOL DISTRICT  
Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Year Ended June 30, 2013  
(in thousands)

	<b>Special Revenue</b>			
	<b>Adult Education</b>	<b>Cafeteria</b>	<b>Child Development</b>	<b>Total</b>
Revenues:				
Federal revenues	\$ 20,406	\$ 268,068	\$ 24,559	\$ 313,033
Other state revenues	7,984	18,556	68,355	94,895
Other local revenues	1,734	6,610	5,919	14,263
Total Revenues	<u>30,124</u>	<u>293,234</u>	<u>98,833</u>	<u>422,191</u>
Expenditures:				
Current:				
Certificated salaries	36,736	—	35,378	72,114
Classified salaries	10,119	86,048	35,230	131,397
Employee benefits	21,334	78,764	34,905	135,003
Books and supplies	7,694	163,345	2,134	173,173
Services and other operating expenditures	3,498	1,924	2,466	7,888
Capital outlay	989	1,739	5	2,733
Debt service – principal	—	—	158	158
Debt service – bond and COPs interest	—	—	—	—
Total Expenditures	<u>80,370</u>	<u>331,820</u>	<u>110,276</u>	<u>522,466</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(50,246)</u>	<u>(38,586)</u>	<u>(11,443)</u>	<u>(100,275)</u>
Other Financing Sources (Uses):				
Transfers in	60,552	54,665	15,322	130,539
Transfers – support costs	(81)	(9,300)	(3,246)	(12,627)
Transfers out	(11,402)	(787)	—	(12,189)
Issuance of refunding COPs	—	—	—	—
Payment to refunded COPs escrow agent	—	—	—	—
Total Other Financing Sources (Uses)	<u>49,069</u>	<u>44,578</u>	<u>12,076</u>	<u>105,723</u>
Net Changes in Fund Balances	<u>(1,177)</u>	<u>5,992</u>	<u>633</u>	<u>5,448</u>
Fund Balances, July 1, 2012	<u>10,028</u>	<u>18,859</u>	<u>70</u>	<u>28,957</u>
Fund Balances, June 30, 2013	<u>\$ 8,851</u>	<u>\$ 24,851</u>	<u>\$ 703</u>	<u>\$ 34,405</u>

See accompanying independent auditor's report.

**Debt Service**

<b>Tax Override</b>	<b>Capital Services</b>	<b>Total</b>
\$ —	\$ 588	\$ 588
25	—	25
2	212	214
27	800	827
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	24,689	24,689
—	16,471	16,471
—	41,160	41,160
27	(40,360)	(40,333)
—	41,166	41,166
—	—	—
—	(5,843)	(5,843)
—	—	—
—	—	—
—	35,323	35,323
27	(5,037)	(5,010)
305	59,403	59,708
\$ 332	\$ 54,366	\$ 54,698

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)  
Year Ended June 30, 2013  
(in thousands)

	<b>Capital</b>			
	<b>Building</b>	<b>State School Building Lease – Purchase</b>	<b>Special Reserve</b>	<b>Special Reserve – FEMA – Earthquake</b>
Revenues:				
Federal revenues	\$ —	\$ —	\$ —	\$ —
Other state revenues	—	—	—	—
Other local revenues	2,066	97	14,238	—
Total Revenues	<u>2,066</u>	<u>97</u>	<u>14,238</u>	<u>—</u>
Expenditures:				
Current:				
Certificated salaries	—	—	—	—
Classified salaries	6	—	409	—
Employee benefits	2	—	170	—
Books and supplies	—	—	1,470	—
Services and other operating expenditures	—	—	10,662	—
Capital outlay	31	156	29,172	—
Debt service – principal	—	—	—	—
Debt service – bond and COPs interest	—	—	—	—
Total Expenditures	<u>39</u>	<u>156</u>	<u>41,883</u>	<u>—</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,027</u>	<u>(59)</u>	<u>(27,645)</u>	<u>—</u>
Other Financing Sources (Uses):				
Transfers in	—	149	2,951	—
Transfers – support costs	—	—	—	—
Transfers out	—	—	(18,844)	—
Issuance of refunding COPs	—	—	24,780	—
Payment to refunded COPs escrow agent	—	—	(24,641)	—
Total Other Financing Sources (Uses)	<u>—</u>	<u>149</u>	<u>(15,754)</u>	<u>—</u>
Net Changes in Fund Balances	<u>2,027</u>	<u>90</u>	<u>(43,399)</u>	<u>—</u>
Fund Balances, July 1, 2012	<u>1,438</u>	<u>4,319</u>	<u>137,435</u>	<u>240</u>
Fund Balances, June 30, 2013	<u>\$ 3,465</u>	<u>\$ 4,409</u>	<u>\$ 94,036</u>	<u>\$ 240</u>

See accompanying independent auditor's report.



**Projects**

Special Reserve – FEMA – Hazard Mitigation	Special Reserve – Community Redevelopment Agency	Capital Facilities Account	County School Facilities Bonds				Total
			County School Facilities	County School Facilities – Prop 47	County School Facilities – Prop 55	County School Facilities – Prop 1D	
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	6,221	62,154	94,242	162,617
—	13,939	47,774	104	718	1,187	847	2,856
—	13,939	47,774	104	6,939	63,341	95,089	165,473
—	—	—	—	—	—	—	—
—	2,689	345	11	16	95	158	280
—	1,046	160	2	8	39	62	111
—	6,776	5	—	15	—	—	15
—	1,369	668	—	9	—	218	227
—	1,064	1,928	842	1,402	39,334	29,259	70,837
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	12,944	3,106	855	1,450	39,468	29,697	71,470
—	995	44,668	(751)	5,489	23,873	65,392	94,003
—	—	9,547	2,730	2,768	92,976	11,679	110,153
—	—	—	—	—	—	—	—
—	—	(10,355)	(1,367)	(73,501)	(93,004)	(86,943)	(254,815)
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	(808)	1,363	(70,733)	(28)	(75,264)	(144,662)
—	995	43,860	612	(65,244)	23,845	(9,872)	(50,659)
2,043	19,715	52,034	17,839	120,599	196,155	170,400	504,993
\$ 2,043	\$ 20,710	\$ 95,894	\$ 18,451	\$ 55,355	\$ 220,000	\$ 160,528	\$ 454,334

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)  
Year Ended June 30, 2013  
(in thousands)

	<u>Capital Projects</u>	
	<u>Total</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:		
Federal revenues	\$ —	\$ 313,621
Other state revenues	162,617	257,537
Other local revenues	80,970	95,447
Total Revenues	<u>243,587</u>	<u>666,605</u>
Expenditures:		
Current:		
Certificated salaries	—	72,114
Classified salaries	3,729	135,126
Employee benefits	1,489	136,492
Books and supplies	8,266	181,439
Services and other operating expenditures	12,926	20,814
Capital outlay	103,188	105,921
Debt service – principal	—	24,847
Debt service – bond and COPs interest	—	16,471
Total Expenditures	<u>129,598</u>	<u>693,224</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>113,989</u>	<u>(26,619)</u>
Other Financing Sources (Uses):		
Transfers in	122,800	294,505
Transfers – support costs	—	(12,627)
Transfers out	(284,014)	(302,046)
Issuance of refunding COPs	24,780	24,780
Payment to refunded COPs escrow agent	(24,641)	(24,641)
Total Other Financing Sources (Uses)	<u>(161,075)</u>	<u>(20,029)</u>
Net Changes in Fund Balances	<u>(47,086)</u>	<u>(46,648)</u>
Fund Balances, July 1, 2012	722,217	810,882
Fund Balances, June 30, 2013	<u>\$ 675,131</u>	<u>\$ 764,234</u>

See accompanying independent auditor's report.



LOS ANGELES UNIFIED SCHOOL DISTRICT  
Special Revenue Funds  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual  
Year Ended June 30, 2013  
(in thousands)

	Adult Education			Variance with Final Budget – Favorable (Unfavorable)
	Budget		Actual	
	Original	Final		
Revenues:				
Federal revenues	\$ 22,804	\$ 21,016	\$ 20,406	\$ (610)
Other state revenues	10,679	7,258	7,984	726
Other local revenues	2,954	1,903	1,734	(169)
Total Revenues	36,437	30,177	30,124	(53)
Expenditures:				
Current:				
Certificated salaries	12,879	39,022	36,736	2,286
Classified salaries	1,356	10,281	10,119	162
Employee benefits	5,852	21,598	21,334	264
Books and supplies	15,502	10,068	7,694	2,374
Services and other operating expenditures	56	3,590	3,498	92
Capital outlay	—	4,113	989	3,124
Debt Service – principal	—	—	—	—
Total Expenditures	35,645	88,672	80,370	8,302
Excess (Deficiency) of Revenues Over (Under) Expenditures	792	(58,495)	(50,246)	8,249
Other Financing Sources (Uses):				
Transfers in	—	60,026	60,552	526
Transfers – support costs	(71)	(101)	(81)	20
Transfers out	(11,067)	(11,402)	(11,402)	—
Total Other Financing Sources (Uses)	(11,138)	48,523	49,069	546
Net Changes in Fund Balances	(10,346)	(9,972)	(1,177)	8,795
Fund Balances, July 1, 2012	10,441	10,028	10,028	—
Fund Balances, June 30, 2013	\$ 95	\$ 56	\$ 8,851	\$ 8,795

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		
\$ 226,446	\$ 241,698	\$ 268,068	\$ 26,370	\$ 44,306	\$ 35,106	\$ 24,559	\$ (10,547)
18,009	18,009	18,556	547	52,839	51,839	68,355	16,516
9,235	9,235	6,610	(2,625)	7,624	5,656	5,919	263
253,690	268,942	293,234	24,292	104,769	92,601	98,833	6,232
—	—	—	—	35,172	35,668	35,378	290
82,097	87,410	86,048	1,362	44,132	38,981	35,230	3,751
74,892	81,537	78,764	2,773	33,100	35,018	34,905	113
144,957	163,395	163,345	50	15,287	5,507	2,134	3,373
5,189	2,550	1,924	626	2,468	2,966	2,466	500
1,008	3,340	1,739	1,601	572	96	5	91
—	—	—	—	—	200	158	42
308,143	338,232	331,820	6,412	130,731	118,436	110,276	8,160
(54,453)	(69,290)	(38,586)	30,704	(25,962)	(25,835)	(11,443)	14,392
63,283	74,165	54,665	(19,500)	29,168	29,168	15,322	(13,846)
(8,619)	(9,319)	(9,300)	19	(3,258)	(3,393)	(3,246)	147
(787)	(787)	(787)	—	—	—	—	—
53,877	64,059	44,578	(19,481)	25,910	25,775	12,076	(13,699)
(576)	(5,231)	5,992	11,223	(52)	(60)	633	693
11,922	18,859	18,859	—	65	70	70	—
\$ 11,346	\$ 13,628	\$ 24,851	\$ 11,223	\$ 13	\$ 10	\$ 703	\$ 693

(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, 2013  
(in thousands)

	<b>Total</b>			<b>Variance with Final Budget – Favorable (Unfavorable)</b>
	<b>Budget</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
Revenues:				
Federal revenues	\$ 293,556	\$ 297,820	\$ 313,033	\$ 15,213
Other state revenues	81,527	77,106	94,895	17,789
Other local revenues	19,813	16,794	14,263	(2,531)
Total Revenues	<u>394,896</u>	<u>391,720</u>	<u>422,191</u>	<u>30,471</u>
Expenditures:				
Current:				
Certificated salaries	48,051	74,690	72,114	2,576
Classified salaries	127,585	136,672	131,397	5,275
Employee benefits	113,844	138,153	135,003	3,150
Books and supplies	175,746	178,970	173,173	5,797
Services and other operating expenditures	7,713	9,106	7,888	1,218
Capital outlay	1,580	7,549	2,733	4,816
Debt Service – principal	—	200	158	42
Total Expenditures	<u>474,519</u>	<u>545,340</u>	<u>522,466</u>	<u>22,874</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(79,623)</u>	<u>(153,620)</u>	<u>(100,275)</u>	<u>53,345</u>
Other Financing Sources (Uses):				
Transfers in	92,451	163,359	130,539	(32,820)
Transfers – support costs	(11,948)	(12,813)	(12,627)	186
Transfers out	(11,854)	(12,189)	(12,189)	—
Total Other Financing Sources (Uses)	<u>68,649</u>	<u>138,357</u>	<u>105,723</u>	<u>(32,634)</u>
Net Changes in Fund Balances	<u>(10,974)</u>	<u>(15,263)</u>	<u>5,448</u>	<u>20,711</u>
Fund Balances, July 1, 2012	<u>22,428</u>	<u>28,957</u>	<u>28,957</u>	<u>—</u>
Fund Balances, June 30, 2013	<u>\$ 11,454</u>	<u>\$ 13,694</u>	<u>\$ 34,405</u>	<u>\$ 20,711</u>

See accompanying independent auditor's report.



LOS ANGELES UNIFIED SCHOOL DISTRICT  
Debt Service Funds  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual  
Year Ended June 30, 2013  
(in thousands)

	Tax Override			Variance with Final Budget – Favorable (Unfavorable)
	Budget			
	Original	Final	Actual	
Revenues:				
Federal revenues	\$ —	\$ —	\$ —	\$ —
Other state revenues	—	—	25	25
Other local revenues	—	—	2	2
Total Revenues	—	—	27	27
Expenditures:				
Debt service – principal	304	305	—	305
Debt service – bond and COPs interest	—	—	—	—
Total Expenditures	304	305	—	305
Excess (Deficiency) of Revenues Over (Under) Expenditures	(304)	(305)	27	332
Other Financing Sources (Uses):				
Transfers in	—	—	—	—
Transfers out	—	—	—	—
Total Other Financing Sources	—	—	—	—
Net Changes in Fund Balances	(304)	(305)	27	332
Fund Balances, July 1, 2012	304	305	305	—
Fund Balances, June 30, 2013	\$ —	\$ —	\$ 332	\$ 332

See accompanying independent auditor's report.



Capital Services				Total			
Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
Original	Final			Original	Final		
\$ —	\$ —	\$ 588	\$ 588	\$ —	\$ —	\$ 588	\$ 588
615	615	—	(615)	615	615	25	(590)
267	266	212	(54)	267	266	214	(52)
882	881	800	(81)	882	881	827	(54)
25,232	25,232	24,689	543	25,536	25,537	24,689	848
16,734	16,789	16,471	318	16,734	16,789	16,471	318
41,966	42,021	41,160	861	42,270	42,326	41,160	1,166
(41,084)	(41,140)	(40,360)	780	(41,388)	(41,445)	(40,333)	1,112
41,699	41,755	41,166	(589)	41,699	41,755	41,166	(589)
—	(5,843)	(5,843)	—	—	(5,843)	(5,843)	—
41,699	35,912	35,323	(589)	41,699	35,912	35,323	(589)
615	(5,228)	(5,037)	191	311	(5,533)	(5,010)	523
60,433	59,403	59,403	—	60,737	59,708	59,708	—
\$ 61,048	\$ 54,175	\$ 54,366	\$ 191	\$ 61,048	\$ 54,175	\$ 54,698	\$ 523

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, 2013  
(in thousands)

	<b>Building</b>			<b>Variance with Final Budget – Favorable (Unfavorable)</b>
	<b>Budget</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
Revenues:				
Federal revenues	\$ —	\$ —	\$ —	\$ —
Other state revenues	—	—	—	—
Other local revenues	400	400	2,066	1,666
Total Revenues	400	400	2,066	1,666
Expenditures:				
Current:				
Classified salaries	—	7	6	1
Employee benefits	—	3	2	1
Books and supplies	—	—	—	—
Services and other operating expenditures	21	—	—	—
Capital outlay	2,188	1,828	31	1,797
Total Expenditures	2,209	1,838	39	1,799
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,809)	(1,438)	2,027	3,465
Other Financing Sources (Uses):				
Transfers in	—	—	—	—
Transfers out	—	—	—	—
Issuance of refunding COPs	—	—	—	—
Payment to refunded COPs escrow agent	—	—	—	—
Total Other Financing Sources (Uses)	—	—	—	—
Net Changes in Fund Balances	(1,809)	(1,438)	2,027	3,465
Fund Balances, July 1, 2012	1,809	1,438	1,438	—
Fund Balances, June 30, 2013	\$ —	\$ —	\$ 3,465	\$ 3,465

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		
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	2,529	2,529	—	(2,529)
300	300	97	(203)	31,490	31,490	14,238	(17,252)
300	300	97	(203)	34,019	34,019	14,238	(19,781)
—	—	—	—	—	1,275	409	866
—	—	—	—	—	698	170	528
—	—	—	—	—	5,193	1,470	3,723
—	—	—	—	450	10,880	10,662	218
4,419	4,768	156	4,612	134,549	79,853	29,172	50,681
4,419	4,768	156	4,612	134,999	97,899	41,883	56,016
(4,119)	(4,468)	(59)	4,409	(100,980)	(63,880)	(27,645)	36,235
—	149	149	—	—	2,960	2,951	(9)
—	—	—	—	—	(18,844)	(18,844)	—
—	—	—	—	—	24,780	24,780	—
—	—	—	—	—	(24,651)	(24,641)	10
—	149	149	—	—	(15,755)	(15,754)	1
(4,119)	(4,319)	90	4,409	(100,980)	(79,635)	(43,399)	36,236
4,119	4,319	4,319	—	158,780	137,435	137,435	—
\$ —	\$ —	\$ 4,409	\$ 4,409	\$ 57,800	\$ 57,800	\$ 94,036	\$ 36,236

(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, 2013  
(in thousands)

	Special Reserve – FEMA – Earthquake			Variance with Final Budget – Favorable (Unfavorable)
	Budget		Actual	
	Original	Final		
Revenues:				
Federal revenues	\$ 5,708	\$ 5,708	\$ —	\$ (5,708)
Other state revenues	568	568	—	(568)
Other local revenues	—	—	—	—
Total Revenues	6,276	6,276	—	(6,276)
Expenditures:				
Current:				
Classified salaries	—	—	—	—
Employee benefits	—	—	—	—
Books and supplies	—	—	—	—
Services and other operating expenditures	—	—	—	—
Capital outlay	—	—	—	—
Total Expenditures	—	—	—	—
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,276	6,276	—	(6,276)
Other Financing Sources (Uses):				
Transfers in	—	—	—	—
Transfers out	—	—	—	—
Issuance of refunding COPs	—	—	—	—
Payment to refunded COPs escrow agent	—	—	—	—
Total Other Financing Sources (Uses)	—	—	—	—
Net Changes in Fund Balances	6,276	6,276	—	(6,276)
Fund Balances, July 1, 2012	240	240	240	—
Fund Balances, June 30, 2013	\$ 6,516	\$ 6,516	\$ 240	\$ (6,276)

See accompanying independent auditors' report.

Special Reserve – FEMA – Hazard Mitigation				Special Reserve – Community Redevelopment Agency			
Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
Original	Final			Original	Final		
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—	—	—
—	—	—	—	3,401	3,401	13,939	10,538
—	—	—	—	3,401	3,401	13,939	10,538
—	—	—	—	—	—	—	—
—	—	—	—	83	4,620	2,689	1,931
—	—	—	—	36	1,149	1,046	103
—	—	—	—	—	8,261	6,776	1,485
—	—	—	—	99	1,511	1,369	142
—	—	—	—	15,376	1,365	1,064	301
—	—	—	—	15,594	16,906	12,944	3,962
—	—	—	—	(12,193)	(13,505)	995	14,500
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	(12,193)	(13,505)	995	14,500
2,043	2,043	2,043	—	18,793	19,715	19,715	—
\$ 2,043	\$ 2,043	\$ 2,043	\$ —	\$ 6,600	\$ 6,210	\$ 20,710	\$ 14,500

(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, 2013  
(in thousands)

<b>Capital Facilities Account</b>			
	<b>Budget</b>		<b>Variance with Final Budget – Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>
Revenues:			
Federal revenues	\$ —	\$ —	\$ —
Other state revenues	—	—	—
Other local revenues	30,348	30,348	47,774
Total Revenues	30,348	30,348	47,774
Expenditures:			
Current:			
Classified salaries	381	431	345
Employee benefits	148	181	160
Books and supplies	34	34	5
Services and other operating expenditures	25,077	39,803	668
Capital outlay	11,939	20,922	1,928
Total Expenditures	37,579	61,371	3,106
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,231)	(31,023)	44,668
Other Financing Sources (Uses):			
Transfers in	—	9,547	9,547
Transfers out	(9,577)	(10,358)	(10,355)
Issuance of refunding COPs	—	—	—
Payment to refunded COPs escrow agent	—	—	—
Total Other Financing Sources (Uses)	(9,577)	(811)	(808)
Net Changes in Fund Balances	(16,808)	(31,834)	43,860
Fund Balances, July 1, 2012	37,008	52,034	52,034
Fund Balances, June 30, 2013	\$ 20,200	\$ 20,200	\$ 95,894

See accompanying independent auditors' report.

**County School Facilities Bonds**

<b>County School Facilities</b>				<b>County School Facilities – Prop 47</b>			
<b>Budget</b>		<b>Actual</b>	<b>Variance with Final Budget – Favorable (Unfavorable)</b>	<b>Budget</b>		<b>Actual</b>	<b>Variance with Final Budget – Favorable (Unfavorable)</b>
<b>Original</b>	<b>Final</b>			<b>Original</b>	<b>Final</b>		
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	6,129	6,129	6,221	92
150	150	104	(46)	1,350	1,350	718	(632)
150	150	104	(46)	7,479	7,479	6,939	(540)
—	11	11	—	—	17	16	1
—	2	2	—	—	8	8	—
—	63	—	63	—	267	15	252
—	—	—	—	—	28	9	19
19,033	19,276	842	18,434	98,321	52,425	1,402	51,023
19,033	19,352	855	18,497	98,321	52,745	1,450	51,295
(18,883)	(19,202)	(751)	18,451	(90,842)	(45,266)	5,489	50,755
—	2,730	2,730	—	—	2,768	2,768	—
—	(1,367)	(1,367)	—	—	(73,501)	(73,501)	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	1,363	1,363	—	—	(70,733)	(70,733)	—
(18,883)	(17,839)	612	18,451	(90,842)	(115,999)	(65,244)	50,755
18,883	17,839	17,839	—	115,442	120,599	120,599	—
\$ —	\$ —	\$ 18,451	\$ 18,451	\$ 24,600	\$ 4,600	\$ 55,355	\$ 50,755

(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, 2013  
 (in thousands)

	<b>County School</b>		
	<b>County School Facilities – Prop 55</b>		
	<b>Budget</b>		<b>Variance with Final Budget – Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>
Revenues:			
Federal revenues	\$ —	\$ —	\$ —
Other state revenues	68,783	68,783	62,154
Other local revenues	2,280	2,280	1,187
Total Revenues	71,063	71,063	63,341
Expenditures:			
Current:			
Classified salaries	—	96	95
Employee benefits	—	40	39
Books and supplies	—	1,090	—
Services and other operating expenditures	—	222	—
Capital outlay	237,356	206,442	39,334
Total Expenditures	237,356	207,890	39,468
Excess (Deficiency) of Revenues Over (Under) Expenditures	(166,293)	(136,827)	23,873
Other Financing Sources (Uses):			
Transfers in	—	92,976	92,976
Transfers out	—	(93,004)	(93,004)
Issuance of refunding COPs	—	—	—
Payment to refunded COPs escrow agent	—	—	—
Total Other Financing Sources (Uses)	—	(28)	(28)
Net Changes in Fund Balances	(166,293)	(136,855)	23,845
Fund Balances, July 1, 2012	225,593	196,155	196,155
Fund Balances, June 30, 2013	\$ 59,300	\$ 59,300	\$ 220,000



**Facilities Bonds**

County School Facilities – Prop 1D				County School Facilities Bonds – Total			
Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
Original	Final			Original	Final		
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
37,266	37,266	94,242	56,976	112,178	112,178	162,617	50,439
1,490	1,490	847	(643)	5,270	5,270	2,856	(2,414)
38,756	38,756	95,089	56,333	117,448	117,448	165,473	48,025
—	170	158	12	—	294	280	14
—	67	62	5	—	117	111	6
—	767	—	767	—	2,187	15	2,172
—	325	218	107	—	575	227	348
153,068	94,263	29,259	65,004	507,778	372,406	70,837	301,569
153,068	95,592	29,697	65,895	507,778	375,579	71,470	304,109
(114,312)	(56,836)	65,392	122,228	(390,330)	(258,131)	94,003	352,134
—	11,679	11,679	—	—	110,153	110,153	—
—	(86,943)	(86,943)	—	—	(254,815)	(254,815)	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	(75,264)	(75,264)	—	—	(144,662)	(144,662)	—
(114,312)	(132,100)	(9,872)	122,228	(390,330)	(402,793)	(50,659)	352,134
152,612	170,400	170,400	—	512,530	504,993	504,993	—
\$ 38,300	\$ 38,300	\$ 160,528	\$ 122,228	\$ 122,200	\$ 102,200	\$ 454,334	\$ 352,134

(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, 2013  
(in thousands)

	Total			Variance with Final Budget – Favorable (Unfavorable)
	Budget			
	Original	Final	Actual	
Revenues:				
Federal revenues	\$ 5,708	\$ 5,708	\$ —	\$ (5,708)
Other state revenues	115,275	115,275	162,617	47,342
Other local revenues	71,209	71,209	80,970	9,761
Total Revenues	192,192	192,192	243,587	51,395
Expenditures:				
Current:				
Classified salaries	464	6,627	3,729	2,898
Employee benefits	184	2,148	1,489	659
Books and supplies	34	15,675	8,266	7,409
Services and other operating expenditures	25,647	52,769	12,926	39,843
Capital outlay	676,249	481,142	103,188	377,954
Total Expenditures	702,578	558,361	129,598	428,763
Excess (Deficiency) of Revenues Over (Under) Expenditures	(510,386)	(366,169)	113,989	480,158
Other Financing Sources (Uses):				
Transfers in	—	122,809	122,800	(9)
Transfers out	(9,577)	(284,017)	(284,014)	3
Issuance of refunding COPs	—	24,780	24,780	—
Payment to refunded COPs escrow agent	—	(24,651)	(24,641)	10
Total Other Financing Sources (Uses)	(9,577)	(161,079)	(161,075)	4
Net Changes in Fund Balances	(519,963)	(527,248)	(47,086)	480,162
Fund Balances, July 1, 2012	735,322	722,217	722,217	—
Fund Balances, June 30, 2013	\$ 215,359	\$ 194,969	\$ 675,131	\$ 480,162

## **LOS ANGELES UNIFIED SCHOOL DISTRICT**

### **Internal Service Funds**

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

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

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



LOS ANGELES UNIFIED SCHOOL DISTRICT  
Internal Service Funds  
Combining Statement of Net Position  
June 30, 2013  
(in thousands)

	<b>Health and Welfare Benefits</b>	<b>Workers' Compensation</b>	<b>Liability</b>	<b>Total</b>
<b>Assets:</b>				
Cash in county treasury, in banks, and on hand	\$ 319,509	\$ 424,091	\$ 202,546	\$ 946,146
Accounts receivable – net	6,377	134	—	6,511
Accrued interest and dividends receivable	481	617	52	1,150
Prepaid expense	40,321	—	2,325	42,646
<b>Total Assets</b>	<b>366,688</b>	<b>424,842</b>	<b>204,923</b>	<b>996,453</b>
<b>Liabilities:</b>				
<b>Current:</b>				
Vouchers and accounts payable	\$ 54	\$ 723	\$ 120	\$ 897
Accrued payroll	138	248	127	513
Other payables	16,010	611	98	16,719
Estimated liability for self-insurance claims	22,363	74,459	144,893	241,715
<b>Total Current Liabilities</b>	<b>38,565</b>	<b>76,041</b>	<b>145,238</b>	<b>259,844</b>
<b>Noncurrent:</b>				
Estimated liability for self-insurance claims	—	346,373	56,860	403,233
<b>Total Liabilities</b>	<b>38,565</b>	<b>422,414</b>	<b>202,098</b>	<b>663,077</b>
<b>Total Net Position – Unrestricted</b>	<b>\$ 328,123</b>	<b>\$ 2,428</b>	<b>\$ 2,825</b>	<b>\$ 333,376</b>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Internal Service Funds  
Combining Statement of Revenues, Expenses and Changes in Fund Net Position  
Year Ended June 30, 2013  
(in thousands)

	<b>Health and Welfare Benefits</b>	<b>Workers' Compensation</b>	<b>Liability</b>	<b>Total</b>
Operating Revenues:				
In-district premiums	\$ 915,071	\$ 104,188	\$ 172,674	\$ 1,191,933
Others	1,078	—	—	1,078
Total Operating Revenues	<u>916,149</u>	<u>104,188</u>	<u>172,674</u>	<u>1,193,011</u>
Operating Expenses:				
Certificated salaries	—	—	165	165
Classified salaries	1,686	2,837	831	5,354
Employee benefits	930	1,463	479	2,872
Supplies	178	28	8	214
Premiums and claims expenses	891,441	89,286	171,770	1,152,497
Claims administration	—	12,650	35	12,685
Other contracted services	3,953	296	8	4,257
Total Operating Expenses	<u>898,188</u>	<u>106,560</u>	<u>173,296</u>	<u>1,178,044</u>
Operating Income (Loss)	<u>17,961</u>	<u>(2,372)</u>	<u>(622)</u>	<u>14,967</u>
Nonoperating Revenues (Expenses):				
Investment income	1,987	2,063	234	4,284
Miscellaneous expense	—	(26)	—	(26)
Total Nonoperating Revenues	<u>1,987</u>	<u>2,037</u>	<u>234</u>	<u>4,258</u>
Income (Loss) before Transfers	<u>19,948</u>	<u>(335)</u>	<u>(388)</u>	<u>19,225</u>
Transfers in	<u>10,396</u>	<u>—</u>	<u>—</u>	<u>10,396</u>
Changes in Net Position	<u>30,344</u>	<u>(335)</u>	<u>(388)</u>	<u>29,621</u>
Total Net Position, July 1, 2012	<u>297,779</u>	<u>2,763</u>	<u>3,213</u>	<u>303,755</u>
Total Net Position, June 30, 2013	<u>\$ 328,123</u>	<u>\$ 2,428</u>	<u>\$ 2,825</u>	<u>\$ 333,376</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Internal Service Funds  
Combining Statement of Cash Flows  
Year Ended June 30, 2013  
(in thousands)

	<b>Health and Welfare Benefits</b>	<b>Workers' Compensation</b>	<b>Liability</b>	<b>Total</b>
Cash Flows from Operating Activities:				
Cash payments to employees for services	\$ (2,589)	\$ (4,261)	\$ (1,475)	\$ (8,325)
Cash payments for goods and services	(967,565)	(118,039)	(20,380)	(1,105,984)
Receipts from assessment to other funds	915,071	104,199	172,674	1,191,944
Other operating revenue	1,078	—	—	1,078
Net Cash Provided (Used) by Operating Activities	<u>(54,005)</u>	<u>(18,101)</u>	<u>150,819</u>	<u>78,713</u>
Cash Flows from (to) Non-Capital Financing Activities:				
Transfer from other funds	10,396	—	—	10,396
Loan payment from other funds	—	332,500	—	332,500
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>10,396</u>	<u>332,500</u>	<u>—</u>	<u>342,896</u>
Cash Flows from Investing Activities:				
Earnings on investments	2,150	1,656	224	4,030
Net Cash Provided by Investing Activities	<u>2,150</u>	<u>1,656</u>	<u>224</u>	<u>4,030</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(41,459)	316,055	151,043	425,639
Cash and Cash Equivalents, July 1	<u>360,968</u>	<u>108,036</u>	<u>51,503</u>	<u>520,507</u>
Cash and Cash Equivalents, June 30	<u>\$ 319,509</u>	<u>\$ 424,091</u>	<u>\$202,546</u>	<u>\$ 946,146</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 17,961	\$ (2,372)	\$ (622)	\$ 14,967
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	(4,780)	12		(4,768)
(Increase) decrease in prepaid expense	(30,943)	—	388	(30,555)
Decrease in vouchers and accounts payable	(49,945)	(2,556)	(808)	(53,309)
Increase in accrued payroll	27	39		66
Increase (decrease) in other payables	15,558	(68)	(389)	15,101
Increase (decrease) in estimated liability for self-insurance claims – current	(1,883)	1,809	133,244	133,170
Decrease in estimated liability for self-insurance claims – noncurrent	—	(14,965)	19,006	4,041
Total Adjustments	<u>(71,966)</u>	<u>(15,729)</u>	<u>151,441</u>	<u>63,746</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (54,005)</u>	<u>\$ (18,101)</u>	<u>\$150,819</u>	<u>\$ 78,713</u>

See accompanying independent auditor's report.





## **LOS ANGELES UNIFIED SCHOOL DISTRICT**

### **Fiduciary Funds**

#### **Agency Funds:**

The Attendance Incentive Reserve Fund was established on November 21, 1994 to account for 50% of the salary savings from substitute teachers' accounts resulting from reduced costs of absenteeism of UTLA represented employees. The intent was to reward regular attendance of teachers in order to improve the instructional program. The accumulated savings in the account plus interest earnings is disbursed in a lump-sum distribution as participants retire or terminate employment with the District.

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



LOS ANGELES UNIFIED SCHOOL DISTRICT  
Fiduciary Funds – Agency Funds  
Combining Statement of Changes in Assets and Liabilities  
June 30, 2013  
(in thousands)

	<b>Balance June 30, 2012</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2013</b>
<b><u>Student Body Fund</u></b>				
Assets				
Cash in county treasury, in banks, and on hand	\$ 20,237	\$ 61,327	\$ 60,748	\$ 20,816
Total Assets	<u>\$ 20,237</u>	<u>\$ 61,327</u>	<u>\$ 60,748</u>	<u>\$ 20,816</u>
Liabilities				
Other payables	\$ 20,237	\$ 61,327	\$ 60,748	\$ 20,816
Total Liabilities	<u>\$ 20,237</u>	<u>\$ 61,327</u>	<u>\$ 60,748</u>	<u>\$ 20,816</u>
 <b><u>Attendance Incentive Reserve Fund</u></b>				
Assets				
Cash in county treasury, in banks, and on hand	\$ 21,140	\$ —	\$ 2,621	\$ 18,519
Total Assets	<u>\$ 21,140</u>	<u>\$ —</u>	<u>\$ 2,621</u>	<u>\$ 18,519</u>
Liabilities				
Other payables	\$ 21,140	\$ —	\$ 2,621	\$ 18,519
Total Liabilities	<u>\$ 21,140</u>	<u>\$ —</u>	<u>\$ 2,621</u>	<u>\$ 18,519</u>
 <b><u>Total Agency Funds</u></b>				
Assets				
Cash in county treasury, in banks, and on hand	\$ 41,377	\$ 61,327	\$ 63,369	\$ 39,335
Total Assets	<u>\$ 41,377</u>	<u>\$ 61,327</u>	<u>\$ 63,369</u>	<u>\$ 39,335</u>
Liabilities				
Other payables	\$ 41,377	\$ 61,327	\$ 63,369	\$ 39,335
Total Liabilities	<u>\$ 41,377</u>	<u>\$ 61,327</u>	<u>\$ 63,369</u>	<u>\$ 39,335</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, 2013 and 2012  
(in thousands)

	<b>2012-2013</b>	<b>2011-2012 (As Restated)</b>
Governmental Funds Capital Assets:		
Sites	\$ 3,180,152	\$ 3,144,097
Improvement of sites	559,575	550,288
Building and improvements	14,091,455	12,635,362
Equipment	1,622,452	1,583,212
Construction in progress	575,310	1,567,489
Total Governmental Funds Capital Assets	<u>\$ 20,028,944</u>	<u>\$ 19,480,448</u>
Investments in Governmental Funds Capital Assets by Source:		
From revenues of:		
General Fund	\$ 1,533,967	\$ 1,506,740
Special Revenue Funds:		
Adult Education Fund	52,485	51,496
Cafeteria Fund	42,198	40,458
Child Development Fund	17,704	17,699
Deferred Maintenance Fund	18,510	18,510
Capital Projects Funds:		
Building Fund	36,412	36,382
Building Fund – Bond Proceeds	1,737,969	1,735,720
Building Fund – Measure K	3,011,692	2,980,169
Building Fund – Measure R	2,903,611	2,753,853
Building Fund – Measure Y	2,016,949	1,783,817
State School Building Lease – Purchase Fund	1,026,612	1,026,456
Special Reserve Fund	1,412,990	1,383,812
Special Reserve Fund – FEMA – Earthquake	12,670	12,670
Special Reserve Fund – FEMA – Hazard Mitigation	3,517	3,517
Special Reserve Fund – CRA	9,785	8,720
Capital Facilities Fund	495,559	493,631
County School Facilities Fund	831,473	830,143
County School Facilities Fund – Prop 47	840,890	839,488
County School Facilities Fund – Prop 55	1,950,293	1,911,008
County School Facilities Fund – Prop 1D	333,284	305,785
Contributions from outside source – MTA	6,018	6,018
Investment in general capital assets prior to July 1, 1983*	1,734,356	1,734,356
Total Governmental Funds Capital Assets	<u>\$ 20,028,944</u>	<u>\$ 19,480,448</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, 2013  
(in thousands)

	<u>Sites</u>	<u>Improvement of Sites</u>
Balances, July 1, 2012	\$ 3,144,862	\$ 528,870
Restatement	(765)	21,418
Restated Balances, July 1, 2012	3,144,097	550,288
Additions:		
Capital outlay from:		
General Fund	3	217
Adult Education Fund	—	41
Cafeteria Fund	—	—
Child Development Fund	—	—
Building Fund	—	—
Building Fund – Bond Proceeds	(2,308)	(2,143)
Building Fund – Measure K	(23,438)	(2,443)
Building Fund – Measure R	6,532	(1,380)
Building Fund – Measure Y	25,876	65
State School Building Lease – Purchase Fund	—	—
Special Reserve Fund	2,491	200
Special Reserve Fund – CRA	—	173
Capital Facilities Fund	339	—
County School Facilities Fund	(60)	(291)
County School Facilities Fund – Prop 47	1,224	33
County School Facilities Fund – Prop 55	22,480	486
County School Facilities Fund – Prop 1D	2,916	(70)
Completed Projects	—	14,399
Sub-totals	<u>36,055</u>	<u>9,287</u>
Deductions:		
Vehicle disposal	—	—
Return to salvage	—	—
Total Deductions	<u>—</u>	<u>—</u>
Net Increase	<u>36,055</u>	<u>9,287</u>
Balances, June 30, 2013	<u><u>\$ 3,180,152</u></u>	<u><u>\$ 559,575</u></u>

See accompanying independent auditor's report.



<b>Building and Improvements</b>	<b>Equipment</b>	<b>Construction in Progress</b>	<b>Total</b>
\$ 11,063,327	\$ 1,260,356	\$ 3,536,934	\$ 19,534,349
1,572,035	322,856	(1,969,445)	(53,901)
12,635,362	1,583,212	1,567,489	19,480,448
8,046	6,836	34,986	50,088
206	163	579	989
—	1,740	—	1,740
5	—	—	5
—	—	30	30
(1,823)	—	8,523	2,249
(38,366)	(176)	95,946	31,523
4,536	5,370	134,700	149,758
43,286	528	163,377	233,132
8	—	148	156
8,154	8,414	9,919	29,178
307	250	335	1,065
1,346	—	243	1,928
1,335	(248)	594	1,330
69,783	(147)	(69,491)	1,402
(29,028)	(934)	46,281	39,285
41,329	(17)	(16,659)	27,499
1,346,969	40,322	(1,401,690)	—
1,456,093	62,101	(992,179)	571,357
—	621	—	621
—	22,240	—	22,240
—	22,861	—	22,861
1,456,093	39,240	(992,179)	548,496
\$ 14,091,455	\$ 1,622,452	\$ 575,310	\$ 20,028,944

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Long-Term Obligations  
Schedule of Changes in Long-Term Obligations  
Year Ended June 30, 2013  
(in thousands)

	<b>General Obligation Bonds</b>	<b>Certificates of Participation</b>	<b>Capital Leases</b>	<b>Children Centers Facilities Revolving Loan</b>	<b>Liability for Compensated Absences</b>
Balances, July 1, 2012	<u>\$ 11,507,002</u>	<u>\$ 442,884</u>	<u>\$ 2,185</u>	<u>\$ 792</u>	<u>\$ 65,075</u>
Additions:					
Debt issuance	—	24,780	4	—	—
Refund charges amortization	12,420	—	—	—	—
Discount amortization	51	16	—	—	—
Vacation earned	—	—	—	—	59,956
Self-insurance claims	—	—	—	—	—
Annual required contribution	—	—	—	—	—
Total Additions	<u>12,471</u>	<u>24,796</u>	<u>4</u>	<u>—</u>	<u>59,956</u>
Deductions:					
Principal repayments	333,930	48,264	881	158	—
Premium amortization	34,333	2,819	—	—	—
Vacation used	—	—	—	—	63,436
Retirement bonus paid	—	—	—	—	—
Early retirement incentive paid	—	—	—	—	—
Self-insurance claims paid	—	—	—	—	—
OPEB contributions	—	—	—	—	—
Total Deductions	<u>368,263</u>	<u>51,083</u>	<u>881</u>	<u>158</u>	<u>63,436</u>
Balances, June 30, 2013	<u>\$ 11,151,210</u>	<u>\$ 416,597</u>	<u>\$ 1,308</u>	<u>\$ 634</u>	<u>\$ 61,595</u>

See accompanying independent auditor's report.

<b>Liability for Other Employee Benefits</b>	<b>Self-Insurance Claims</b>	<b>Other Postemployment Benefits (OPEB)</b>	<b>Arbitrage Payable</b>	<b>Total</b>
<u>\$ 108,431</u>	<u>\$ 507,738</u>	<u>\$ 3,995,038</u>	<u>\$ 1,080</u>	<u>\$ 16,630,225</u>
—	—	—	—	24,784
—	—	—	—	12,420
—	—	—	—	67
—	—	—	—	59,956
—	474,358	—	—	474,358
—	—	1,038,193	—	1,038,193
<u>—</u>	<u>474,358</u>	<u>1,038,193</u>	<u>—</u>	<u>1,609,778</u>
—	—	—	1,080	384,313
—	—	—	—	37,152
—	—	—	—	63,436
5,705	—	—	—	5,705
14,856	—	—	—	14,856
—	337,149	—	—	337,149
—	—	245,388	—	245,388
<u>20,561</u>	<u>337,149</u>	<u>245,388</u>	<u>1,080</u>	<u>1,087,999</u>
<u>\$ 87,870</u>	<u>\$ 644,947</u>	<u>\$ 4,787,843</u>	<u>\$ —</u>	<u>\$ 17,152,004</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Long-Term Obligations  
Schedule of Certificates of Participation  
Year Ended June 30, 2013  
(in thousands)

<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Original Issue</u>	<u>Outstanding* July 1, 2012</u>	<u>Issued* This Year</u>	<u>Redeemed** Current Year</u>	<u>Outstanding* June 30, 2013</u>
2003B Certificates of Participation (Capital Project I):							
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			\$ 24,575	\$ 24,575	\$ —	\$ 24,575	\$ —
2004A Certificates of Participation (Refinancing Project I):							
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			\$ 6,740	\$ 6,740	\$ —	\$ 2,150	\$ 4,590
2005 Certificates of Participation (2004-05 Qualified Zone Academy Bonds Project):							
12/13/05	—%	12/13/20	\$ 10,000	\$ 10,000	\$ —	\$ —	\$ 10,000
2005 Certificates of Participation			\$ 10,000	\$ 10,000	\$ —	\$ —	\$ 10,000
2007A Certificates of Participation (Information Technology Projects):							
11/15/07	5.000%	10/01/12	\$ 9,515	\$ 6,881	\$ —	\$ 6,881	\$ —
11/15/07	5.000	10/01/13	9,995	7,180	—	—	7,180
11/15/07	5.000	10/01/14	10,495	10,939	—	—	10,939
11/15/07	5.000	10/01/15	11,015	11,335	—	—	11,335
11/15/07	5.000	10/01/16	11,570	11,755	—	—	11,755
11/15/07	5.000	10/01/17	12,145	12,183	—	—	12,183
2007A Certificates of Participation			\$ 64,735	\$ 60,273	\$ —	\$ 6,881	\$ 53,392

\* Includes Premium and Discount

\*\* Principal Payment and Premium/Discount Amortization

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Long-Term Obligations  
Schedule of Certificates of Participation (Continued)  
Year Ended June 30, 2013  
(in thousands)

<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Original Issue</u>	<u>Outstanding* July 1, 2012</u>	<u>Issued* This Year</u>	<u>Redeemed** Current Year</u>	<u>Outstanding* June 30, 2013</u>
2009A Certificates of Participation (Food Services Project):							
09/29/09	3.920%	10/01/12	\$ 1,855	\$ 294	\$ —	\$ 294	\$ —
09/29/09	3.920	04/01/13	1,891	299	—	299	—
09/29/09	3.920	10/01/13	1,928	305	—	—	305
09/29/09	3.920	04/01/14	1,966	312	—	—	312
09/29/09	3.920	10/01/14	2,005	2,005	—	—	2,005
09/29/09	3.920	04/01/15	2,044	2,044	—	—	2,044
09/29/09	3.920	10/01/15	2,084	2,084	—	—	2,084
09/29/09	3.920	04/01/16	2,125	2,125	—	—	2,125
09/29/09	3.920	10/01/16	2,167	2,167	—	—	2,167
09/29/09	3.920	04/01/17	2,209	2,209	—	—	2,209
09/29/09	3.920	10/01/17	2,252	2,252	—	—	2,252
09/29/09	3.920	04/01/18	2,296	2,296	—	—	2,296
09/29/09	3.920	10/01/18	2,341	2,341	—	—	2,341
09/29/09	3.920	04/01/19	2,387	2,387	—	—	2,387
09/29/09	3.920	10/01/19	2,434	2,434	—	—	2,434
2009A Certificates of Participation			<u>\$ 31,984</u>	<u>\$ 25,554</u>	<u>\$ —</u>	<u>\$ 593</u>	<u>\$ 24,961</u>
2010A Refunding Certificates of Participation (Multiple Properties Project):							
01/27/10	2.000%	12/01/12	\$ 650	\$ 1,228	\$ —	\$ 1,228	\$ —
01/27/10	3.000	12/01/12	6,605	6,605	—	6,605	—
01/27/10	3.000	12/01/13	1,300	1,878	—	—	1,878
01/27/10	4.000	12/01/13	6,205	6,205	—	—	6,205
01/27/10	3.000	12/01/14	1,385	1,933	—	—	1,933
01/27/10	4.000	12/01/14	6,410	6,410	—	—	6,410
01/27/10	3.250	12/01/15	300	762	—	—	762
01/27/10	5.000	12/01/15	7,845	7,845	—	—	7,845
01/27/10	4.000	12/01/16	1,125	1,459	—	—	1,459
01/27/10	5.000	12/01/16	7,430	7,430	—	—	7,430
01/27/10	4.000	12/01/17	1,215	1,332	—	—	1,332
01/27/10	5.000	12/01/17	15,265	15,265	—	—	15,265
2010A Refunding Certificates of Participation			<u>\$ 55,735</u>	<u>\$ 58,352</u>	<u>\$ —</u>	<u>\$ 7,833</u>	<u>\$ 50,519</u>

\* Includes Premium and Discount

\*\* Principal Payment and Premium/Discount Amortization

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Long-Term Obligations  
Schedule of Certificates of Participation (Continued)  
Year Ended June 30, 2013  
(in thousands)

<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Original Issue</u>	<u>Outstanding* July 1, 2012</u>	<u>Issued* This Year</u>	<u>Redeemed** Current Year</u>	<u>Outstanding* June 30, 2013</u>
2010B-1 Certificates of Participation (Capital Projects I):							
12/21/10	7.663%	12/01/21	\$ 965	\$ 725	\$ —	\$ (16)	\$ 741
12/21/10	7.663	12/01/22	1,030	1,004	—	—	1,004
12/21/10	8.163	12/01/23	1,080	1,057	—	—	1,057
12/21/10	8.163	12/01/24	1,140	1,117	—	—	1,117
12/21/10	8.163	12/01/25	1,200	1,178	—	—	1,178
12/21/10	8.000	12/01/26	540	519	—	—	519
12/21/10	8.250	12/01/26	610	610	—	—	610
12/21/10	8.525	12/01/26	115	115	—	—	115
12/21/10	8.000	12/01/27	570	550	—	—	550
12/21/10	8.250	12/01/27	640	640	—	—	640
12/21/10	8.525	12/01/27	125	125	—	—	125
12/21/10	8.000	12/01/28	605	586	—	—	586
12/21/10	8.250	12/01/28	670	670	—	—	670
12/21/10	8.525	12/01/28	130	130	—	—	130
12/21/10	8.000	12/01/29	640	622	—	—	622
12/21/10	8.250	12/01/29	705	705	—	—	705
12/21/10	8.525	12/01/29	135	135	—	—	135
12/21/10	8.000	12/01/30	675	659	—	—	659
12/21/10	8.250	12/01/30	740	740	—	—	740
12/21/10	8.525	12/01/30	145	145	—	—	145
12/21/10	8.000	12/01/31	710	696	—	—	696
12/21/10	8.250	12/01/31	785	785	—	—	785
12/21/10	8.525	12/01/31	150	150	—	—	150
12/21/10	8.000	12/01/32	750	738	—	—	738
12/21/10	8.250	12/01/32	825	825	—	—	825
12/21/10	8.525	12/01/32	160	160	—	—	160
12/21/10	8.000	12/01/33	790	781	—	—	781
12/21/10	8.250	12/01/33	865	865	—	—	865
12/21/10	8.525	12/01/33	170	170	—	—	170
12/21/10	8.000	12/01/34	835	830	—	—	830
12/21/10	8.250	12/01/34	910	910	—	—	910
12/21/10	8.525	12/01/34	180	180	—	—	180
12/21/10	8.000	12/01/35	885	883	—	—	883
12/21/10	8.250	12/01/35	950	950	—	—	950
12/21/10	8.525	12/01/35	190	190	—	—	190
2010B-1 Certificates of Participation			<u>\$ 21,615</u>	<u>\$ 21,145</u>	<u>\$ —</u>	<u>\$ (16)</u>	<u>\$ 21,161</u>
2010B-2 Certificates of Participation (Capital Projects I):							
12/21/10	3.000%	12/01/12	\$ 1,455	\$ 1,876	\$ —	\$ 1,876	\$ —
12/21/10	5.000	12/01/12	4,000	4,000	—	4,000	—
12/21/10	5.000	12/01/13	5,695	6,098	—	—	6,098
12/21/10	4.000	12/01/14	150	519	—	—	519
12/21/10	5.000	12/01/14	5,835	5,835	—	—	5,835
12/21/10	5.000	12/01/15	6,280	6,612	—	—	6,612
12/21/10	5.000	12/01/16	6,075	6,367	—	—	6,367
12/21/10	4.000	12/01/17	2,585	2,851	—	—	2,851
12/21/10	5.000	12/01/17	3,800	3,800	—	—	3,800
12/21/10	5.500	12/01/18	6,675	6,886	—	—	6,886
12/21/10	5.500	12/01/19	7,040	7,166	—	—	7,166
12/21/10	5.000	12/01/20	3,830	3,867	—	—	3,867
12/21/10	5.750	12/01/20	3,600	3,600	—	—	3,600
2010B-2 Certificates of Participation			<u>\$ 57,020</u>	<u>\$ 59,477</u>	<u>\$ —</u>	<u>\$ 5,876</u>	<u>\$ 53,601</u>

\* Includes Premium and Discount

\*\* Principal Payment and Premium/Discount Amortization

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Long-Term Obligations  
Schedule of Certificates of Participation (Continued)  
Year Ended June 30, 2013  
(in thousands)

Date of Issue	Interest Rate	Maturity Date	Balance Original Issue	Outstanding* July 1, 2012	Issued* This Year	Redeemed** Current Year	Outstanding* June 30, 2013
2012A Refunding Certificates of Participation (Headquarters Building Projects):							
06/12/12	2.000%	10/01/12	\$ 1,170	\$ 2,279	\$ —	\$ 2,279	\$ —
06/12/12	2.000	10/01/13	6,040	7,227	—	—	7,227
06/12/12	4.000	10/01/14	6,095	7,282	—	—	7,282
06/12/12	4.000	10/01/15	6,270	7,425	—	—	7,425
06/12/12	5.000	10/01/16	6,460	7,532	—	—	7,532
06/12/12	5.000	10/01/17	6,705	7,670	—	—	7,670
06/12/12	5.000	10/01/18	6,965	7,815	—	—	7,815
06/12/12	5.000	10/01/19	7,240	7,966	—	—	7,966
06/12/12	5.000	10/01/20	7,525	8,117	—	—	8,117
06/12/12	5.000	10/01/21	7,820	8,268	—	—	8,268
06/12/12	5.000	10/01/22	8,130	8,423	—	—	8,423
06/12/12	5.000	10/01/23	7,795	7,933	—	—	7,933
06/12/12	4.250	10/01/24	1,255	1,344	—	—	1,344
06/12/12	4.250	10/01/25	1,095	1,171	—	—	1,171
06/12/12	3.750	10/01/26	1,125	1,193	—	—	1,193
06/12/12	4.000	10/01/27	1,160	1,218	—	—	1,218
06/12/12	4.000	10/01/28	1,190	1,237	—	—	1,237
06/12/12	4.125	10/01/29	1,230	1,265	—	—	1,265
06/12/12	4.125	10/01/30	1,270	1,290	—	—	1,290
06/12/12	4.250	10/01/31	1,305	1,309	—	—	1,309
2012A Refunding Certificates of Participation			\$ 87,845	\$ 97,964	\$ —	\$ 2,279	\$ 95,685
2012B Refunding Certificates of Participation (Headquarters Building Projects):							
06/12/12	2.000%	10/01/12	\$ 630	\$ 896	\$ —	\$ 896	\$ —
06/12/12	2.000	10/01/13	170	454	—	—	454
06/12/12	3.000	10/01/14	305	604	—	—	604
06/12/12	3.000	10/01/15	315	630	—	—	630
06/12/12	3.000	10/01/16	325	657	—	—	657
06/12/12	4.000	10/01/17	335	682	—	—	682
06/12/12	2.125	10/01/18	345	712	—	—	712
06/12/12	2.375	10/01/19	355	744	—	—	744
06/12/12	2.625	10/01/20	360	771	—	—	771
06/12/12	3.000	10/01/21	375	808	—	—	808
06/12/12	3.125	10/01/22	385	841	—	—	841
06/12/12	3.250	10/01/23	400	878	—	—	878
06/12/12	5.000	10/01/24	6,750	7,206	—	—	7,206
06/12/12	5.000	10/01/25	7,525	7,937	—	—	7,937
06/12/12	5.000	10/01/26	7,905	8,267	—	—	8,267
06/12/12	5.000	10/01/27	8,300	8,606	—	—	8,606
06/12/12	5.000	10/01/28	8,715	8,960	—	—	8,960
06/12/12	5.000	10/01/29	9,155	9,332	—	—	9,332
06/12/12	5.000	10/01/30	9,605	9,708	—	—	9,708
06/12/12	5.000	10/01/31	10,090	10,111	—	—	10,111
2012B Refunding Certificates of Participation			\$ 72,345	\$ 78,804	\$ —	\$ 896	\$ 77,908

\* Includes Premium and Discount

\*\* Principal Payment and Premium/Discount Amortization

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Long-Term Obligations  
Schedule of Certificates of Participation (Continued)  
Year Ended June 30, 2013  
(in thousands)

<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Original Issue</u>	<u>Outstanding* July 1, 2012</u>	<u>Issued* This Year</u>	<u>Redeemed** Current Year</u>	<u>Outstanding* June 30, 2013</u>
2013A Refunding Certificates of Participation (Refunding Lease):							
06/24/13	2.290%	08/01/13	\$ 1,470	\$ —	\$ 1,470	\$ —	\$ 1,470
06/24/13	2.290	08/01/14	1,320	—	1,320	—	1,320
06/24/13	2.290	08/01/15	1,350	—	1,350	—	1,350
06/24/13	2.290	08/01/16	1,380	—	1,380	—	1,380
06/24/13	2.290	08/01/17	1,415	—	1,415	—	1,415
06/24/13	2.290	08/01/18	1,445	—	1,445	—	1,445
06/24/13	2.290	08/01/19	1,480	—	1,480	—	1,480
06/24/13	2.290	08/01/20	1,515	—	1,515	—	1,515
06/24/13	2.290	08/01/21	1,545	—	1,545	—	1,545
06/24/13	2.290	08/01/22	1,580	—	1,580	—	1,580
06/24/13	2.290	08/01/23	1,620	—	1,620	—	1,620
06/24/13	2.290	08/01/24	1,655	—	1,655	—	1,655
06/24/13	2.290	08/01/25	1,690	—	1,690	—	1,690
06/24/13	2.290	08/01/26	1,730	—	1,730	—	1,730
06/24/13	2.290	08/01/27	1,775	—	1,775	—	1,775
06/24/13	2.290	08/01/28	1,810	—	1,810	—	1,810
2013A Refunding Certificates of Participation			<u>\$ 24,780</u>	<u>\$ —</u>	<u>\$ 24,780</u>	<u>\$ —</u>	<u>\$ 24,780</u>
Grand Total			<u>\$ 457,374</u>	<u>\$ 442,884</u>	<u>\$ 24,780</u>	<u>\$ 51,067</u>	<u>\$ 416,597</u>

\* Includes Premium and Discount

\*\* Principal Payment and Premium/Discount Amortization

See accompanying independent auditors' report.



# STATISTICAL SECTION



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

## **Contents**

### ***Financial trends***

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

### ***Revenue capacity***

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

### ***Debt capacity***

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

### ***Demographic and economic information***

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

### ***Operating information***

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

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





LOS ANGELES UNIFIED SCHOOL DISTRICT  
Statement of Net Position  
Last Ten Fiscal Years  
(in thousands)  
(Unaudited)

	<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>
Assets:			
Cash and cash equivalents	\$ 3,490,108	\$ 3,180,396	\$ 3,151,386
Investments	1,618,239	826,235	819,660
Property taxes receivable	137,575	156,065	41,360
Accounts receivable, net	614,630	685,059	817,504
Accrued interest receivable	10,819	24,799	47,476
Prepaid expense	24,959	20,718	21,257
Due from other funds	—	—	—
Unamortized issuance costs	—	4,858	17,398
Inventories	24,647	31,007	15,268
Accounts receivable, non current	—	—	—
Capital assets:			
Sites	1,671,373	1,805,711	2,105,429
Improvement of sites	344,671	345,725	386,968
Buildings and improvements	2,725,055	3,104,384	4,298,752
Equipment	1,087,143	1,094,832	1,124,779
Construction in progress	1,745,176	2,600,475	2,545,892
Less accumulated depreciation	<u>(2,201,018)</u>	<u>(2,491,969)</u>	<u>(2,664,067)</u>
Total Capital Assets, Net of Depreciation	<u>5,372,400</u>	<u>6,459,158</u>	<u>7,797,753</u>
Total Assets	<u>11,293,377</u>	<u>11,388,295</u>	<u>12,729,062</u>
Deferred Outflows of Resources	<u>—</u>	<u>—</u>	<u>—</u>
Liabilities:			
Vouchers and accounts payable	390,008	387,872	395,174
Contracts payable	123,225	162,187	125,522
Accrued payroll	230,559	264,240	246,401
Accrued interest	—	—	—
Other payables	141,080	171,813	163,066
Unearned revenue	180,047	229,702	138,135
Tax and revenue anticipation notes and related interest payable	682,668	520,789	429,382
Long-term liabilities:			
Portion due within one year	311,191	338,635	329,152
Portion due after one year	<u>5,443,889</u>	<u>5,596,973</u>	<u>6,724,029</u>
Total Liabilities	<u>7,502,667</u>	<u>7,672,211</u>	<u>8,550,861</u>
Deferred Inflows of Resources	<u>—</u>	<u>—</u>	<u>—</u>
Net Position:			
Net investment in capital assets	2,682,203	2,704,302	2,866,293
Restricted	1,034,896	701,779	1,089,165
Unrestricted	<u>73,611</u>	<u>310,003</u>	<u>222,743</u>
Total Governmental Activities			
Total Net Position	<u>\$ 3,790,710</u>	<u>\$ 3,716,084</u>	<u>\$ 4,178,201</u>

See accompanying independent auditor's report.

<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012 (As Restated)</u>	<u>2012-2013</u>
\$ 3,487,080	\$ 4,112,750	\$ 3,559,297	\$ 6,231,489	\$ 5,905,632	\$ 4,453,774	\$ 4,565,223
923,425	825,398	592,741	785,256	22,835	561,917	659,445
46,689	67,899	80,453	86,802	92,125	106,219	60,052
786,845	854,789	1,097,781	928,327	1,212,902	1,584,436	908,380
70,901	44,461	21,031	24,247	20,300	8,236	6,290
15,597	16,101	13,354	12,866	12,478	12,091	42,668
—	—	—	—	—	—	—
32,730	37,349	40,479	66,845	12,459	61,306	57,611
15,823	18,920	14,861	13,163	63,653	21,583	25,958
—	—	—	—	—	—	32,046
2,373,208	2,700,727	2,969,404	3,069,920	3,136,630	3,144,097	3,180,152
430,979	468,039	507,963	523,083	528,607	550,288	559,575
5,803,185	6,722,084	8,243,000	8,992,789	10,069,170	12,635,362	14,091,455
1,145,089	1,143,953	1,156,042	1,169,506	1,228,062	1,583,212	1,622,452
2,180,218	2,547,219	2,815,518	3,579,899	3,571,703	1,567,489	575,310
(2,847,681)	(3,064,058)	(3,361,521)	(3,599,858)	(3,906,924)	(4,882,822)	(5,360,254)
9,084,998	10,517,964	12,330,406	13,735,339	14,627,248	14,597,626	14,668,690
14,464,088	16,495,631	17,750,403	21,884,334	21,969,632	21,407,188	21,026,363
—	—	—	—	—	—	—
374,553	534,898	489,547	439,134	488,599	393,208	124,980
155,901	129,704	121,150	92,473	30,249	64,787	42,320
586,384	397,407	243,458	207,437	205,323	191,418	199,014
—	—	171,868	254,828	297,901	289,821	282,375
6,099	126,880	117,802	74,677	155,502	99,991	177,644
60,986	103,611	212,159	65,418	123,393	15,717	12,796
360,998	615,599	514,343	764,355	—	561,782	793,694
373,698	529,970	478,203	485,669	526,853	509,065	644,448
7,341,060	9,075,723	10,670,116	15,266,398	15,668,785	16,121,160	16,507,556
9,259,679	11,513,792	13,018,646	17,650,389	17,496,605	18,246,949	18,784,827
—	—	—	—	—	—	—
3,267,458	3,694,054	4,584,300	4,910,954	5,450,860	5,059,121	5,078,764
1,540,422	1,893,302	1,639,962	1,282,553	1,495,022	1,312,920	1,197,977
396,529	(605,517)	(1,492,505)	(1,959,562)	(2,472,855)	(3,211,802)	(4,035,205)
\$ 5,204,409	\$ 4,981,839	\$ 4,731,757	\$ 4,233,945	\$ 4,473,027	\$ 3,160,239	\$ 2,241,536

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Changes in Net Position  
Last Ten Fiscal Years  
(in thousands)  
(Unaudited)

	2003-2004	2004-2005	2005-2006
Expenses:			
Governmental activities:			
Instruction	\$ 3,762,124	\$ 3,996,454	\$ 4,032,673
Support services – students	292,578	311,449	298,911
Support services – instructional staff	725,187	647,207	650,551
Support services – general administration	48,074	46,195	46,913
Support services – school administration	418,022	444,656	466,862
Support services – business	156,713	138,800	106,523
Operation and maintenance of plant services	631,941	588,588	599,899
Student transportation services	177,416	161,845	161,395
Data processing services	251,850	230,434	115,311
Operation of noninstructional services	254,493	273,236	282,992
Facilities acquisition and construction services	243,099	160,224	135,827
Other uses	661	778	799
Interest expense	233,585	256,372	285,051
Interagency disbursements	32,996	28,927	33,678
Depreciation – unallocated	101,156	105,026	130,561
Unfunded OPEB expense – unallocated	—	—	—
Total Governmental Activities	7,329,895	7,390,191	7,347,946
Program Revenues:			
Charges for services			
Instruction	2,603	2,611	2,968
Support services – instructional staff	350	449	290
Support services – school administration	—	—	—
Support services – business	323	2,754	5,769
Operation and maintenance of plant services	12,051	4,336	4,154
Operation of noninstructional services	25,106	21,251	21,024
Facilities acquisition and construction services	69,723	77,480	85,122
Total Charges for Services	110,156	108,881	119,327
Operating grants and contributions:			
Instruction	1,128,068	1,393,191	1,473,164
Support services – students	149,282	160,625	178,438
Support services – instructional staff	578,661	507,369	526,379
Support services – general administration	26	32	23
Support services – school administration	105,859	102,449	143,761
Support services – business	114,992	115,938	99,041
Operation and maintenance of plant services	77,355	117,736	131,411
Student transportation services	163,879	158,174	170,604
Data processing services	2,832	5,973	7,404
Operation of noninstructional services	205,688	227,186	236,391
Facilities acquisition and construction services	30,753	6,619	5,220
Other uses	249	273	—
Interest expense	—	—	—
Total Operating Grants and Contributions	2,557,644	2,795,565	2,971,836
Capital grants and contributions:			
Support services – instructional staff	—	—	—
Operation and maintenance of plant services	26,636	5,454	7,719
Facilities acquisition and construction services	593,818	88,246	366,473
Total Capital Grants and Contributions	620,454	93,700	374,192
Total Program Revenues	3,288,254	2,998,146	3,465,355
Net Expenses	(4,041,641)	(4,392,045)	(3,882,591)
General Revenues:			
Taxes:			
Property taxes, levied for general purposes	1,199,891	850,516	644,637
Property taxes, levied for debt service	236,121	308,537	331,097
Property taxes, levied for community redevelopment	3,756	3,394	1,713
State aid – formula grants	2,094,751	2,582,322	2,781,133
Grants, entitlements and contributions not restricted to specific programs	415,325	489,060	441,396
Unrestricted investment earnings	60,898	70,589	138,346
Miscellaneous	8,519	13,001	6,386
Special item – gain on sales of capital assets	11,705	—	—
Total General Revenues	4,030,966	4,317,419	4,344,708
Change in Net Position	\$ (10,675)	\$ (74,626)	\$ 462,117

See accompanying independent auditor's report.



					2011-2012	
2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	(As Restated)	2012-2013
\$ 4,142,927	\$ 4,416,790	\$ 4,291,864	\$ 3,900,813	\$ 3,986,263	\$ 3,773,915	\$ 3,604,189
310,786	366,514	359,087	317,859	320,787	316,132	306,293
589,566	731,016	623,621	428,734	432,202	403,779	363,839
56,323	51,873	60,395	43,561	43,448	43,047	80,969
477,168	502,506	518,838	466,481	426,288	395,728	382,251
123,791	136,540	134,008	204,002	145,401	173,489	298,548
638,201	727,090	758,813	660,647	581,731	568,113	535,754
168,121	173,167	168,837	155,813	151,286	158,177	152,485
114,630	108,451	98,013	68,949	54,205	83,517	66,306
288,736	324,348	370,016	403,956	404,211	430,061	451,192
92,799	89,029	119,137	115,474	175,584	111,858	157,361
418	882	240	615	181	1,203	1,240
278,053	350,420	551,163	495,266	623,044	578,279	571,076
39,371	—	—	—	—	—	—
180,328	217,052	302,298	245,712	315,745	406,910	442,802
—	832,665	821,261	739,885	781,931	819,296	792,805
7,501,218	9,028,343	9,177,591	8,247,767	8,442,307	8,263,504	8,207,110
3,357	5,482	6,497	6,440	20,741	19,819	17,063
184	251	183	211	156	117	91
—	—	—	—	—	—	—
10,592	8,337	8,694	18,002	7,814	9,198	10,110
4,496	5,206	6,999	13,496	16,378	21,657	23,036
18,886	16,979	15,777	12,229	9,727	7,511	6,730
95,222	65,426	24,259	18,747	33,810	41,206	47,233
132,737	101,681	62,409	69,125	88,626	99,508	104,263
1,707,841	1,662,599	1,538,356	1,705,758	1,815,305	1,339,908	1,148,684
205,621	223,250	243,391	240,346	234,844	264,016	261,735
472,633	532,258	641,554	348,196	353,459	344,793	324,794
1	87	133	852	9,141	3,893	1,888
145,581	139,550	131,204	143,125	132,805	120,610	62,682
85,947	72,513	121,542	70,894	46,629	94,492	49,105
150,877	151,932	162,386	168,318	135,826	113,407	35,484
163,325	170,100	156,509	154,069	157,528	264,619	265,013
10,135	7,326	10,986	3,369	8,753	4,886	—
236,113	249,817	269,543	342,381	369,578	337,493	382,678
893	14,609	1,287	375	5,692	127,188	36,166
—	—	—	—	—	—	—
—	559	1,591	—	—	895	800
3,178,967	3,224,600	3,278,482	3,177,683	3,269,560	3,016,200	2,569,029
—	—	—	—	—	—	—
137,763	11,216	48,382	4,293	2,354	187	42
298,645	653,191	876,570	295,879	777,990	94,996	166,155
436,408	664,407	924,952	300,172	780,344	95,183	166,197
3,748,112	3,990,688	4,265,843	3,546,980	4,138,530	3,210,891	2,839,489
(3,753,106)	(5,037,655)	(4,911,748)	(4,700,787)	(4,303,777)	(5,052,613)	(5,367,621)
811,282	806,413	927,441	938,189	909,484	901,213	1,139,313
444,951	539,735	598,980	740,719	935,428	850,359	965,955
4,479	5,775	1,295	6,054	5,320	9,789	13,841
2,901,720	2,817,720	2,517,499	2,039,028	2,146,870	2,066,980	1,774,431
531,067	505,638	453,643	393,192	402,110	434,512	553,115
149,311	156,817	74,859	58,323	66,795	21,175	20,727
12,456	85,547	87,949	27,470	76,852	41,342	(18,464)
—	—	—	—	—	—	—
4,855,266	4,917,645	4,661,666	4,202,975	4,542,859	4,325,370	4,448,918
\$ 1,102,160	\$ (120,010)	\$ (250,082)	\$ (497,812)	\$ 239,082	\$ (727,243)	\$ (918,703)

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

	<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</u>
Property Taxes, Levied for:					
General purposes	\$ 1,199,891	\$ 850,516	\$ 644,637	\$ 811,282	\$ 806,413
Debt service	236,121	308,537	331,097	444,951	539,735
Community redevelopment	3,756	3,394	1,713	4,479	5,775
Total	<u>\$ 1,439,768</u>	<u>\$ 1,162,447</u>	<u>\$ 977,447</u>	<u>\$ 1,260,712</u>	<u>\$ 1,351,923</u>

See accompanying independent auditor's report.

<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>
\$ 927,441	\$ 938,189	\$ 909,484	\$ 901,213	\$ 1,139,313
598,980	740,719	935,428	850,359	965,955
1,295	6,054	5,320	9,789	13,841
<u>\$ 1,527,716</u>	<u>\$ 1,684,962</u>	<u>\$ 1,850,232</u>	<u>\$ 1,761,361</u>	<u>\$ 2,119,109</u>

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

	<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>2006-2007</u>
General Fund:				
Nonspendable	\$ —	\$ —	\$ —	\$ —
Restricted	—	—	—	—
Assigned	—	—	—	—
Unassigned	—	—	—	—
Reserved	171,216	96,540	144,673	333,103
Unreserved	<u>152,766</u>	<u>253,029</u>	<u>289,839</u>	<u>362,132</u>
Total General Fund	<u>\$ 323,982</u>	<u>\$ 349,569</u>	<u>\$ 434,512</u>	<u>\$ 695,235</u>
District Bonds:				
Nonspendable	\$ —	\$ —	\$ —	\$ —
Restricted	—	—	—	—
Reserved	—	7,328	3,300	3,300
Unreserved	<u>1,676,001</u>	<u>1,123,595</u>	<u>1,096,859</u>	<u>949,738</u>
Total District Bonds	<u>\$ 1,676,001</u>	<u>\$ 1,130,923</u>	<u>\$ 1,100,159</u>	<u>\$ 953,038</u>
Bond Interest and Redemption Fund				
Restricted	\$ —	\$ —	\$ —	\$ —
Reserved	165,837	211,449	282,984	360,140
Unreserved	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Debt Service	<u>\$ 165,837</u>	<u>\$ 211,449</u>	<u>\$ 282,984</u>	<u>\$ 360,140</u>
All Other Governmental Funds:				
Nonspendable	\$ —	\$ —	\$ —	\$ —
Restricted, reported in:				
Special revenue funds	—	—	—	—
Debt service funds	—	—	—	—
Capital projects funds	—	—	—	—
Committed in:				
Special revenue funds	—	—	—	—
Assigned, reported in:				
Special revenue funds	—	—	—	—
Capital projects funds	—	—	—	—
Reserved	21,397	7,871	7,867	7,871
Unreserved, reported in:				
Special revenue funds	44,013	101,059	187,178	245,129
Debt service funds	39,982	12,949	19,498	23,135
Capital projects funds	<u>1,330,959</u>	<u>736,408</u>	<u>773,041</u>	<u>804,840</u>
Total All Other Governmental Funds	<u>\$ 1,436,351</u>	<u>\$ 858,287</u>	<u>\$ 987,584</u>	<u>\$ 1,080,975</u>

\*Effective 2010-11, fund balances are presented to conform with GASB statement 54

See accompanying independent auditor's report.

<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011*</u>	<u>2011-2012</u>	<u>2012-2013</u>
\$ —	\$ —	\$ —	\$ 10,417	\$ 11,231	\$ 18,513
—	—	—	266,418	186,563	138,469
—	—	—	147,035	465,272	370,359
—	—	—	479,661	161,744	65,376
403,518	565,333	304,762	—	—	—
253,718	184,629	358,145	—	—	—
<u>\$ 657,236</u>	<u>\$ 749,962</u>	<u>\$ 662,907</u>	<u>\$ 903,531</u>	<u>\$ 824,810</u>	<u>\$ 592,717</u>
\$ —	\$ —	\$ —	\$ 3,800	\$ 3,800	3,800
—	—	—	2,816,528	2,102,830	1,725,266
3,800	3,800	3,800	—	—	—
957,677	729,284	3,488,803	—	—	—
<u>\$ 961,477</u>	<u>\$ 733,084</u>	<u>\$ 3,492,603</u>	<u>\$ 2,820,328</u>	<u>\$ 2,106,630</u>	<u>\$ 1,729,066</u>
\$ —	\$ —	\$ —	\$ 724,608	\$ 681,562	\$ 750,540
—	—	—	—	—	—
447,880	489,381	630,810	—	—	—
<u>\$ 447,880</u>	<u>\$ 489,381</u>	<u>\$ 630,810</u>	<u>\$ 724,608</u>	<u>\$ 681,562</u>	<u>\$ 750,540</u>
\$ —	\$ —	\$ —	\$ 5,050	\$ 13,123	\$ 10,203
—	—	—	3,843	5,802	14,711
—	—	—	82,138	59,708	54,698
—	—	—	844,989	666,557	573,575
—	—	—	11,391	9,972	8,789
—	—	—	51	60	702
—	—	—	29,731	55,660	101,556
7,391	6,280	5,309	—	—	—
236,369	159,720	122,508	—	—	—
49,213	65,372	72,643	—	—	—
915,409	803,322	668,564	—	—	—
<u>\$ 1,208,382</u>	<u>\$ 1,034,694</u>	<u>\$ 869,024</u>	<u>\$ 977,193</u>	<u>\$ 810,882</u>	<u>\$ 764,234</u>

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

	<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>
Revenues:			
Revenue limit sources	\$ 3,436,839	\$ 3,575,257	\$ 3,724,599
Federal revenues	984,482	1,071,628	1,150,060
Other state revenues	2,434,073	2,109,674	2,419,412
Other local revenues	451,220	549,264	637,941
Total Revenues	<u>7,306,614</u>	<u>7,305,823</u>	<u>7,932,012</u>
Expenditures:			
Current:			
Certificated salaries	3,055,482	3,110,756	3,187,441
Classified salaries	1,065,409	1,069,595	1,098,558
Employee benefits	1,312,887	1,349,301	1,418,575
Books and supplies	468,036	499,411	567,167
Services and other operating expenditures	828,706	647,151	691,388
Capital outlay	1,003,568	1,398,243	1,532,862
Debt service – principal	114,150	110,501	94,843
Debt service – bond, COPs, and capital leases interest	225,574	232,333	241,131
Debt service – refunding bond issuance cost	—	1,337	2,732
Other outgo	40,529	33,748	41,695
Total Expenditures	<u>8,114,341</u>	<u>8,452,376</u>	<u>8,876,392</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(807,727)</u>	<u>(1,146,553)</u>	<u>(944,380)</u>
Other Financing Sources (Uses):			
Transfers in	172,148	598,061	381,658
Transfers out	(171,934)	(598,061)	(381,658)
Issuance of bonds	—	200,000	1,115,712
Premium on bonds issued	—	4,124	64,283
Issuance of refunding bonds	—	219,125	778,673
Premium on refunding bonds issued	—	16,338	64,058
Issuance of COPs	—	219,790	10,000
Premium on COPs issued	—	—	—
Discount on issuance of COPs	—	—	—
Discount on issuance of refunding bonds	—	—	—
Payment to refunded bonds escrow agent	—	(234,126)	(656,098)
Issuance of refunding COPs	—	—	—
Payment to refunded COPs escrow agent	—	(333,958)	(178,618)
CA Energy Commission loan	—	1,318	63
Special item – proceeds from Sullivan Canyon sale	11,918	—	—
Insurance proceeds – fire damage	—	—	—
Capital leases	7,630	1,999	1,318
Land and building sale/lease	—	—	—
Children center facilities revolving fund	—	—	—
Total Other Financing Sources	<u>19,762</u>	<u>94,610</u>	<u>1,199,391</u>
Net Change in Fund Balances	<u>\$ (787,965)</u>	<u>\$ (1,051,943)</u>	<u>\$ 255,011</u>
Debt Service as a Percentage of Noncapital Expenditures	4.8%	4.9%	4.6%

See accompanying independent auditor's report.

<b>2006-2007</b>	<b>2007-2008</b>	<b>2008-2009</b>	<b>2009-2010</b>	<b>2010-2011</b>	<b>2011-2012</b>	<b>2012-2013</b>
\$ 3,892,689	\$ 3,624,134	\$ 3,444,940	\$ 2,977,215	\$ 3,056,350	\$ 2,968,193	\$ 2,913,744
1,023,992	1,016,465	1,357,169	1,289,543	1,463,899	1,179,268	1,017,226
2,853,979	3,307,609	3,223,201	2,566,534	2,966,361	2,222,007	2,265,455
835,529	925,869	904,663	918,438	1,198,389	1,084,248	1,140,218
<u>8,606,189</u>	<u>8,874,077</u>	<u>8,929,973</u>	<u>7,751,730</u>	<u>8,684,999</u>	<u>7,453,716</u>	<u>7,336,643</u>
3,362,475	3,469,214	3,384,912	2,929,870	2,948,806	2,799,485	2,661,784
1,180,482	1,269,680	1,236,448	1,126,477	1,058,084	1,025,679	967,573
1,440,468	1,464,061	1,440,404	1,581,239	1,508,612	1,546,789	1,509,401
507,486	574,902	441,855	395,886	495,998	392,154	354,514
785,742	880,455	872,470	867,482	826,514	729,903	918,747
1,494,934	1,644,450	2,113,952	1,677,858	1,241,249	1,021,845	571,357
153,258	200,514	302,688	289,680	303,329	339,789	359,659
285,315	334,525	363,050	410,978	582,330	592,942	584,596
9,665	6,020	—	26,604	—	1,608	—
46,865	882	240	615	181	1,203	1,240
<u>9,266,690</u>	<u>9,844,703</u>	<u>10,156,019</u>	<u>9,306,689</u>	<u>8,965,103</u>	<u>8,451,397</u>	<u>7,928,871</u>
<u>(660,501)</u>	<u>(970,626)</u>	<u>(1,226,046)</u>	<u>(1,554,959)</u>	<u>(280,104)</u>	<u>(997,681)</u>	<u>(592,228)</u>
362,932	499,947	575,839	539,641	604,246	874,499	581,194
(366,926)	(512,061)	(588,821)	(552,270)	(615,202)	(885,625)	(591,590)
900,000	1,000,000	945,774	4,082,645	—	—	—
33,649	42,258	—	92,908	—	—	—
1,889,000	—	—	149,760	—	563,805	—
49,073	—	—	—	—	77,207	—
—	105,374	120,950	40,728	83,345	—	—
—	—	—	3,771	3,034	16,648	—
—	—	—	—	(596)	—	—
(1,324)	—	—	—	—	—	—
(1,927,084)	—	—	(163,199)	—	(639,404)	—
—	—	—	69,685	—	160,190	24,780
—	—	(107,795)	(65,328)	(32,548)	(175,887)	(24,641)
—	—	—	—	—	—	—
—	—	—	—	—	—	—
2,935	5,332	1,439	2,057	1,987	3,221	15,154
2,394	1,253	1,196	931	1,043	930	4
—	14,110	9,610	2,371	52	321	—
—	—	—	(518)	—	—	—
<u>944,649</u>	<u>1,156,213</u>	<u>958,192</u>	<u>4,203,182</u>	<u>45,361</u>	<u>(4,095)</u>	<u>4,901</u>
<u>\$ 284,148</u>	<u>\$ 185,587</u>	<u>\$ (267,854)</u>	<u>\$ 2,648,223</u>	<u>\$ (234,743)</u>	<u>\$ (1,001,776)</u>	<u>\$ (587,327)</u>
5.8%	6.6%	8.3%	9.5%	11.5%	12.6%	12.8%

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

<b>Fiscal year</b>	<b>Certificated Salaries</b>	<b>Classified Salaries</b>	<b>Employee Benefits</b>	<b>Books and Supplies</b>	<b>Services and Other Oper. Exp.</b>
2003-2004	\$ 3,055,482	\$ 1,065,409	\$ 1,312,887	\$ 468,036	\$ 821,490
2004-2005	3,110,756	1,069,595	1,349,301	499,411	646,373
2005-2006	3,187,441	1,098,558	1,418,575	567,167	691,388
2006-2007	3,362,475	1,180,482	1,440,468	507,486	785,742
2007-2008	3,469,214	1,269,680	1,464,061	574,902	880,455
2008-2009	3,384,912	1,236,448	1,440,404	441,855	872,470
2009-2010	2,929,870	1,126,477	1,581,239	395,886	867,482
2010-2011	2,948,806	1,058,084	1,508,612	495,998	826,514
2011-2012	2,799,485	1,025,679	1,546,789	392,154	729,903
2012-2013	2,661,784	967,573	1,509,401	354,514	918,747

Notes:

<sup>(1)</sup> "Other Outgo" includes Tuition for Handicapped Pupils, discount on debt issuance, and payments to refunded debt escrow agent. From fiscal year 2003-04 to fiscal year 2006-07, Charter Schools In-lieu of Taxes was included in total expenditures under object 7280 as Other transfers out. Starting with fiscal year 2007-08, this is presented as reduction of the revenues, like it was presented prior to 2003-04.

See accompanying independent auditor's report.



<b>Capital Outlay</b>	<b>Debt Service</b>	<b>Other Outgo <sup>(1)</sup></b>	<b>Operating Transfers Out</b>	<b>Total Expenditures and Other Uses</b>
\$ 1,003,568	\$ 346,196	\$ 41,273	\$ 171,934	\$ 8,286,275
1,398,243	344,171	602,610	598,061	9,618,521
1,532,862	338,706	876,411	381,658	10,092,766
1,494,934	448,238	1,975,273	366,926	11,562,024
1,644,450	541,059	882	512,061	10,356,764
2,113,952	665,738	108,035	588,821	10,852,635
1,677,858	727,262	229,142	552,270	10,087,486
1,241,249	885,659	33,325	615,202	9,613,449
1,021,845	934,339	816,494	885,625	10,152,313
571,357	944,255	25,881	591,590	8,545,102

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

	<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</u>
Instructional Goals:					
General education	\$ 3,741,979	\$ 3,935,655	\$ 4,145,863	\$ 4,270,273	\$ 4,462,660
Special education	1,214,874	1,195,855	1,252,592	1,333,134	1,395,418
Others	99,995	94,496	93,176	94,206	100,135
	<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>
Noninstructional Goals:					
Community services	24,258	26,423	27,165	30,269	24,762
Child care services	5,234	7,887	3,656	4,408	4,663
	<u>29,492</u>	<u>34,310</u>	<u>30,821</u>	<u>34,677</u>	<u>29,425</u>
Support Services	<u>1,207,134</u>	<u>1,058,764</u>	<u>1,083,003</u>	<u>1,182,086</u>	<u>1,273,056</u>
Facilities Acquisition	<u>1,219,838</u>	<u>1,522,494</u>	<u>1,635,060</u>	<u>1,581,955</u>	<u>1,734,161</u>
Food Services	<u>212,280</u>	<u>222,640</u>	<u>241,888</u>	<u>253,798</u>	<u>286,769</u>
Other Outgo:					
Debt service	346,196	344,171	517,324	2,386,554	541,059
All other outgo	214,487	1,210,136	1,093,039	425,341	534,081
	<u>560,683</u>	<u>1,554,307</u>	<u>1,610,363</u>	<u>2,811,895</u>	<u>1,075,140</u>
Total Expenditures and Other Uses	<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>

See accompanying independent auditor's report.

<b><u>2008-2009</u></b>	<b><u>2009-2010</u></b>	<b><u>2010-2011</u></b>	<b><u>2011-2012</u></b>	<b><u>2012-2013</u></b>
\$ 4,124,621	\$ 3,820,056	\$ 3,928,156	\$ 3,642,622	\$ 3,347,583
1,376,082	1,428,258	1,387,197	1,362,253	1,293,613
101,223	85,456	87,876	61,046	44,730
<u>5,601,926</u>	<u>5,333,770</u>	<u>5,403,229</u>	<u>5,065,921</u>	<u>4,685,926</u>
28,094	17,094	12,310	13,055	13,664
4,847	3,109	2,987	2,418	3,932
<u>32,941</u>	<u>20,203</u>	<u>15,297</u>	<u>15,473</u>	<u>17,596</u>
<u>1,270,702</u>	<u>1,131,009</u>	<u>988,664</u>	<u>1,007,304</u>	<u>1,208,376</u>
<u>2,234,066</u>	<u>1,789,389</u>	<u>1,362,715</u>	<u>1,098,376</u>	<u>718,990</u>
<u>323,009</u>	<u>288,760</u>	<u>288,691</u>	<u>311,558</u>	<u>334,033</u>
773,533	792,590	885,659	934,339	944,256
616,458	731,765	669,194	1,719,342	635,925
<u>1,389,991</u>	<u>1,524,355</u>	<u>1,554,853</u>	<u>2,653,681</u>	<u>1,580,181</u>
<u>\$ 10,852,635</u>	<u>\$ 10,087,486</u>	<u>\$ 9,613,449</u>	<u>\$ 10,152,313</u>	<u>\$ 8,545,102</u>

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

<b>Fiscal Year</b>	<b>Revenue Limit Sources</b>	<b>Federal</b>	<b>Other State</b>	<b>Other Local</b>	<b>Other Financing Sources</b>	<b>Total</b>
2003-2004	\$ 3,436,839	\$ 984,482	\$ 2,434,073	\$ 451,220	\$ 191,696	\$ 7,498,310
2004-2005	3,575,257	1,071,628	2,109,674	549,264	1,260,755	8,566,578
2005-2006	3,724,599	1,150,060	2,419,412	637,941	2,415,765	10,347,777
2006-2007	3,892,689	1,023,992	2,853,979	835,529	3,239,983	11,846,172
2007-2008	3,624,134	1,016,465	3,307,609	925,869	1,668,274	10,542,351
2008-2009	3,444,940	1,357,169	3,223,201	904,663	1,654,808	10,584,781
2009-2010	2,977,215	1,289,543	2,566,534	918,438	4,983,979	12,735,709
2010-2011	3,056,350	1,463,899	2,966,361	1,198,389	693,707	9,378,706
2011-2012	2,968,193	1,179,268	2,222,007	1,084,248	1,696,821	9,150,537
2012-2013	2,913,744	1,017,226	2,265,455	1,140,218	621,132	7,957,775

See accompanying independent auditor's report.

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

<b>Fiscal Year</b>	<b>Secured*</b>	<b>Unsecured*</b>	<b>Total Assessed Value</b>	<b>Total District Tax Rates</b>	<b>Increase (Decrease) Over Preceding Year Amount</b>	<b>Rate</b>	<b>Total A.D.A.**</b>	<b>Assessed Value per Unit of A.D.A.</b>
2003-2004	\$ 287,673,344	\$ 20,855,436	\$ 308,528,780	1.077145	\$ 21,002,845	7.30 %	758,605 <sup>a</sup>	\$ 407
2004-2005	311,419,822	20,505,315	331,925,137	1.088839	23,396,357	7.58	746,605	445
2005-2006	343,302,944	20,566,535	363,869,479	1.084346	31,944,342	9.62	722,564	504
2006-2007	382,212,502	20,396,335	402,608,837	1.106814	38,739,358	10.65	710,770	566
2007-2008	419,052,509	21,861,881	440,914,390	1.123342	38,305,553	9.51	700,073	630
2008-2009	451,191,875	23,597,923	474,789,798	1.124782	33,875,408	7.68	693,633	684
2009-2010	451,127,882	23,849,409	474,977,291	1.151809	187,493	0.04	576,963 <sup>b</sup>	823
2010-2011	442,092,473	21,753,078	463,845,551	1.186954	(11,131,740)	(2.34)	565,450 <sup>b</sup>	820
2011-2012	447,830,204	21,265,021	469,095,225	1.168187	5,249,674	1.13	547,592 <sup>b c</sup>	857
2012-2013	458,767,053	21,308,439	480,075,492	1.175606	10,980,267	2.34	534,376 <sup>b</sup>	898

\* Source: Los Angeles County Auditor-Controller "Taxpayers' Guide." Taxes which constitute a lien on real property are referred to as "secured."

Almost all real property taxes are secured. Most personal property taxes are "unsecured." Some taxes on personal property may also be secured to the real property of the assessee, upon request and subject to certain conditions.

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

<sup>a</sup> Adjusted to exclude fiscally independent charter schools

<sup>b</sup> Adult and Summer School programs were not collected due to changes made by Education Code Section 42605.

For 2008-09 through 2014-15, Districts are not required to operate the program or follow program requirements. Revenue for these years will be based on the same relative proportion that the District received for these programs in fiscal year 2007-08.

<sup>c</sup> Updated to reflect audited annual report.

See accompanying independent auditor's report.

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

<b>Fiscal Year</b>	<b>Unified General</b>	<b>Unified Bonds</b>	<b>Total Schools Tax</b>	<b>State-Wide for All Agencies</b>	<b>Total District Tax</b>
2003-2004	0.000160	0.076985	0.077145	1.000000	1.077145
2004-2005	0.000143	0.088696	0.088839	1.000000	1.088839
2005-2006	0.000107	0.084239	0.084346	1.000000	1.084346
2006-2007	0.000079	0.106735	0.106814	1.000000	1.106814
2007-2008	0.000040	0.123302	0.123342	1.000000	1.123342
2008-2009	0.000058	0.124724	0.124782	1.000000	1.124782
2009-2010	—	0.151809	0.151809	1.000000	1.151809
2010-2011	—	0.186954	0.186954	1.000000	1.186954
2011-2012	—	0.168187	0.168187	1.000000	1.168187
2012-2013	—	0.175606	0.175606	1.000000	1.175606

Source: 2012-13 Los Angeles County Auditor-Controller “Taxpayers’ Guide.”

See accompanying independent auditor's report.

<b>Metropolitan Water District</b>	<b>Los Angeles County General</b>	<b>City of Los Angeles District No.1</b>	<b>County Flood Control District</b>
0.006100	0.000992	0.050574	0.000462
0.005800	0.000923	0.055733	0.000245
0.005200	0.000795	0.051289	0.000049
0.004700	0.000663	0.045354	0.000052
0.004500	—	0.038051	—
0.004300	—	0.038541	—
0.004300	—	0.041220	—
0.003700	—	0.038895	—
0.003700	—	0.038666	—
0.003500	—	0.037694	—

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Largest Local Secured Taxpayers  
Current Year and Nine Years Ago  
(in thousands)  
(Unaudited)

2013				2004			
Rank	Property Owner <sup>(1)</sup>	Assessed Valuation	% of Total <sup>(2)</sup>	Property Owner	Assessed Valuation	% of Total <sup>(3)</sup>	
1	Douglas Emmett Realty Funds	\$ 2,324,436	0.51%	Atlantic Richfield Company	\$ 2,019,855	0.70%	
2	Universal Studios LLC	1,404,383	0.31	Tosco Corporation	1,056,730	0.37	
3	Anheuser Busch Inc.	864,022	0.19	Universal Studios Inc.	952,485	0.33	
4	One Hundred Towers LLC	594,498	0.13	Douglas Emmett Realty Fund 1995-2000	796,608	0.28	
5	Donald T. Sterling	587,974	0.13	Ultramar, Inc.	786,784	0.27	
6	LA Live Properties LLC	533,895	0.12	Anheuser Busch, Inc.	722,041	0.25	
7	Paramount Pictures Corp.	513,058	0.11	MCA, Inc.	712,445	0.25	
8	Tishman Speyer Archstone Smith	504,859	0.11	Equilon Enterprises LLC	647,799	0.23	
9	Duesenberg Investment Company	497,714	0.11	One Hundred Towers LLC	511,890	0.18	
10	BRE Properties Inc.	470,360	0.10	Maguire Partners 355 S. Grand LLC	446,436	0.16	
11	Century City Mall LLC	468,777	0.10	2121 Avenue of the Stars LLC	352,696	0.12	
12	Taubman Beverly Center	467,939	0.10	Paramount Pictures Corp.	347,769	0.12	
13	Westfield Topanga Owner LP	452,160	0.10	Duesenberg Investment Company	323,931	0.11	
14	Casden Park La Brea LLC	447,005	0.10	Trizecahn Hollywood LLC	322,656	0.11	
15	Twentieth Century Fox Film Corp.	386,444	0.08	1999 Stars LLC	309,889	0.11	
16	Trizec 333 LA LLC	383,700	0.08	BP 10880 Wilshire LLC/BP 10960 Wilshire LLC	293,868	0.10	
17	Next Century Associates LLC	372,922	0.08	Twentieth Century Fox Film Corp.	291,828	0.10	
18	1999 Stars LLC	357,311	0.08	Century City Mall LLC	282,989	0.10	
19	BP West Coast Products LLC	351,348	0.08	Prime Park La Brea Holdings	273,901	0.10	
20	AP Properties Ltd.	340,166	0.07	Maguire Partner 555 West Fifth LLC	258,000	0.09	
		<u>\$ 12,322,971</u>	<u>2.69%</u>			<u>\$ 11,710,600</u>	<u>4.08%</u>

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

<sup>(2)</sup> 2012-13 Local Secured Assessed Valuation: \$458,585,111.

<sup>(3)</sup> 2003-04 Local Secured Assessed Valuation: \$287,673,344.

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)

<b>Fiscal Year</b>	<b>Total Tax Levy</b>	<b>ERAF Funds <sup>(1)</sup></b>	<b>Current Tax Collections</b>	<b>Percent of Current Taxes Collected</b>	<b>Delinquent Tax Collections <sup>(2)</sup></b>	<b>Total Tax Collections</b>	<b>Ratio of Total Tax Collections to Total Tax Levy</b>
2003-2004	\$ 821,820	\$ 576,038	\$ 1,386,560	99.19%	\$ 34,987	\$1,421,547	101.69%
2004-2005	929,248	171,052	1,091,325	99.18	34,128	1,125,453	102.29
2005-2006	991,275	76,068	1,026,351	96.16	30,963	1,057,314	99.06
2006-2007	1,173,752	—	1,134,757	96.68	101,640	1,236,397	105.34
2007-2008	1,345,503	(42,753)	1,241,733	95.32	76,816	1,318,549	101.21
2008-2009	1,481,739	(2,660)	1,372,078	92.77	114,292	1,486,370	100.49
2009-2010	1,597,579	41,685	1,505,933	91.87	112,277	1,618,210	98.72
2010-2011	1,711,575	29,419	1,602,345	92.04	102,970	1,705,315	97.95
2011-2012	1,663,061	(3,533)	1,520,001	91.59	97,842	1,617,843	97.49
2012-2013	1,731,129	114,465	1,798,032	97.42	132,847	1,930,879	104.62

<sup>(1)</sup> Educational Revenue Augmentation Funds (ERAF) are added to tax levies received by the District.

<sup>(2)</sup> Includes prior years' delinquencies. The District is still in the process of determining an information source to be able to report delinquent taxes by levy year rather than by collection year.

See accompanying independent auditor's report.

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

<b>Fiscal Year</b>	<b>K-12 Base Revenue Limit (Deficited)</b>	<b>Adult Base Revenue Limit</b>
2003-2004	\$ 4,689.97	\$ 2,242.12
2004-2005	4,862.18	2,292.26
2005-2006	5,133.46	2,389.22
2006-2007	5,544.56	2,530.66
2007-2008	5,796.56	2,645.30 <sup>a</sup>
2008-2009	5,645.07	N/A <sup>b</sup>
2009-2010	4,962.13 <sup>c</sup>	N/A <sup>b</sup>
2010-2011	5,264.22 <sup>d</sup>	N/A <sup>b</sup>
2011-2012	5,209.39 <sup>d</sup>	N/A <sup>b</sup>
2012-2013	5,266.00 <sup>d</sup>	N/A <sup>b</sup>

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

<sup>b</sup> Per SBX3 4 (Chapter 12, Statutes of 2009), funding for fiscal years 2008-09 through 2012-13 is based on the District's 2007-08 proportionate share of funding to the State's total available funding for the program.

<sup>c</sup> This rate is net of the additional revenue limit reduction of \$252.99 per 2008-09 funded revenue limit ADA.

<sup>d</sup> Per Assembly Bill 851, beginning 2010-11, the base revenue limit rate per ADA includes the Beginning Teachers Salary and Meals for Needy.

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)

	2003-2004		2004-2005	
	Amount	Percent	Amount	Percent
Revenues and other sources				
Revenue limit sources	\$ 3,436,839	45.83%	\$ 3,575,257	41.73%
Federal revenues	984,482	13.13	1,071,628	12.51
Other state revenues	2,434,073	32.46	2,109,674	24.63
Other local revenues	451,220	6.02	549,264	6.41
Operating transfers in	172,148	2.30	598,061	6.98
Proceeds from issuance of bonds	—	—	200,000	2.33
Premium on bonds issued	—	—	4,124	0.05
Proceeds from refunding bonds issued	—	—	219,125	2.56
Premium on refunding bonds issued	—	—	16,338	0.19
Proceeds from Certif. of Participation/Long-term Capital Lease <sup>(1)</sup>	7,630	0.10	221,789	2.59
Issuance of refunding COPs	—	—	—	—
Premium on COPs issued	—	—	—	—
Proceeds from CA Energy Commission loan	—	—	1,318	0.02
Proceeds from Sullivan Canyon sale	11,918	0.16	—	—
Proceeds from Ramona HS/Palisade Charter (2012)	—	—	—	—
Proceeds from sale of surplus property	—	—	—	—
Insurance proceeds – fire damage	—	—	—	—
Children Center facilities fund	—	—	—	—
Total Revenues and Other Sources	<u>\$ 7,498,310</u>	<u>100.00%</u>	<u>\$ 8,566,578</u>	<u>100.00%</u>
Expenditures and other uses				
Current:				
Certificated salaries	\$ 3,055,482	36.88%	\$ 3,110,756	32.34%
Classified salaries	1,065,409	12.86	1,069,595	11.12
Employee benefits	1,312,887	15.84	1,349,301	14.03
Books and supplies	468,036	5.65	499,411	5.19
Services and other operating expenditures	821,490	9.91	646,373	6.72
Capital outlay	1,003,568	12.11	1,398,243	14.54
Debt service	346,196	4.18	344,171	3.58
Other outgo <sup>(2)</sup>	41,273	0.50	34,526	0.36
Operating transfers out <sup>(3)</sup>	171,934	2.07	598,061	6.22
Discount on issuance of refunding bonds	—	—	—	—
Discount on issuance of COPs	—	—	—	—
Payment to refunded bonds escrow agent	—	—	234,126	2.43
Payment to refunded COPs escrow agent	—	—	333,958	3.47
Total Expenditures and Other Uses	<u>\$ 8,286,275</u>	<u>100.00%</u>	<u>\$ 9,618,521</u>	<u>100.00%</u>

- <sup>(1)</sup> The 2004-05 COPs proceeds were used to refund a portion of prior year issuances and make administration building improvements. The 2005-06 COPs proceeds were used to modernize nine schools to accommodate existing or planned academy programs that address student career pathway/higher education interests. The 2007-08 COPs proceeds were used to finance certain acquisition, development and installation of information technology systems of the District.

See accompanying independent auditor's report.

2005-2006			2006-2007			2007-2008		
Amount		Percent	Amount		Percent	Amount		Percent
\$	3,724,599	35.99%	\$	3,892,689	32.86%	\$	3,624,134	34.38%
	1,150,060	11.11		1,023,992	8.65		1,016,465	9.64
	2,419,412	23.38		2,853,979	24.10		3,307,609	31.38
	637,941	6.17		835,529	7.05		925,869	8.78
	381,658	3.69		362,932	3.06		499,947	4.74
	1,115,712	10.78		900,000	7.60		1,000,000	9.49
	64,283	0.62		33,649	0.28		42,258	0.40
	778,673	7.53		1,889,000	15.95		—	—
	64,058	0.62		49,073	0.41		—	—
	11,318	0.11		2,394	0.02		106,627	1.01
	—	—		—	—		—	—
	—	—		—	—		—	—
	63	—		—	—		—	—
	—	—		—	—		—	—
	—	—		—	—		14,110	0.13
	—	—		—	—		—	—
	—	—		2,935	0.02		5,332	0.05
	—	—		—	—		—	—
\$	10,347,777	100.00%	\$	11,846,172	100.00%	\$	10,542,351	100.00%
\$	3,187,441	31.58%	\$	3,362,475	29.07%	\$	3,469,214	33.50%
	1,098,558	10.88		1,180,482	10.21		1,269,680	12.26
	1,418,575	14.06		1,440,468	12.46		1,464,061	14.14
	567,167	5.62		507,486	4.39		574,902	5.55
	691,388	6.85		785,742	6.80		880,455	8.50
	1,532,862	15.19		1,494,934	12.93		1,644,450	15.88
	338,706	3.36		448,238	3.88		541,059	5.22
	41,695	0.41		46,865	0.41		882	0.01
	381,658	3.78		366,926	3.17		512,061	4.94
	—	—		1,324	0.01		—	—
	—	—		—	—		—	—
	656,098	6.50		1,927,084	16.67		—	—
	178,618	1.77		—	—		—	—
\$	10,092,766	100.00%	\$	11,562,024	100.00%	\$	10,356,764	100.00%

<sup>(2)</sup> “Other outgo” includes Tuition for Handicapped Pupils. From fiscal year 2003-04 to fiscal year 2006-07, Charter Schools In-lieu of Taxes was included in total expenditures under object 7280 as Other transfers out. Starting with fiscal year 2007-08, this is presented as reduction of the revenues, like it was presented prior to 2003-04.

(Continued)

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

	2008-2009		2009-2010	
	Amount	Percent	Amount	Percent
Revenues and other sources				
Revenue limit sources	\$ 3,444,940	32.55%	\$ 2,977,215	23.37%
Federal revenues	1,357,169	12.82	1,289,543	10.12
Other state revenues	3,223,201	30.45	2,566,534	20.15
Other local revenues	904,663	8.55	918,438	7.21
Operating transfers in	575,839	5.44	539,641	4.24
Proceeds from issuance of bonds	945,774	8.94	4,082,645	32.06
Premium on bonds issued	—	—	92,908	0.73
Proceeds from refunding bonds issued	—	—	149,760	1.18
Premium on refunding bonds issued	—	—	—	—
Proceeds from Certif. of Participation/Long-term Capital Lease <sup>(1)</sup>	122,146	1.15	41,659	0.33
Issuance of refunding COPs	—	—	69,685	0.55
Premium on COPs issued	—	—	3,771	0.03
Proceeds from CA Energy Commission loan	—	—	—	—
Proceeds from Sullivan Canyon sale	—	—	—	—
Proceeds from Ramona HS	9,610	0.09	2,371	0.02
Proceeds from sale of surplus property	—	—	—	—
Insurance proceeds – fire damage	1,439	0.01	2,057	0.01
Children Center facilities fund	—	—	(518)	—
Total Revenues and Other Sources	<u>\$ 10,584,781</u>	<u>100.00%</u>	<u>\$ 12,735,709</u>	<u>100.00%</u>
Expenditures and other uses				
Current:				
Certificated salaries	\$ 3,384,912	31.19%	\$ 2,929,870	29.04%
Classified salaries	1,236,448	11.39	1,126,477	11.17
Employee benefits	1,440,404	13.27	1,581,239	15.68
Books and supplies	441,855	4.07	395,886	3.92
Services and other operating expenditures	872,470	8.04	867,482	8.60
Capital outlay	2,113,952	19.48	1,677,858	16.63
Debt service	665,738	6.14	727,262	7.21
Other outgo <sup>(2)</sup>	240	—	615	0.01
Operating transfers out <sup>(3)</sup>	588,821	5.43	552,270	5.47
Discount on issuance of refunding bonds	—	—	—	—
Discount on issuance of COPs	—	—	—	—
Payment to refunded bonds escrow agent	—	—	163,199	1.62
Payment to refunded COPs escrow agent	107,795	0.99	65,328	0.65
Total Expenditures and Other Uses	<u>\$ 10,852,635</u>	<u>100.00%</u>	<u>\$ 10,087,486</u>	<u>100.00%</u>

- <sup>(1)</sup> The 2004-05 COPs proceeds were used to refund a portion of prior year issuances and make administration building improvements. The 2005-06 COPs proceeds were used to modernize nine schools to accommodate existing or planned academy programs that address student career pathway/higher education interests. The 2007-08 COPs proceeds were used to finance certain acquisition, development and installation of information technology systems of the District.

See accompanying independent auditors' report.

2010-2011		2011-2012		2012-2013	
Amount	Percent	Amount	Percent	Amount	Percent
\$ 3,056,350	32.59%	\$ 2,968,193	32.44%	\$ 2,913,744	36.62%
1,463,899	15.61	1,179,268	12.89	1,017,226	12.78
2,966,361	31.63	2,222,007	24.28	2,265,455	28.47
1,198,389	12.78	1,084,248	11.85	1,140,218	14.33
604,246	6.44	874,499	9.56	581,194	7.30
—	—	—	—	—	—
—	—	—	—	—	—
—	—	563,805	6.16	—	—
—	—	77,207	0.84	—	—
84,388	0.90	—	—	—	—
—	—	160,190	1.75	24,780	0.31
3,034	0.03	16,648	0.18	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
52	—	930	0.01	4	—
1,987	0.02	3,221	0.04	15,154	0.19
—	—	321	—	—	—
<u>\$ 9,378,706</u>	<u>100.00%</u>	<u>\$ 9,150,537</u>	<u>100.00%</u>	<u>\$ 7,957,775</u>	<u>100.00%</u>
\$ 2,948,806	30.67%	\$ 2,799,485	27.58%	\$ 2,661,784	31.15%
1,058,084	11.01	1,025,679	10.10	967,573	11.32
1,508,612	15.69	1,546,789	15.24	1,509,401	17.66
495,998	5.16	392,154	3.86	354,514	4.15
826,514	8.60	729,903	7.19	918,747	10.75
1,241,249	12.91	1,021,845	10.07	571,357	6.70
885,659	9.21	934,339	9.20	944,255	11.05
181	—	1,203	0.01	1,240	0.01
615,202	6.40	885,625	8.72	591,590	6.92
—	—	—	—	—	—
596	0.01	—	—	—	—
—	—	639,404	6.30	—	—
32,548	0.34	175,887	1.73	24,641	0.29
<u>\$ 9,613,449</u>	<u>100.00%</u>	<u>\$ 10,152,313</u>	<u>100.00%</u>	<u>\$ 8,545,102</u>	<u>100.00%</u>

<sup>(2)</sup> “Other outgo” includes Tuition for Handicapped Pupils. From fiscal year 2003-04 to fiscal year 2006-07, Charter Schools In-lieu of Taxes was included in total expenditures under object 7280 as Other transfers out. Starting with fiscal year 2007-08, this is presented as reduction of the revenues, like it was presented prior to 2003-04.

(Continued)

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

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

From	To	2003-2004	2004-2005
General	Adult Education	\$ —	\$ —
General	Cafeteria	—	—
General	Child Development	8,412	8,065
General	Deferred Maintenance	8,140	23,300
General	Capital Services	51,430	198,026
General	Special Reserve	12,970	110,540
General	Special Reserve – FEMA – Earthquake	3,806	—
General	Special Reserve – FEMA – Hazard Mitigation	25,681	2,225
General	Special Reserve – Community Redevelopment Agency	3,757	—
General	Capital Facilities	—	—
General	Building – Measure R	—	59
General	Building – Measure Y	—	—
General	Health & Welfare	—	—
Adult Education	General	2,583	—
Adult Education	Special Reserve	—	—
Adult Education	Building – Measure R	—	—
Cafeteria	General	2,642	1,251
Cafeteria	Capital Services	—	—
Child Development	General	1,980	2,100
Deferred Maintenance	General	—	—
Capital Services	General	—	7,370
Capital Services	State School Building Lease – Purchase	—	—
Capital Services	Special Reserve	—	17,155
Capital Services	Building – Measure Y	—	—
Capital Services	County School Facilities	—	—
Building	Special Reserve – FEMA	—	—
State School Building Lease – Purchase	Capital Services	—	—
State School Building Lease – Purchase	State School Building Lease – Purchase	—	—
State School Building Lease – Purchase	Special Reserve	—	—
State School Building Lease – Purchase	Capital Facilities	—	—
State School Building Lease – Purchase	Building – Bond Proceeds	—	—
State School Building Lease – Purchase	Building – Measure K	—	—
State School Building Lease – Purchase	Building – Measure R	—	—
State School Building Lease – Purchase	County School Facilities	—	—
State School Building Lease – Purchase	County School Facilities – Prop 55	—	—
Special Reserve	General	—	17,155
Special Reserve	Adult Education	—	—
Special Reserve	Cafeteria	—	—
Special Reserve	Capital Services	20,633	28,800
Special Reserve	State School Building Lease – Purchase	—	—
Special Reserve	Capital Facilities	—	—
Special Reserve	Building – Bond Proceeds	—	—
Special Reserve	Building – Measure K	—	—
Special Reserve	Building – Measure R	—	—
Special Reserve	Building – Measure Y	—	—
Special Reserve	County School Facilities	—	—
Special Reserve	County School Facilities – Prop 47	—	—
Special Reserve	County School Facilities – Prop 55	—	—
Special Reserve – FEMA – Earthquake	General	628	213



<b>2005-2006</b>	<b>2006-2007</b>	<b>2007-2008</b>	<b>2008-2009</b>	<b>2009-2010</b>	<b>2010-2011</b>	<b>2011-2012</b>	<b>2012-2013</b>
\$ —	\$ 4,199	\$ —	\$ —	\$ 168,282	\$ —	\$ —	\$ 60,481
11,140	288	8,214	16,587	12,210	32,061	88,588	53,583
8,764	7,133	—	—	165	7,996	19,437	15,322
30,000	30,188	31,048	30,000	—	—	—	—
4,169	9,758	12,514	26,356	30,993	23,849	33,670	30,263
27,403	109	—	3	—	903	—	—
2,225	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	260	83	—	—	—
—	—	—	—	—	—	—	8
—	—	—	—	—	—	—	976
—	3,994	12,114	12,982	12,629	10,956	11,126	10,396
—	—	10,600	10,600	10,600	—	—	10,431
—	—	—	—	—	—	—	971
—	—	—	3,197	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	2,482	786	787	787
2,000	2,000	—	—	853	—	—	—
—	—	—	—	—	18,501	—	—
—	—	—	231	904	—	737	99
—	—	—	—	2,975	—	—	—
—	—	—	—	1,424	—	—	5,744
1	—	—	—	—	—	—	—
—	—	—	—	3,593	—	—	—
—	—	—	229	—	—	—	—
2,629	—	—	—	(29)	—	—	—
—	—	—	—	—	—	—	—
—	—	259	1	—	—	—	—
—	—	90	—	—	—	—	—
—	—	11,944	60	118	62	—	—
—	—	8,651	221	—	—	—	—
—	—	—	—	—	—	2	—
—	—	—	8	104	—	—	—
—	—	—	—	7	—	—	—
57,312	28,900	88,200	34,117	62,437	52,161	2,436	140
—	—	—	—	—	—	—	27
—	—	—	—	11,803	—	—	—
—	1,265	23,484	123,595	73,100	8,578	—	—
—	—	260	100	—	—	—	1
—	—	—	11	—	—	—	11
—	—	—	1,034	1,557	—	—	773
—	61,228	47,288	6,269	629	364	3	4,583
—	2	—	1,383	14,298	3	12	4,614
—	—	—	1	—	11	102	7,118
—	—	—	—	100	—	—	1
—	—	—	355	—	—	—	343
—	—	169	3,657	2,232	5,428	—	1,233
520	—	—	—	—	—	—	—

(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	2003-2004	2004-2005
Special Reserve – FEMA – Earthquake	County School Facilities – Prop 55	\$ —	\$ —
Special Reserve – FEMA – Hazard Mitigation	General	298	149
Special Reserve – CRA	General	—	—
Special Reserve – CRA	Capital Services	—	—
Special Reserve – CRA	Building – Measure K	—	—
Special Reserve – CRA	Building – Measure R	—	—
Special Reserve – CRA	County School Facilities – Prop 47	—	—
Capital Facilities	Capital Services	23,260	24,045
Capital Facilities	State School Building Lease – Purchase	5,714	7,613
Capital Facilities	Special Reserve	—	—
Capital Facilities	Building – Bond Proceeds	—	—
Capital Facilities	Building – Measure K	—	—
Capital Facilities	Building – Measure R	—	—
Capital Facilities	Building – Measure Y	—	—
Capital Facilities	County School Facilities – Prop 55	—	—
Building – Bond Proceeds	General	—	—
Building – Bond Proceeds	Deferred Maintenance	—	—
Building – Bond Proceeds	State School Building Lease – Purchase	—	—
Building – Bond Proceeds	Special Reserve	—	—
Building – Bond Proceeds	Capital Facilities	—	—
Building – Bond Proceeds	Building – Measure K	—	—
Building – Bond Proceeds	Building – Measure R	—	—
Building – Bond Proceeds	Building – Measure Y	—	—
Building – Bond Proceeds	County School Facilities	—	—
Building – Bond Proceeds	County School Facilities – Prop 47	—	—
Building – Bond Proceeds	County School Facilities – Prop 55	—	—
Building – Bond Proceeds	County School Facilities – Prop 1D	—	—
Building – Measure K	General	—	—
Building – Measure K	Adult Education	—	—
Building – Measure K	State School Building Lease – Purchase	—	—
Building – Measure K	Special Reserve	—	—
Building – Measure K	Capital Facilities	—	—
Building – Measure K	Building – Bond Proceeds	—	—
Building – Measure K	Building – Measure R	—	—
Building – Measure K	Building – Measure Y	—	—
Building – Measure K	County School Facilities	—	—
Building – Measure K	County School Facilities – Prop 47	—	—
Building – Measure K	County School Facilities – Prop 55	—	—
Building – Measure K	County School Facilities – Prop 1D	—	—
Building – Measure R	General	—	—
Building – Measure R	State School Building Lease – Purchase	—	—
Building – Measure R	Special Reserve	—	—
Building – Measure R	Capital Facilities	—	—
Building – Measure R	Building – Bond Proceeds	—	149,995
Building – Measure R	Building – Measure K	—	—
Building – Measure R	Building – Measure Y	—	—
Building – Measure R	County School Facilities	—	—
Building – Measure R	County School Facilities – Prop 47	—	—
Building – Measure R	County School Facilities – Prop 55	—	—
Building – Measure R	County School Facilities – Prop 1D	—	—
Building – Measure Y	General	—	—
Building – Measure Y	Adult Education	—	—

<u>2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>
\$ —	\$ 120	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
2,225	—	—	—	—	—	—	—
—	—	4,293	4,069	4,003	4,002	—	—
—	—	—	—	325	—	—	—
—	—	—	3,571	—	—	—	—
—	—	—	1,129	—	—	—	—
—	—	—	1,300	—	—	—	—
21,606	22,215	20,537	56,461	12,158	10,695	9,574	9,574
—	2,601	90	—	—	—	—	—
—	—	219	12	—	—	1	22
—	—	—	2	—	—	—	—
—	—	11,409	151	4	—	338	499
—	—	3	24	—	—	—	259
—	—	—	—	—	109	19	—
—	—	—	—	—	—	—	1
—	—	—	—	76	—	—	—
—	—	—	—	84	—	—	—
—	—	3,307	84	82	881	—	13
—	—	—	139	68	—	1	—
—	—	—	3	195	—	—	—
—	—	943	31,010	5,484	4,488	4,500	1,423
—	9	3,795	23,563	36,480	12,330	8,327	11,222
—	—	—	114	15	4	420	8,236
—	—	13	2,742	7,689	124	688	1,005
—	—	1,252	183	814	3,036	1,346	2,087
—	—	3,287	21,142	2,432	4,174	10,445	3,284
—	—	—	617	417	—	181	414
—	—	—	—	—	—	—	567
—	—	—	4	—	—	—	—
—	—	1	—	—	—	43	—
—	27,907	7,819	15,123	94	—	—	200
—	—	71	—	—	—	—	—
—	146	839	124	751	—	—	1
—	173	9,956	5,433	175	1,349	616	288
—	—	8	236	415	375	11,946	10,583
—	6,105	658	—	50	—	—	—
—	—	—	116	—	—	—	—
—	—	1,562	419	—	3,405	366	716
—	—	—	—	—	—	756	984
—	—	—	—	—	—	144	510
—	—	2,970	—	33	177	—	76
—	—	1,151	161	1,587	116	7,881	—
—	—	33	—	—	—	—	—
—	1	15,368	40	4,714	119	462	1,283
—	1,563	22,560	3,528	158	1,591	2,344	9,876
—	—	8,901	50	787	1,862	7,458	7,395
—	1,475	666	160	7,229	417	615	529
—	—	94	—	—	533	2,536	309
—	—	1,767	957	520	4,840	4,342	7,765
—	—	—	—	2,480	44	1,297	6,116
30,000	30,000	30,000	30,000	—	13,474	2,177	11,830
—	—	—	3	2	—	—	44

(Continued)

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

From	To	2003-2004	2004-2005
Building – Measure Y	Cafeteria	\$ —	\$ —
Building – Measure Y	Capital Services	—	—
Building – Measure Y	Special Reserve	—	—
Building – Measure Y	Building – Bond Proceeds	—	—
Building – Measure Y	Building – Measure K	—	—
Building – Measure Y	Building – Measure R	—	—
Building – Measure Y	County School Facilities	—	—
Building – Measure Y	County School Facilities – Prop 47	—	—
Building – Measure Y	County School Facilities – Prop 55	—	—
Building – Measure Y	County School Facilities – Prop 1D	—	—
County School Facilities	Deferred Maintenance	—	—
County School Facilities	Capital Services	—	—
County School Facilities	State School Building Lease – Purchase	—	—
County School Facilities	Special Reserve	—	—
County School Facilities	Capital Facilities	—	—
County School Facilities	Building – Bond Proceeds	—	—
County School Facilities	Building – Measure K	—	—
County School Facilities	Building – Measure R	—	—
County School Facilities	Building – Measure Y	—	—
County School Facilities	County School Facilities – Prop 47	—	—
County School Facilities	County School Facilities – Prop 55	—	—
County School Facilities – Prop 47	State School Building Lease – Purchase	—	—
County School Facilities – Prop 47	Special Reserve	—	—
County School Facilities – Prop 47	Capital Facilities	—	—
County School Facilities – Prop 47	Building – Bond Proceeds	—	—
County School Facilities – Prop 47	Building – Measure K	—	—
County School Facilities – Prop 47	Building – Measure R	—	—
County School Facilities – Prop 47	Building – Measure Y	—	—
County School Facilities – Prop 47	County School Facilities	—	—
County School Facilities – Prop 47	County School Facilities – Prop 55	—	—
County School Facilities – Prop 47	County School Facilities – Prop 1D	—	—
County School Facilities – Prop 55	State School Building Lease – Purchase	—	—
County School Facilities – Prop 55	Special Reserve	—	—
County School Facilities – Prop 55	Special Reserve – FEMA	—	—
County School Facilities – Prop 55	Capital Facilities	—	—
County School Facilities – Prop 55	Building – Bond Proceeds	—	—
County School Facilities – Prop 55	Building – Measure K	—	—
County School Facilities – Prop 55	Building – Measure R	—	—
County School Facilities – Prop 55	Building – Measure Y	—	—
County School Facilities – Prop 55	County School Facilities	—	—
County School Facilities – Prop 55	County School Facilities – Prop 47	—	—
County School Facilities – Prop 55	County School Facilities – Prop 1D	—	—
County School Facilities – Prop 1D	Special Reserve	—	—
County School Facilities – Prop 1D	Capital Facilities	—	—
County School Facilities – Prop 1D	State School Building Lease – Purchase	—	—
County School Facilities – Prop 1D	Building – Bond Proceeds	—	—
County School Facilities – Prop 1D	Building – Measure K	—	—
County School Facilities – Prop 1D	Building – Measure R	—	—
County School Facilities – Prop 1D	Building – Measure Y	—	—
County School Facilities – Prop 1D	County School Facilities	—	—
County School Facilities – Prop 1D	County School Facilities – Prop 47	—	—
County School Facilities – Prop 1D	County School Facilities – Prop 55	—	—
County School Facilities – Prop 1D	County School Facilities – Prop 55	—	—
		<u>\$ 171,934</u>	<u>\$ 598,061</u>

<u>2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 867	\$ 856	\$ 1,082
178,618	1,904	1,904	1,904	4,073	2,447	2,347	542
—	—	61	651	—	—	—	994
—	—	—	4	1,452	114	1	1,551
—	8,864	364	550	3,798	22	2,517	11,747
—	—	—	4,446	1,675	18,729	442,604	3,932
—	—	—	—	512	669	256	355
—	—	—	—	—	73	8	18
—	—	—	—	—	—	5,315	7,795
—	—	—	—	807	857	135	3,743
—	—	—	—	857	349	—	—
3,046	—	—	—	—	—	—	—
—	—	—	2	45	—	—	—
—	3	—	—	129	—	—	—
—	—	—	—	53	—	—	—
—	—	—	9,480	4,998	5,972	1,831	473
—	1	106	1,364	1,691	—	28	883
—	—	24	1,265	3,086	2,919	1,089	—
—	—	—	2	—	52	—	—
—	—	—	360	734	—	755	11
—	—	—	30	419	—	—	—
—	—	—	40	—	—	—	24
—	—	47	—	—	—	—	—
—	—	1,801	—	—	—	—	384
—	1,006	7,375	5,924	261	2,873	91	2,963
—	15	2,471	1,429	1,126	1	28	8,086
—	—	4,089	62	—	77	958	39
—	—	—	5	—	403	27	5
—	—	734	59	—	—	101	—
—	—	1,170	2	—	87	802	62,000
—	—	—	—	—	—	3,907	—
—	—	15,084	—	—	135	—	—
—	42,457	13,610	44	—	—	—	193
—	—	618	241	—	—	—	—
—	—	90	—	—	—	—	—
—	—	21,358	19,251	1,753	5,844	11,664	11,133
—	68,910	8,055	4,169	4,637	27,986	54,435	40,256
—	2,387	17,077	33,151	4,753	54,810	9,890	21,175
—	—	—	26	—	234,223	18,561	19,823
—	—	1,987	259	293	—	2,230	2
—	—	—	219	—	45	3	—
—	—	—	—	—	—	47	422
—	—	—	—	—	—	—	571
—	—	—	—	—	220	—	9,152
—	—	—	—	—	—	149	35
—	—	1,721	9,291	6,277	1,638	10,320	10,916
—	—	1,045	642	—	1,800	14,379	6,931
—	—	1,791	19,543	4,524	15,963	50,718	19,078
—	—	—	—	551	3,001	12,502	29,240
—	—	—	65	526	1,943	865	838
—	—	—	398	—	—	—	—
—	—	1,072	16	370	1,279	483	10,182
<u>\$ 381,658</u>	<u>\$ 366,926</u>	<u>\$ 512,061</u>	<u>\$ 588,821</u>	<u>\$ 552,270</u>	<u>\$ 615,202</u>	<u>\$ 885,625</u>	<u>\$ 591,590</u>

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

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service <sup>(1)</sup></b>	<b>Total General Governmental Expenditures</b>	<b>Ratio of Debt service to Total General Governmental Expenditures</b>
2003-2004	\$ 107,370	\$ 231,349	\$ 338,719	\$ 8,286,275	4.09%
2004-2005	248,025	248,661	496,686	9,618,521	5.16
2005-2006	89,885	237,622	327,507	10,092,766	3.24
2006-2007	149,230	284,196	433,426	11,562,024	3.75
2007-2008	197,285	334,967	532,252	10,356,764	5.14
2008-2009	300,245	361,990	662,235	10,852,635	6.10
2009-2010	288,160	490,840	779,000	10,088,004	7.72
2010-2011	326,263	625,219	951,482	9,613,449	9.90
2011-2012	338,462	580,930	919,392	10,152,313	9.06
2012-2013	358,619	580,893	939,512	8,545,102	10.99

Notes:

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

See accompanying independent auditor's report.

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

<b>Fiscal Year</b>	<b>Population Los Angeles Unified <sup>(1)</sup></b>	<b>Total Assessed Value</b>	<b>Gross Debt <sup>(2)</sup></b>	<b>Debt Service Monies Available <sup>(3)</sup></b>	<b>Net Debt <sup>(2)</sup></b>	<b>Ratio of Net Debt to Assessed Value</b>	<b>Net Debt per Capita</b>
2003-2004	4,718,101	\$ 308,528,780	\$ 5,109,035	\$ 215,149	\$ 4,893,886	1.5862%	\$ 1,037
2004-2005	4,775,778	331,925,137	5,108,370	217,807	4,890,563	1.4734	1,024
2005-2006	4,784,682	363,869,479	6,243,197	309,525	5,933,672	1.6307	1,240
2006-2007	4,825,016	402,608,837	7,066,456	268,111	6,798,345	1.6886	1,409
2007-2008	4,839,918	440,914,390	8,008,138	417,991	7,590,147	1.7215	1,568
2008-2009	4,853,617	474,789,798	8,670,693	490,953	8,179,740	1.7228	1,685
2009-2010	4,875,984	474,977,291	12,577,382	354,884	12,222,498	2.5733	2,507
2010-2011	4,564,712	463,845,551	12,309,089	442,118	11,866,971	2.5584	2,600
2011-2012	4,576,585	469,095,225	11,952,863	416,294	11,536,569	2.4593	2,521
2012-2013	4,610,596	480,075,491	11,569,749	459,309	11,110,440	2.3143	2,410

Note: Details regarding the District's outstanding debt can be found in the notes to basic financial statements.

<sup>(1)</sup> Estimate.

<sup>(2)</sup> Includes bonded debts (General Obligation Bonds), COPs, capital lease obligations and loans.

<sup>(3)</sup> This is the amount restricted for debt service principal payments.

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

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Direct and Overlapping Bonded Debt  
Year Ended June 30, 2013  
(in thousands)  
(Unaudited)

Government	Percentage Applicable	Amount Applicable
Direct:		
Los Angeles Unified School District		
General Obligation Bonds	100.000%	\$ 11,151,210
Certificates of Participation	100.000	416,597
Capital Leases	100.000	1,308
Children Centers Facilities Revolving Loan	100.000	634
		<u>11,569,749</u>
Overlapping:		
Los Angeles County General Fund Obligations	44.099	762,665
Los Angeles County Superintendent of Schools Certificates of Participation	44.099	4,576
Los Angeles County Flood Control District	45.249	8,946
Metropolitan Water District	22.791	37,625
Los Angeles Community College District	80.533	2,989,832
Pasadena Area Community College District	0.001	1
City of Los Angeles	99.930	1,102,513
City of Los Angeles General Fund and Judgment Obligations	99.930	1,844,648
Other City General Fund and Pension Obligations	Various	181,553
Los Angeles County Sanitation Districts		
Nos. 1, 2, 3, 4, 5, 8, 9, 16 and 23 Authorities	Various	39,877
Los Angeles County Regional Park & Open Space Assessment District	44.099	63,004
City Community Facilities Districts	100.000	132,435
City of Los Angeles Landscaping and Special Tax Assessment District	99.930	40,302
Other City and Special District 1915 Act Bonds	99.899-100.000	23,333
Other Cities	Various	39,597
Palos Verdes Library District	4.805	220
City of Los Angeles Redevelopment Agency	100.000	621,005
Other Redevelopment Agencies	Various	411,231
		<u>8,303,363</u>
Total Overlapping		<u>8,303,363</u>
Total Gross Direct and Overlapping Debt		19,873,112 <sup>(1)</sup>
Less:		
Los Angeles County General Fund Obligations supported by landfill revenues		2,422
Los Angeles Unified School District (amount accumulated in Sinking Fund for repayment of 2005 Qualified Zone Academic Bonds)		4,510
City supported obligations		20,491
		<u>\$ 19,845,689</u>
Total Net Direct and Overlapping Debt		<u>\$ 19,845,689</u>

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

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

See accompanying independent auditor's report.



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

<b>Fiscal Year</b>	<b>Debt Limit</b>	<b>Total Amount of Debt Applicable to Debt Limit</b>	<b>Legal Debt Margin</b>	<b>Total Amount of Debt Applicable to Debt Limit as a Percentage of Debt Limit</b>
2003-2004	\$ 7,713,219	\$ 4,162,372	\$ 3,550,847	53.96 %
2004-2005	8,298,128	4,268,184	4,029,944	51.44
2005-2006	9,096,737	5,520,705	3,576,032	60.69
2006-2007	10,065,221	6,285,189	3,780,032	62.44
2007-2008	11,022,860	7,052,672	3,970,188	63.98
2008-2009	11,869,745	7,734,195	4,135,550	65.16
2009-2010	11,874,432	11,483,694	390,738	96.71
2010-2011	11,596,139	11,086,273	509,866	95.60
2011-2012	11,727,381	10,825,440	901,941	92.31
2012-2013	12,001,887	10,400,670	1,601,217	86.66

Computation of Legal Debt Margin for Fiscal Year Ended June 30, 2013

Assessed valuation (net taxable)	\$ 476,992,930
Plus exempt property	<u>3,082,561</u>
Total Assessed Valuation	\$ 480,075,491
Debt limit – 2.5% of Assessed Valuation per Education Code Section 15106 <sup>(1)</sup>	\$ 12,001,887
Bonded Debt:	
General Obligation Bonds	11,151,210
Assets available for payment of principal:	
Bond Interest & Redemption Fund	<u>(750,540)</u>
Total Amount of Debt Applicable to Debt Limit	<u>10,400,670</u>
Legal Debt Margin (bonded debt) <sup>(1)</sup>	<u><u>\$ 1,601,217</u></u>

<sup>(1)</sup> Converted rate from 10% of 25% of full cash value (2.5%) to 2.5% of 100% of full cash value (2.5%).

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

See accompanying independent auditor's report.

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

<b>Fiscal Year</b>	<b>Population City of Los Angeles</b>	<b>Population Los Angeles Unified*</b>	<b>Population County of Los Angeles</b>	<b>School Enrollment County of Los Angeles</b>	<b>School Enrollment Los Angeles Unified</b>	<b>Unemployment Rate County of Los Angeles</b>
2003-2004	3,912	4,718	10,103	1,743	911	6.2%
2004-2005	3,958	4,776	10,227	1,734	879	5.2
2005-2006	3,976	4,785	10,246	1,708	847	4.5
2006-2007	4,018	4,825	10,332	1,673	830	4.8
2007-2008	4,046	4,840	10,364	1,648	813	7.5
2008-2009	4,066	4,854	10,393	1,632	795	11.9
2009-2010	4,095	4,876	10,441	1,575	760	12.4
2010-2011	3,810	4,565	9,859	1,589	750	12.3
2011-2012	3,825	4,577	9,885	1,575	715	12.0
2012-2013	3,864	4,611	9,958	1,564	638	10.9

\* Estimate

Sources: Los Angeles County Office of Regional Planning Research Section  
California State Department of Finance  
Los Angeles County Office of Education Information Services Unit  
California State Department of Education, Educational Demographics Unit  
District's Statistical Records – October Enrollment for Fiscal Year  
California Employment Development Department

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Principal Employers  
Current Year and Nine Years Ago  
(Unaudited)

2013				2004			
Rank	Employer	Employees	Percentage of Total County Employment <sup>(1)</sup>	Employer	Employees	Percentage of Total County Employment <sup>(2)</sup>	
1	Kaiser Permanente	36,495	0.81%	Kaiser Permanente	29,593	0.67%	
2	Northrop Grumman Corp.	16,100	0.36	Boeing Co.	20,593	0.46	
3	Target Corp.	15,000	0.33	Northrop Grumman Corp.	20,400	0.46	
4	University of Southern California	14,525	0.32	Ralphs Grocery Co.	16,287	0.37	
5	Bank of America Corp.	13,746	0.30	Tenet Healthcare Corp.	14,733	0.33	
6	Ralphs/Food 4 Less (Kroger Co. division)	13,500 *	0.30	University of Southern California	12,111	0.27	
7	Providence Health & Services Southern California	10,983	0.24	Target Corp.	10,811	0.24	
8	Cedars-Sinai Medical Center	10,663	0.24	ABM Industries Inc.	9,800	0.22	
9	Home Depot	10,630	0.24	SBC Communications	9,500	0.21	
10	Walt Disney Co.	10,500 *	0.23	May Department Stores Co.	8,900	0.20	
Total		<u>152,142</u>	<u>3.37%</u>	Total	<u>152,728</u>	<u>3.43%</u>	

\* Business Journal estimate

<sup>(1)</sup> Based on Los Angeles County Employment of 4,517,100

<sup>(2)</sup> Based on Los Angeles County Employment of 4,432,300

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)

	2003-2004	2004-2005	2005-2006	2006-2007
Elementary:				
Kindergarten	49,775	48,806	47,876	46,131
Grades 1-3	169,239	160,224	151,592	145,181
Grades 4-6	159,617	159,615	152,341	143,384
Grades 7-8	97,978	94,396	91,576	92,832
Special Education	23,585	22,107	20,435	19,740
County Special Education	8	—	—	—
Opportunity Schools	8	14	10	12
Home or Hospital	152	158	159	159
Community Day Schools	196	190	172	148
County Community Schools	10	19	16	19
Total Elementary	500,568	485,529	464,177	447,606
Secondary:				
Regular Classes	150,239	152,901	152,848	151,323
Special Education	11,026	11,274	11,350	11,253
County Special Education	21	1	—	—
Compulsory Continuation Education	3,031	3,171	3,198	2,972
Opportunity Schools	328	400	407	399
Home or Hospital	96	121	120	125
Community Day Schools	733	736	757	716
County Community Schools	127	175	156	93
Total Secondary	165,601	168,779	168,836	166,881
Block grant funded fiscally affiliated charters	5,143	5,990	5,958	5,936
Total Block Grant Funded Fiscally Affiliated Charters	5,143	5,990	5,958	5,936
Adult program:				
ROC/P Mandated	20,125	19,110	14,395	18,857
Classes for Adults – Mandated	62,570	61,748	63,305	64,867
Concurrently Enrolled Adults	4,592	5,446	5,886	6,594
Full-time Independent Study***	6	3	7	29
Total Adult Program	87,293	86,307	83,593	90,347
Total Average Daily Attendance	758,605	746,605	722,564	710,770
Summer School Hours of Attendance				
Elementary	8,855,212	12,526,699	12,061,970	9,974,314
Secondary	5,941,513	6,350,873	8,929,199	8,357,150
Dependent Charter	*****	*****	*****	*****
Total Hours	14,796,725	18,877,572	20,991,169	18,331,464

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

\*\*\*\* Not collected due to changes made by Education Code Section 42605. For 2008-09 through 2014-15, Districts are not required to operate the program or follow program requirements. Revenue for these years will be based on the same relative proportion that the District received for these programs in fiscal year 2007-08.

\*\*\*\*\* Included with Elementary and Secondary hours.

<sup>a</sup> Updated to reflect audited annual report.

See accompanying independent auditor's report.

2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
44,705	44,393	43,906	43,364	43,737	42,093
141,266	138,384	134,001	130,846	127,081	120,880
136,245	131,692	127,455	124,800	119,257	111,082
90,769	86,871	82,465	78,704	73,733 a	68,461
19,427	19,897	19,204	19,250	18,522	17,966
—	—	1	1	1	1
11	10	7	7	8	8
170	123	118	127	107	118
122	122	126	85	94	103
26	22	21	11	15	8
432,741	421,514	407,304	397,195	382,555	360,720
151,852	151,451	146,707	143,979	135,549 a	129,037
11,030	10,905	10,960	11,252	10,709	10,513
—	—	1	—	1	—
2,837	3,085	3,339	3,507	3,602 a	3,623
433	455	492	494	506	492
130	109	99	98	101	101
692	772	915	911	933	852
84	81	240	148	137	175
167,058	166,858	162,753	160,389	151,538	144,793
6,482	6,655	6,906	7,866	13,499	28,863
6,482	6,655	6,906	7,866	13,499	28,863
20,309	23,379	****	****	****	****
65,684	66,905	****	****	****	****
7,756	8,297	****	****	****	****
43	25	****	****	****	****
93,792	98,606	—	—	—	—
700,073	693,633	576,963	565,450	547,592	534,376
10,195,908	8,567,366	****	****	****	****
8,336,362	7,203,657	****	****	****	****
*****	*****	****	****	****	****
18,532,270	15,771,023	—	—	—	—

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

	<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>2006-2007</u>
Governmental Activities:				
Instruction	54,151	53,601	52,608	52,769
Support services – students	2,954	3,074	3,091	3,060
Support services – instructional staff	5,079	5,327	5,560	5,280
Support services – general administration	173	193	209	222
Support services – school administration	5,720	5,780	5,870	6,045
Support services – business	1,748	1,441	1,119	1,154
Operation and maintenance of plant services	7,591	7,398	7,537	7,835
Student transportation services	1,279	1,229	1,174	1,236
Data processing services	515	519	557	722
Operation of noninstructional services	3,449	3,389	3,232	3,394
Facilities acquisition and construction services	545	884	937	994
Total Governmental Activities	<u>83,204</u>	<u>82,835</u>	<u>81,894</u>	<u>82,711</u>

See accompanying independent auditor's report.

<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>
51,839	52,317	46,896	45,115	44,907	41,817
3,459	3,455	3,226	3,057	2,810	2,700
5,883	5,332	4,105	3,970	3,137	2,652
220	219	193	187	195	180
6,097	6,047	5,470	4,741	4,218	3,894
1,217	1,121	1,134	880	909	1,052
7,830	8,016	6,842	6,137	6,241	5,814
1,346	1,354	1,290	1,178	1,041	1,034
680	571	384	357	414	442
3,685	3,976	4,604	4,702	3,186	3,046
1,093	1,090	1,077	700	844	981
<u>83,349</u>	<u>83,498</u>	<u>75,221</u>	<u>71,024</u>	<u>67,902</u>	<u>63,612</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Capital Assets by Function

Last Ten Fiscal Years

(in thousands)

(Unaudited)

	<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</u>
Governmental Activities:					
Instruction	\$ 528,679	\$ 513,717	\$ 497,404	\$ 478,190	\$ 462,230
Support services – students	2,662	2,795	2,823	2,850	2,902
Support services – instructional staff	44,718	55,793	109,660	64,517	63,334
Support services – general administration	4,037	4,077	4,076	4,125	4,124
Support services – school administration	60,410	60,447	60,447	71,013	71,875
Support services – business	31,371	31,397	30,818	32,499	39,700
Operation and maintenance of plant services	140,029	165,668	177,094	139,831	198,985
Student transportation services	49,201	49,235	49,357	49,153	46,317
Data processing services	373,820	401,997	388,367	438,732	445,150
Operation of noninstructional services	9,712	9,750	9,977	11,806	15,574
Facilities acquisition and construction services	6,328,779	7,656,251	9,131,797	10,651,910	12,231,831
Total Governmental Activities	<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>

See accompanying independent auditor's report.



<b><u>2008-2009</u></b>	<b><u>2009-2010</u></b>	<b><u>2010-2011</u></b>	<b><u>2011-2012</u></b> <b><u>(As Restated)</u></b>	<b><u>2012-2013</u></b>
\$ 445,482	\$ 441,818	\$ 430,887	\$ 418,744	\$ 390,030
2,902	2,902	3,820	5,167	5,507
111,596	111,842	112,492	112,530	67,995
4,125	4,125	4,126	4,136	4,124
72,027	73,901	73,973	74,117	72,116
46,924	46,924	53,672	57,483	55,837
201,531	201,826	213,453	223,913	147,987
45,033	54,060	87,166	83,925	95,854
398,032	402,311	406,813	614,302	690,137
22,463	23,777	25,381	26,346	28,114
14,341,812	15,971,711	17,122,389	17,859,785	18,471,243
<b><u>\$ 15,691,927</u></b>	<b><u>\$ 17,335,197</u></b>	<b><u>\$ 18,534,172</u></b>	<b><u>\$ 19,480,448</u></b>	<b><u>\$ 20,028,944</u></b>

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

Fiscal Year:	July 1 – June 30	<b>2006-2007</b>
Enrollment by Level:	Elementary (grades K-5/6)	308,000
(As of September)	Middle/Junior High (grades 6-8)	141,745
	Senior High (grades 9-12)	167,113
	Magnet Schools/Centers (grades K-12)	53,277
	Special Education Schools (grades K-12)	3,673
	Total K-12 Enrollment	673,808
	Community Adult Schools	108,096
	Occupational Centers and Skills Centers	37,672
	Total Adult/ROC Enrollment	145,768
	Total Enrollment	819,576
	Early Education Centers	11,052
	Independent Charter Schools	34,961
Student-Teacher Ratio		
& Cost per Student:	Student Enrollment	830,320
	Teaching Staff	32,923
	Student-Teacher Ratio	25.22 : 1
	Total Primary Government Expense (in thousands)	\$ 7,577,170
	Cost Per Student	\$ 9,126
Percent of Free & Reduced		
Students in Lunch Program:	Elementary	86.97%
	Secondary	89.70
	Total	87.77
Number of Teachers <sup>(1)</sup>		
by Education Level:	Bachelor's Degree	2,239
	Bachelor's Degree + 14 semester units	1,173
	Bachelor's Degree + 28 semester units	3,280
	Bachelor's Degree + 42 semester units	3,901
	Bachelor's Degree + 56 semester units	3,420
	Bachelor's Degree + 70 semester units	3,124
	Bachelor's Degree + 84 semester units	2,850
	Bachelor's Degree + 98 semester units	7,147
	Bachelor's Degree + 98 semester units + 15-19 years of service	2,398
	Bachelor's Degree + 98 semester units + 20-24 years of service	1,351
	Bachelor's Degree + 98 semester units + 25-29 years of service	1,215
	Bachelor's Degree + 98 semester units + 30 or more years of service	825
	Total	32,923
	Master's Degree	9,816
	Doctorate Degree	505
Average Teacher Pay		
by Education Level:	Bachelor's Degree	\$ 43,352
	Bachelor's Degree + 14 semester units	46,896
	Bachelor's Degree + 28 semester units	50,047
	Bachelor's Degree + 42 semester units	53,558
	Bachelor's Degree + 56 semester units	56,982
	Bachelor's Degree + 70 semester units	61,323
	Bachelor's Degree + 84 semester units	64,959
	Bachelor's Degree + 98 semester units	69,891
	Bachelor's Degree + 98 semester units + 15-19 years of service	75,024
	Bachelor's Degree + 98 semester units + 20-24 years of service	75,597
	Bachelor's Degree + 98 semester units + 25-29 years of service	77,598
	Bachelor's Degree + 98 semester units + 30 or more years of service	78,906
	Master's Degree <sup>(2)</sup>	+584
	Doctorate Degree <sup>(2)</sup>	+1,168

<sup>(1)</sup> Includes credentialed and non-credentialed employees.

<sup>(2)</sup> Amount in addition to Bachelor's Degree pay.

Source: District's Records

Note: Beginning with Fiscal Year 2006-2007, trend data is included per recommendation of Governmental Accounting, Auditing, and Financial Reporting.

See accompanying independent auditor's report.

2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
295,260	289,969	282,469	281,108	277,269	272,804
136,315	128,528	119,534	106,097	99,726	98,437
165,459	161,689	155,740	154,001	142,669	133,601
52,525	53,261	56,503	56,952	58,244	58,471
3,656	3,604	3,552	3,555	3,537	3,291
653,215	637,051	617,798	601,713	581,445	566,604
105,668	103,440	80,407	80,618	66,937	19,377
42,955	43,966	50,068	55,782	52,826	39,954
148,623	147,406	130,475	136,400	119,763	59,331
801,838	784,457	748,273	738,113	701,208	625,935
11,013	10,787	11,432	12,139	14,242	11,899
41,073	51,087	60,643	69,935	82,788	88,931
812,851	795,244	759,705	750,252	715,450	637,834
36,564	33,166	33,387	32,429	30,100	28,779
22.23 : 1	23.98 : 1	22.75 : 1	23.14 : 1	23.77 : 1	22.16 : 1
\$ 9,028,343	\$ 9,005,723	\$ 8,247,767	\$ 8,442,307	\$ 8,209,562	\$ 8,207,110
\$ 11,107	\$ 11,324	\$ 10,857	\$ 11,253	\$ 11,475	\$ 12,867
85.48%	86.12%	86.48%	85.79%	85.31%	84.85%
90.23	91.23	91.34	90.10	89.52	88.61
86.94	87.82	88.18	87.22	86.62	85.91
1,862	807	618	497	351	303
894	533	489	379	300	242
2,988	1,881	1,776	1,564	1,237	1,110
3,657	2,732	2,555	2,384	1,999	1,867
3,490	2,908	2,734	2,555	2,292	2,172
3,327	2,986	2,861	2,736	2,458	2,365
3,310	3,085	2,930	2,782	2,574	2,415
10,108	10,426	11,839	11,496	10,125	8,779
3,079	4,384	3,496	3,989	4,723	5,438
1,548	1,554	2,225	2,224	2,301	2,438
1,307	1,081	1,040	999	946	953
994	789	824	824	794	697
36,564	33,166	33,387	32,429	30,100	28,779
12,869	12,845	13,358	13,362	12,658	12,723
599	581	601	591	580	343
\$ 43,757	\$ 45,474	\$ 46,186	\$ 46,699	\$ 47,561	\$ 47,747
47,301	48,926	48,630	49,574	50,775	51,425
50,035	52,293	51,801	52,228	53,390	53,980
53,524	55,817	55,296	55,752	56,583	56,869
57,067	59,095	58,574	59,036	59,884	60,206
61,182	62,779	62,288	62,730	63,368	63,865
64,605	66,136	65,558	66,225	67,037	67,312
69,688	70,396	70,122	70,581	71,069	71,444
75,024	75,024	75,024	75,024	75,024	75,024
75,597	75,597	75,597	75,597	75,597	75,597
77,598	77,598	77,598	77,598	77,598	77,598
78,906	78,906	78,906	78,906	78,906	78,906
+584	+584	+584	+584	+584	+584
+1,168	+1,168	+1,168	+1,168	+1,168	+1,168



**STATE AND FEDERAL  
COMPLIANCE  
INFORMATION  
SECTION**



LOS ANGELES UNIFIED SCHOOL DISTRICT  
General Fund  
Schedule of Principal Apportionment from the State School Fund  
Year Ended June 30, 2013

Base Revenue Limit per A.D.A.			
Base revenue limit per A.D.A. (PY)		\$	6,505.56
Inflation increase			212.00
Other Adjustments *			57.35
Total Base Revenue Limit per A.D.A.		\$	6,774.91
Revenue Limit ADA			548,796.78
Total State Revenue Limit			
Base revenue limit	\$	6,774.91 x 548,796.78 A.D.A	\$ 3,718,048,793
Deficit (0.22272)			(828,083,827)
Unemployment insurance revenue			43,748,398
PERS reduction (including adjustment for safety members)			(2,370,261)
Total K-12 Revenue Limit			2,931,343,103
County office funds transfer			(933,412)
Property taxes and other local revenues			(1,139,313,020)
Charter schools in-lieu of taxes			194,844,726
Charter schools general purpose block grant offset			(168,905,656)
State Aid Portion of Revenue Limit – Current Year			1,817,035,741
Fiscally affiliated charter schools general purpose block grant			70,111,356
Fiscally affiliated charter schools in-lieu taxes			48,453,815
PERS reduction transfer			2,370,261
Education Protection Account			(627,191,891)
Prior year adjustments			(473,658)
Total State Aid K-12 Revenue Limit			1,310,305,624
Principal apportionments – other state revenues			
Core academic program (Supplemental instruction, grades K-12) **			
Current year			3,073,933
California high school exit exam (Supplemental instruction, grades 7-12) **			
Current year			40,443,831
Retained and recommended for retention (Supplemental instruction, grades 2-9) **			
Current year			13,866,438
Apprenticeship Funding			
Current year			2,608,291
Prior year adjustments			59,671
Community day school additional funding **			
Current year			2,792,309
Community day additional for mandatory expelled pupils			
Current year			304,802
Prior year adjustments			(2,043)
Gifted and talented education (GATE)			
Current year			4,507,687
Prior year adjustments			(2)
Regional occupational center/program (ROC/P) **			
Current year			54,659,438
Prior year adjustments			174,663
ROC/P handicapped			
Current year			746,102
Special education			
Current year			361,457,881
Prior year adjustments			(8,190)
Charter Schools Categorical Block Grant			
Current year			14,474,894
Prior year			39,848
Total Principal Apportionment from State School Funds		\$	1,809,505,177

\* Revenue limit add-on funding adjustments for the changes made to Meals for Needy Pupils funding and Beginning Teachers Salary funding effective fiscal year 2010-11. (EC sections 42238( c)(1)(A) and 42238( c)(2))

\*\* 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 2014-15 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, 2013  
(in thousands)

	<u>Appropriations</u>	<u>Expenditures and Other Uses</u>	<u>Unexpended Balances</u>
Regular program:			
General Program – Schools	\$ 3,033,257	\$ 2,943,107	\$ 90,150
General Program – Support Services	726,752	507,285	219,467
General Program – Hourly Intervention/ Remediation	1,000	1,033	(33)
General Program – Interfund Transfers	162,685	145,311	17,374
General Program – Options Programs	68,606	64,995	3,611
Special Education – Schools	1,324,765	1,236,626	88,139
Special Education – Support Services	67,760	54,038	13,722
Special Education – Extended Session	20,615	17,858	2,757
Student Integration – Schools	147,548	123,203	24,345
Student Integration – Support Services	10,838	9,853	985
ROC/Skill Centers – Schools	44,353	33,298	11,055
ROC/Skill Centers – Support Services	1,148	1,928	(780)
Routine Repair & Gen Maintenance – Schools	18,281	19,908	(1,627)
Routine Repair & Gen Maintenance – Support Services	69,804	66,296	3,508
Community Services	10,483	11,157	(674)
Reserves and Resources Allocations	74,376	7,976	66,400
Total Regular Program	5,782,271	5,243,872	538,399
Specially Funded Programs	853,577	698,550	155,027
Total General Fund	<u>\$ 6,635,848</u>	<u>\$ 5,942,422</u>	<u>\$ 693,426</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, 2013  
(in thousands)

Instruction	<u>\$ 4,500,268</u>
Support Services	
Supervision of instruction	36,516
Library, media, technology and other instructional resources	2,708
School administration	222,150
Pupil support services	47,201
Pupil transportation	9,807
Data processing services	38,567
Plant maintenance and operations	448,401
Facilities rents and leases	7,914
Central administration	<u>365,392</u>
Total Support Services	<u>1,178,656</u>
Other Goals	
Community services	13,665
Child care and development services	756
Food services	<u>2,448</u>
Total Other Goals	<u>16,869</u>
Facilities Acquisition and Construction	<u>57,359</u>
Other Outgo	
Debt service	948
All other outgo	<u>188,322</u>
Total Other Outgo	<u>189,270</u>
Total Expenditures and Other Uses	<u><u>\$ 5,942,422</u></u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
General Fund  
Schedule of Current Expense of Education  
Year Ended June 30, 2013  
(in thousands)

	<b>Total Expense for the Year</b>	<b>Excluded Amounts*</b>	<b>Current Expense of Education</b>	<b>Current Expense of Education per Unit of A.D.A.**</b>
Certificated salaries	\$ 2,591,728	\$ 3,961	\$ 2,587,767	\$ 4,844.27
Classified salaries	781,440	17,130	764,310	1,430.78
Employee benefits (excluding PERS reduction)	1,348,918	258,199	1,090,719	2,041.81
Books, supplies, and equipment replacement	167,765	3,073	164,692	308.30
Services and operating expense and direct support	762,804	4,820	757,984	1,418.94
<b>Total</b>	<b>\$ 5,652,655</b>	<b>\$ 287,183</b>	<b>\$ 5,365,472</b>	<b>\$ 10,044.10</b>
* Excluded amounts relate to:				
Community Services		\$ 13,604		
Facilities Acquisition & Construction		8,964		
Food Services		2,340		
Fringe Benefits to Retirees		252,642		
Nonagency		9,633		
<b>Total</b>		<b>\$ 287,183</b>		

\*\* Annual A.D.A. (Average Daily Attendance) used is 534,191.12. 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, 2013  
(in thousands)

	<b>Balances July 1, 2012</b>	<b>Revenues</b>	<b>Expenditures</b>	<b>Contributions</b>	<b>Balances June 30, 2013</b>
Continuation Education	\$ —	\$ 18,918	\$ 28,010	\$ 9,092	\$ —
Community Day Schools	—	303	—	(303)	—
Medi-Cal Billing Options	11,956	13,821	23,928	—	1,849
FEMA Public Assistance Funds	91	—	9	—	82
Cops More Program	35	—	—	—	35
School Mental Health Medi-cal Rehabilitation	4,045	3,568	1,570	—	6,043
Teacher Recruitment and Retention	4,862	(4,862)	—	—	—
English Language Acquisition Program, Teacher Training & Student Assistance	3,798	—	34	—	3,764
Lottery: Instructional Materials	—	20,615	20,615	—	—
ROC/P: Training & Certification for Community Care	14	239	253	—	—
Pupils with Disabilities Attending ROC/P	—	746	769	23	—
Special Education	9,520	500,766	1,086,826	580,007	3,467
Special Ed: Early Ed Individuals with Exceptional Needs (Infant Program)	—	2,989	2,850	—	139
Economic Impact Aid (EIA)	6,482	1,151	6,282	—	1,351
Economic Impact Aid: Limited English Proficiency (LEP)	43,024	123,957	106,935	—	60,046
Transportation: Home to School	—	36,399	44,078	7,679	—
Transportation: Special Education	—	41,188	51,236	10,048	—
Quality Education Investment Act	43,126	81,030	92,138	—	32,018
California Energy Commission Loan Expenditure	397	—	—	—	397
Employment Training Panel – ROC/P	—	143	83	—	60
Ongoing and Major Maintenance Account	9,000	77,204	86,204	—	—
Certificates of Participation (Acquisition Accounts) Proceeds	49,679	9,622	30,734	(28)	28,539
Clean Cities Grant	86	—	—	—	86
B.E.S.T. Behavior – Special Education	—	103	—	—	103
Cognitive Behavioral Intervention Therapy	448	—	(42)	—	490
<b>Total</b>	<b>\$ 186,563</b>	<b>\$ 927,900</b>	<b>\$ 1,582,512</b>	<b>\$ 606,518</b>	<b>\$ 138,469</b>

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, 2013  
(in thousands)

Revenues and Other Sources:	
Federal revenues	\$ 20,406
Other state revenues	7,984
Other local revenues	1,734
Interfund Transfers	<u>60,552</u>
Total Revenues and Other Sources	<u>90,676</u>
 Expenditures and Other Uses	
Instruction	44,066
Support Services	
Supervision of instruction	11,097
School administration	10,376
Guidance and counseling services	3,482
Other pupil services	191
General administration cost transfers	81
Plant maintenance and operations	9,627
Facilities acquisition and construction	1,343
Facilities rents and leases	188
Interfund Transfers	<u>11,402</u>
Total Expenditures and Other Uses	<u>91,853</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	(1,177)
 Fund Balance, July 1, 2012	<u>10,028</u>
 Fund Balance, June 30, 2013	<u><u>\$ 8,851</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, 2013  
(in thousands)

Revenues and Other Sources:	
Federal revenues	\$ 24,559
Other state revenues	68,355
Other local revenues	5,919
Interfund transfers	<u>15,322</u>
Total Revenues and Other Sources	<u>114,155</u>
Expenditures and Other Uses	
Instruction	89,404
Support Services	
Supervision of instruction	1,706
School administration	12,358
Food services	1
Other general administration	3,247
Plant maintenance and operations	6,336
Facilities acquisition and construction	312
Debt Service	<u>158</u>
Total Expenditures and Other Uses	<u>113,522</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	633
Fund Balance, July 1, 2012	<u>70</u>
Fund Balance, June 30, 2013	<u><u>\$ 703</u></u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
All Funds  
Schedule of Fund Equity  
Year Ended June 30, 2013  
(in thousands)

	<b>General Fund</b>	<b>Adult Education Fund</b>	<b>Cafeteria Fund</b>	<b>Child Development Fund</b>	<b>Bond Interest &amp; Redemption Fund</b>	<b>Tax Override Fund</b>
Nonspendable:						
Revolving and imprest funds	\$ 2,673	\$ 62	\$ —	\$ 1	\$ —	\$ —
Inventories	15,818	—	10,140	—	—	—
Prepays	22	—	—	—	—	—
Total Nonspendable	18,513	62	10,140	1	—	—
Restricted	138,469	—	14,711	—	750,540	332
Committed	—	8,789	—	—	—	—
Assigned	370,359	—	—	702	—	—
Unassigned						
Reserved for economic uncertainties	65,376	—	—	—	—	—
Unassigned	—	—	—	—	—	—
Total Unassigned	65,376	—	—	—	—	—
Unrestricted net position	—	—	—	—	—	—
Total Fund Equity/Net Position	<u>\$ 592,717</u>	<u>\$ 8,851</u>	<u>\$ 24,851</u>	<u>\$ 703</u>	<u>\$ 750,540</u>	<u>\$ 332</u>

See accompanying independent auditor's report.

<b>Capital Services Fund</b>	<b>Building Account – Bond Proceeds</b>	<b>Building Account – Measure K</b>	<b>Building Account – Measure R</b>	<b>Building Account – Measure Y</b>	<b>Building Fund</b>	<b>State School Building Lease – Purchase Fund</b>	<b>Special Reserve Fund</b>
\$ —	\$ 3,000	\$ —	\$ 300	\$ 500	\$ —	\$ —	\$ —
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	3,000	—	300	500	—	—	—
54,366	15,537	295,105	782,032	632,592	—	4,255	94,036
—	—	—	—	—	—	—	—
—	—	—	—	—	3,465	154	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
\$ 54,366	\$ 18,537	\$ 295,105	\$ 782,332	\$ 633,092	\$ 3,465	\$ 4,409	\$ 94,036

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
All Funds  
Schedule of Fund Equity (Continued)  
Year Ended June 30, 2013  
(in thousands)

	<b>Special Reserve Fund – FEMA – Earthquake</b>	<b>Special Reserve Fund – FEMA – Hazard Mitigation</b>	<b>Special Reserve Fund – Community Redevelopment Agency</b>	<b>Capital Facilities Account Fund</b>	<b>County School Facilities Fund</b>	<b>County School Facilities Fund – Prop 47</b>
Nonspendable:						
Revolving and imprest funds	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Inventories	—	—	—	—	—	—
Prepays	—	—	—	—	—	—
Total Nonspendable	—	—	—	—	—	—
Restricted	240	—	20,710	—	18,451	55,355
Committed	—	—	—	—	—	—
Assigned	—	2,043	—	95,894	—	—
Unassigned						
Reserved for economic uncertainties	—	—	—	—	—	—
Unassigned	—	—	—	—	—	—
Total Unassigned	—	—	—	—	—	—
Unrestricted net position	—	—	—	—	—	—
Total Fund Equity/Net Position	<u>\$ 240</u>	<u>\$ 2,043</u>	<u>\$ 20,710</u>	<u>\$ 95,894</u>	<u>\$ 18,451</u>	<u>\$ 55,355</u>

See accompanying independent auditor's report.



<b>County School Facilities Fund – Prop 55</b>	<b>County School Facilities Fund – Prop 1D</b>	<b>Health and Welfare Benefits Fund</b>	<b>Workers’ Compensation Self – Insurance Fund</b>	<b>Liability Self – Insurance Fund</b>
\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
220,000	160,528	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	328,123	2,428	2,825
<b>\$ 220,000</b>	<b>\$ 160,528</b>	<b>\$ 328,123</b>	<b>\$ 2,428</b>	<b>\$ 2,825</b>

LOS ANGELES UNIFIED SCHOOL DISTRICT  
All Funds  
Schedule of Revenues and Other Financing Sources  
Year Ended June 30, 2013  
(in thousands)

	SACS Object Code	General Fund	Special Revenue		
			Adult Education	Cafeteria	Child Development
Revenue Limit Sources:					
Principal Apportionment:					
State Aid – Current Year	8011	\$ 1,189,844	\$ —	\$ —	\$ —
Education Protection Account Entitlement	8012	659,445	—	—	—
Charter School Gen Purpose Entitlement – State Aid	8015	70,111	—	—	—
State Aid – Prior Years	8019	(474)	—	—	—
Revenue Limit Transfers:					
PERS Reduction Transfer	8092	2,370	—	—	—
Transfer to Charter In Lieu Property Taxes	8096	(146,866)	—	—	—
Principal Apportionment Net of Transfers		1,774,430	—	—	—
Tax Relief Subventions:					
Homeowners' Exemptions	8021	7,174	—	—	—
Other Subventions/In-lieu of Taxes	8029	5,997	—	—	—
County & District Taxes:					
Secured Roll Taxes	8041	821,206	—	—	—
Unsecured Roll Taxes	8042	32,809	—	—	—
Prior Years' Taxes	8043	68,295	—	—	—
Supplemental Taxes	8044	10,921	—	—	—
Education Revenue Augmentation Fund (ERAF)	8045	114,465	—	—	—
Community Redevelopment Funds	8047	76,626	—	—	—
Penalties/Int. – Delinquent Revenue Limit Taxes	8048	1,821	—	—	—
Local Revenue Limit Sources		1,139,314	—	—	—
Total Revenue Limit Sources		2,913,744	—	—	—
Federal Revenues:					
Special Education Entitlement	8181	106,081	—	—	—
Special Education Discretionary Grant	8182	20,725	—	—	—
Child Nutrition Programs	8220	—	—	267,904	—
Forest Reserve Funds	8260	51	—	—	—
Flood Control Funds	8270	1	—	—	—
FEMA	8281	57	—	—	—
Interagency Contracts Between LEAs	8285	1,146	—	—	—
Other No Child Left Behind	8290	51,493	—	—	—
NCLB Title I Part A, Basic Grants Low Income and Neglected	8290	301,026	—	—	—
NCLB Title I Part D, Local Delinquent Programs	8290	905	—	—	—
NCLB Title II Part A, Teacher Quality	8290	51,745	—	—	—
NCLB Title III, Limited English Proficient	8290	19,544	—	—	—
Vocational & Applied Technology Education	8290	6,099	2,750	—	—
Other Federal Revenue	8290	70,980	17,656	164	24,559
Total Federal Revenues		629,853	20,406	268,068	24,559

[illegible]

LOS ANGELES UNIFIED SCHOOL DISTRICT  
All Funds  
Schedule of Revenues and Other Financing Sources (Continued)  
Year Ended June 30, 2013  
(in thousands)

	SACS Object Code	Capital Projects			
		Capital Facilities Fund	State School Building Lease – Purchase	Special Reserve	Special Reserve CRA
Revenue Limit Sources:					
Principal Apportionment:					
State Aid – Current Year	8011	\$ —	\$ —	\$ —	\$ —
Education Protection Account Entitlement	8012	—	—	—	—
Charter School Gen Purpose Entitlement – State Aid	8015	—	—	—	—
State Aid – Prior Years	8019	—	—	—	—
Revenue Limit Transfers:					
PERS Reduction Transfer	8092	—	—	—	—
Transfer to Charter In Lieu Property Taxes	8096	—	—	—	—
Principal Apportionment Net of Transfers		—	—	—	—
Tax Relief Subventions:					
Homeowners' Exemptions	8021	—	—	—	—
Other Subventions/In-lieu of Taxes	8029	—	—	—	—
County & District Taxes:					
Secured Roll Taxes	8041	—	—	—	—
Unsecured Roll Taxes	8042	—	—	—	—
Prior Years' Taxes	8043	—	—	—	—
Supplemental Taxes	8044	—	—	—	—
Education Revenue Augmentation Fund (ERAF)	8045	—	—	—	—
Community Redevelopment Funds	8047	—	—	—	—
Penalties/Int. – Delinquent Revenue Limit Taxes	8048	—	—	—	—
Local Revenue Limit Sources		—	—	—	—
Total Revenue Limit Sources		—	—	—	—
Federal Revenues:					
Special Education Entitlement	8181	—	—	—	—
Special Education Discretionary Grant	8182	—	—	—	—
Child Nutrition Programs	8220	—	—	—	—
Forest Reserve Funds	8260	—	—	—	—
Flood Control Funds	8270	—	—	—	—
FEMA	8281	—	—	—	—
Interagency Contracts Between LEAs	8285	—	—	—	—
Other No Child Left Behind	8290	—	—	—	—
NCLB Title I Part A, Basic Grants Low Income and Neglected	8290	—	—	—	—
NCLB Title I Part D, Local Delinquent Programs	8290	—	—	—	—
NCLB Title II Part A, Teacher Quality	8290	—	—	—	—
NCLB Title III, Limited English Proficient	8290	—	—	—	—
Vocational & Applied Technology Education	8290	—	—	—	—
Other Federal Revenue	8290	—	—	—	—
Total Federal Revenues		—	—	—	—

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
All Funds  
Schedule of Revenues and Other Financing Sources (Continued)  
Year Ended June 30, 2013  
(in thousands)

				<b>District Bond</b>
	<b>SACS Object Code</b>	<b>Building Account – Bond Proceeds</b>	<b>Building Account – Measure Y</b>	<b>Building Account – Measure R</b>
Revenue Limit Sources:				
Principal Apportionment:				
State Aid – Current Year	8011	\$ —	\$ —	\$ —
Education Protection Account Entitlement	8012	—	—	—
Charter School Gen Purpose Entitlement – State Aid	8015	—	—	—
State Aid – Prior Years	8019	—	—	—
Revenue Limit Transfers:				
PERS Reduction Transfer	8092	—	—	—
Transfer to Charter In Lieu Property Taxes	8096	—	—	—
Principal Apportionment Net of Transfers		—	—	—
Tax Relief Subventions:				
Homeowners' Exemptions	8021	—	—	—
Other Subventions/In-lieu of Taxes	8029	—	—	—
County & District Taxes:				
Secured Roll Taxes	8041	—	—	—
Unsecured Roll Taxes	8042	—	—	—
Prior Years' Taxes	8043	—	—	—
Supplemental Taxes	8044	—	—	—
Education Revenue Augmentation Fund (ERAF)	8045	—	—	—
Community Redevelopment Funds	8047	—	—	—
Penalties/Int. – Delinquent Revenue Limit Taxes	8048	—	—	—
Local Revenue Limit Sources		—	—	—
Total Revenue Limit Sources		—	—	—
Federal Revenues:				
Special Education Entitlement	8181	—	—	—
Special Education Discretionary Grant	8182	—	—	—
Child Nutrition Programs	8220	—	—	—
Forest Reserve Funds	8260	—	—	—
Flood Control Funds	8270	—	—	—
FEMA	8281	—	—	—
Interagency Contracts Between LEAs	8285	—	—	—
Other No Child Left Behind	8290	—	—	—
NCLB Title I Part A, Basic Grants Low Income and Neglected	8290	—	—	—
NCLB Title I Part D, Local Delinquent Programs	8290	—	—	—
NCLB Title II Part A, Teacher Quality	8290	—	—	—
NCLB Title III, Limited English Proficient	8290	—	—	—
Vocational & Applied Technology Education	8290	—	—	—
Other Federal Revenue	8290	—	—	—
Total Federal Revenues		—	—	—

Funds		Internal Service Funds				
Building Account – Measure K	Total	Health and Welfare Benefits	Workers' Compensation	Liability	Total	Total
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,189,844
—	—	—	—	—	—	659,445
—	—	—	—	—	—	70,111
—	—	—	—	—	—	(474)
—	—	—	—	—	—	2,370
—	—	—	—	—	—	(146,866)
—	—	—	—	—	—	1,774,430
—	—	—	—	—	—	7,174
—	—	—	—	—	—	5,997
—	—	—	—	—	—	821,206
—	—	—	—	—	—	32,809
—	—	—	—	—	—	68,295
—	—	—	—	—	—	10,921
—	—	—	—	—	—	114,465
—	—	—	—	—	—	76,626
—	—	—	—	—	—	1,821
—	—	—	—	—	—	1,139,314
—	—	—	—	—	—	2,913,744
—	—	—	—	—	—	106,081
—	—	—	—	—	—	20,725
—	—	—	—	—	—	267,904
—	—	—	—	—	—	51
—	—	—	—	—	—	1
—	—	—	—	—	—	57
—	—	—	—	—	—	1,146
—	—	—	—	—	—	51,493
—	—	—	—	—	—	301,026
—	—	—	—	—	—	905
—	—	—	—	—	—	51,745
—	—	—	—	—	—	19,544
—	—	—	—	—	—	8,849
—	—	—	—	—	—	187,699
—	—	—	—	—	—	1,017,226

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
All Funds  
Schedule of Revenues and Other Financing Sources (Continued)  
Year Ended June 30, 2013  
(in thousands)

	SACS Object Code	General Fund	Special Revenue		
			Adult Education	Cafeteria	Child Development
Other State Revenues:					
Other State Apportionments:					
Community Day Schools Additional Funding					
Current Year	8311	\$ 305	\$ —	\$ —	\$ —
Prior years	8319	(2)	—	—	—
ROC/P Entitlement:					
Current Year	8311	746	—	—	—
Prior Years	8319	60	—	—	—
Spec. Ed. Master Plan:					
Current Year	8311	358,469	—	—	—
Prior Years	8319	(8)	—	—	—
Home-to-School Transportation	8311	36,399	—	—	—
Economic Impact Aid	8311	125,108	—	—	—
Special Education Transportation	8311	41,189	—	—	—
All Other State Apportionments – Current Year	8311	5,597	—	—	—
Class Size Reduction, K-3	8434	147,568	—	—	—
Child Nutrition Programs	8520	—	—	18,556	—
Mandated Costs Reimbursements	8550	15,233	—	—	—
School Facilities Apportionments	8545	—	—	—	—
Lottery – Unrestricted and Instructional Materials	8560	103,927	—	—	—
Voted Indebtedness Levies Homeowners' Exemptions	8571	—	—	—	—
Other Subventions/In-Lieu Taxes	8572	—	—	—	—
After School Education and Safety (ASES)	8590	72,612	—	—	—
Drug/Alcohol/Tobacco Funds	8590	594	—	—	—
Healthy Start	8590	190	—	—	—
School Community Violence Prevention Grant	8590	51	—	—	—
Quality Education Investment Act	8590	81,030	—	—	—
State Preschool	8590	—	—	—	68,355
All Other State Revenue	8590	1,013,449	7,984	—	—
Total Other State Revenues		2,002,517	7,984	18,556	68,355
Other Local Revenues:					
County and District Taxes:					
Other Restricted & Voted Indebtedness Levies:					
Secured Roll	8611	—	—	—	—
Unsecured Roll	8612	—	—	—	—
Prior Years' Taxes	8613	—	—	—	—
Supplemental Taxes	8614	—	—	—	—
Community Redevelopment Funds not Subject to Revenue Limit Deduction	8625	—	—	—	—
Penalties and Interest from Delinquent Non-Revenue Limit Taxes	8629	—	—	—	—
Sales:					
Sale of Equipment/Supplies	8631	322	—	—	—
Food Service Sales	8634	—	—	6,390	—
Leases and Rentals	8650	14,588	4	—	—
Interest	8660	18,353	69	52	44
Fees and Contracts:					
Adult Education Fees	8671	—	672	—	—
Non-Resident Students	8672	245	—	—	—
Child Development Parent Fees	8673	—	—	—	2,574
In-District Premiums/Contributions	8674	—	—	—	—





LOS ANGELES UNIFIED SCHOOL DISTRICT  
All Funds  
Schedule of Revenues and Other Financing Sources (Continued)  
Year Ended June 30, 2013  
(in thousands)

	SACS Object Code	Capital Projects			
		Capital Facilities Fund	State School Building Lease – Purchase	Special Reserve	Special Reserve CRA
Other State Revenues:					
Other State Apportionments:					
Community Day Schools Additional Funding					
Current Year	8311	\$ —	\$ —	\$ —	\$ —
Prior years	8319	—	—	—	—
ROC/P Entitlement:					
Current Year	8311	—	—	—	—
Prior Years	8319	—	—	—	—
Spec. Ed. Master Plan:					
Current Year	8311	—	—	—	—
Prior Years	8319	—	—	—	—
Home-to-School Transportation	8311	—	—	—	—
Economic Impact Aid	8311	—	—	—	—
Special Education Transportation	8311	—	—	—	—
All Other State Apportionments – Current Year	8311	—	—	—	—
Class Size Reduction, K-3	8434	—	—	—	—
Child Nutrition Programs	8520	—	—	—	—
Mandated Costs Reimbursements	8550	—	—	—	—
School Facilities Apportionments	8545	—	—	—	—
Lottery – Unrestricted and Instructional Materials	8560	—	—	—	—
Voted Indebtedness Levies Homeowners' Exemptions	8571	—	—	—	—
Other Subventions/In-Lieu Taxes	8572	—	—	—	—
After School Education and Safety (ASES)	8590	—	—	—	—
Drug/Alcohol/Tobacco Funds	8590	—	—	—	—
Healthy Start	8590	—	—	—	—
School Community Violence Prevention Grant	8590	—	—	—	—
Quality Education Investment Act	8590	—	—	—	—
State Preschool	8590	—	—	—	—
All Other State Revenue	8590	—	—	—	—
Total Other State Revenues		—	—	—	—
Other Local Revenues:					
County and District Taxes:					
Other Restricted & Voted Indebtedness Levies:					
Secured Roll	8611	—	—	—	—
Unsecured Roll	8612	—	—	—	—
Prior Years' Taxes	8613	—	—	—	—
Supplemental Taxes	8614	—	—	—	—
Community Redevelopment Funds not Subject to Revenue Limit Deduction	8625	—	—	—	13,841
Penalties and Interest from Delinquent Non-Revenue Limit Taxes	8629	—	—	—	—
Sales:					
Sale of Equipment/Supplies	8631	—	—	—	—
Food Service Sales	8634	—	—	—	—
Leases and Rentals	8650	—	3	—	—
Interest	8660	541	88	635	98
Fees and Contracts:					
Adult Education Fees	8671	—	—	—	—
Non-Resident Students	8672	—	—	—	—
Child Development Parent Fees	8673	—	—	—	—
In-District Premiums/Contributions	8674	—	—	—	—





Funds Building Account – Measure K	Internal Service Funds					
	Total	Health and Welfare Benefits	Workers' Compensation	Liability	Total	Total
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 305
—	—	—	—	—	—	(2)
—	—	—	—	—	—	746
—	—	—	—	—	—	60
—	—	—	—	—	—	358,469
—	—	—	—	—	—	(8)
—	—	—	—	—	—	36,399
—	—	—	—	—	—	125,108
—	—	—	—	—	—	41,189
—	—	—	—	—	—	5,597
—	—	—	—	—	—	147,568
—	—	—	—	—	—	18,556
—	—	—	—	—	—	15,233
—	—	—	—	—	—	162,617
—	—	—	—	—	—	103,927
—	—	—	—	—	—	5,401
—	—	—	—	—	—	25
—	—	—	—	—	—	72,612
—	—	—	—	—	—	594
—	—	—	—	—	—	190
—	—	—	—	—	—	51
—	—	—	—	—	—	81,030
—	—	—	—	—	—	68,355
—	—	—	—	—	—	1,021,433
—	—	—	—	—	—	2,265,455
—	—	—	—	—	—	773,641
—	—	—	—	—	—	33,388
—	—	—	—	—	—	64,552
—	—	—	—	—	—	11,603
—	—	—	—	—	—	13,841
—	—	—	—	—	—	6,801
—	—	—	—	—	—	322
—	—	—	—	—	—	6,390
—	—	—	—	—	—	16,650
1,755	11,398	1,987	2,063	234	4,284	40,419
—	—	—	—	—	—	672
—	—	—	—	—	—	245
—	—	—	—	—	—	2,574
—	—	915,071	104,188	172,674	1,191,933	1,191,933

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
All Funds  
Schedule of Revenues and Other Financing Sources (Continued)  
Year Ended June 30, 2013  
(in thousands)

	SACS Object Code	General Fund	Special Revenue		
			Adult Education	Cafeteria	Child Development
Mitigation/Developer Fees	8681	\$ —	\$ —	\$ —	\$ —
All Other Fees and Contracts	8689	26,034	—	—	—
All Other Local Revenue	8699	65,729	989	168	3,301
Tuition	8710	209	—	—	—
Total Other Local Revenues		125,480	1,734	6,610	5,919
Subtotal – Revenues		5,671,594	30,124	293,234	98,833
Other Financing Sources:					
Interfund Transfers In:					
From General Fund to Child Development Fund	8911	—	—	—	15,322
From Special Reserve Fund	8912	238	—	—	—
From All Other Funds to State School Building Fund/ County School Facilities Fund	8913	—	—	—	—
From General Fund to Cafeteria Fund	8916	—	—	53,583	—
Other Authorized Interfund Transfer In	8919	23,339	60,552	1,082	—
Subtotal, Interfund Transfers In		23,577	60,552	54,665	15,322
Other Sources:					
Proceeds from Certificates of Participation	8971	—	—	—	—
Proceeds from Capital Leases	8972	4	—	—	—
All Other Financing Sources	8979	15,154	—	—	—
Subtotal, Other Sources		15,158	—	—	—
Total Other Financing Sources		38,735	60,552	54,665	15,322
Total Revenues and Other Financing Sources		\$ 5,710,329	\$ 90,676	\$ 347,899	\$ 114,155

<b>Funds</b>	<b>Debt Service Funds</b>			
<b>Total</b>	<b>Bond Interest and Redemption</b>	<b>Tax Override</b>	<b>Capital Services</b>	<b>Total</b>
\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—
4,458	53	—	—	53
—	—	—	—	—
14,263	891,814	2	212	892,028
422,191	970,967	27	800	971,794
15,322	—	—	—	—
—	—	—	—	—
—	—	—	—	—
53,583	—	—	—	—
61,634	—	—	41,166	41,166
130,539	—	—	41,166	41,166
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
130,539	—	—	41,166	41,166
\$ 552,730	\$ 970,967	\$ 27	\$ 41,966	\$ 1,012,960

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
All Funds  
Schedule of Revenues and Other Financing Sources (Continued)  
Year Ended June 30, 2013  
(in thousands)

	SACS Object Code	Capital Projects			
		Capital Facilities Fund	State School Building Lease – Purchase	Special Reserve	Special Reserve CRA
Mitigation/Developer Fees	8681	\$ 47,233	\$ —	\$ —	\$ —
All Other Fees and Contracts	8689	—	—	—	—
All Other Local Revenue	8699	—	6	13,603	—
Tuition	8710	—	—	—	—
Total Other Local Revenues		47,774	97	14,238	13,939
Subtotal – Revenues		47,774	97	14,238	13,939
Interfund Transfers In:					
From General Fund to Child Development Fund	8911	—	—	—	—
From Special Reserve Fund	8912	—	—	—	—
From All Other Funds to State School Building Fund/ County School Facilities Fund	8913	—	149	—	—
From General Fund to Cafeteria Fund	8916	—	—	—	—
Other Authorized Interfund Transfer In	8919	9,547	—	2,951	—
Subtotal, Interfund Transfers In		9,547	149	2,951	—
Other Sources:					
Proceeds from Certificates of Participation	8971	—	—	24,780	—
Proceeds from Capital Leases	8972	—	—	—	—
All Other Financing Sources	8979	—	—	—	—
Subtotal, Other Sources		—	—	24,780	—
Total Other Financing Sources		9,547	149	27,731	—
Total Revenues and Other Financing Sources		\$ 57,321	\$ 246	\$ 41,969	\$ 13,939



Funds		County School Facilities Funds				
Building Fund	Total	County School Facilities	County School Facilities – Prop 47	County School Facilities – Prop 55	County School Facilities – Prop 1D	Total
\$ —	\$ 47,233	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—	—
—	13,609	—	—	—	—	—
—	—	—	—	—	—	—
2,066	78,114	104	718	1,187	847	2,856
2,066	78,114	104	6,939	63,341	95,089	165,473
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	149	2,730	2,768	92,975	11,679	110,152
—	—	—	—	—	—	—
—	12,498	—	—	1	—	1
—	12,647	2,730	2,768	92,976	11,679	110,153
—	24,780	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	24,780	—	—	—	—	—
—	37,427	2,730	2,768	92,976	11,679	110,153
\$ 2,066	\$ 115,541	\$ 2,834	\$ 9,707	\$ 156,317	\$ 106,768	\$ 275,626

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
All Funds  
Schedule of Revenues and Other Financing Sources (Continued)  
Year Ended June 30, 2013  
(in thousands)

				<b>District Bond</b>
	<b>SACS Object Code</b>	<b>Building Account – Bond Proceeds</b>	<b>Building Account – Measure Y</b>	<b>Building Account – Measure R</b>
Mitigation/Developer Fees	8681	\$ —	\$ —	\$ —
All Other Fees and Contracts	8689	—	—	—
All Other Local Revenue	8699	4	10,362	5,345
Tuition	8710	—	—	—
Total Other Local Revenues		<u>305</u>	<u>14,650</u>	<u>10,399</u>
Subtotal – Revenues		<u>305</u>	<u>14,650</u>	<u>10,399</u>
Interfund Transfers In:				
From General Fund to Child Development Fund	8911	—	—	—
From Special Reserve Fund	8912	—	—	—
From All Other Funds to State School Building Fund/ County School Facilities Fund	8913	—	—	—
From General Fund to Cafeteria Fund	8916	—	—	—
Other Authorized Interfund Transfer In	8919	29,093	89,120	60,615
Subtotal, Interfund Transfers In		<u>29,093</u>	<u>89,120</u>	<u>60,615</u>
Other Sources:				
Proceeds from Certificates of Participation	8971	—	—	—
Proceeds from Capital Leases	8972	—	—	—
All Other Financing Sources	8979	—	—	—
Subtotal, Other Sources		<u>—</u>	<u>—</u>	<u>—</u>
Total Other Financing Sources		<u>29,093</u>	<u>89,120</u>	<u>60,615</u>
Total Revenues and Other Financing Sources		<u>\$ 29,398</u>	<u>\$ 103,770</u>	<u>\$ 71,014</u>

<b>Funds</b>		<b>Internal Service Funds</b>				
<b>Building Account – Measure K</b>	<b>Total</b>	<b>Health and Welfare Benefits</b>	<b>Workers' Compensation</b>	<b>Liability</b>	<b>Total</b>	<b>Total</b>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 47,233
—	—	—	—	—	—	26,034
368	16,079	1,078	—	—	1,078	101,006
—	—	—	—	—	—	209
2,123	27,477	918,136	106,251	172,908	1,197,295	2,337,513
2,123	27,477	918,136	106,251	172,908	1,197,295	8,533,938
—	—	—	—	—	—	15,322
—	—	—	—	—	—	238
—	—	—	—	—	—	110,301
—	—	—	—	—	—	53,583
84,284	263,112	10,396	—	—	10,396	412,146
84,284	263,112	10,396	—	—	10,396	591,590
—	—	—	—	—	—	24,780
—	—	—	—	—	—	4
—	—	—	—	—	—	15,154
—	—	—	—	—	—	39,938
84,284	263,112	10,396	—	—	10,396	631,528
\$ 86,407	\$ 290,589	\$ 928,532	\$ 106,251	\$ 172,908	\$ 1,207,691	\$ 9,165,466

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Organization Structure  
Year Ended June 30, 2013

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.

<b>Name</b>	<b>Expiration of Term</b>
Richard Vladovic, President	June 30, 2015
Marguerite Poindexter LaMotte (In Memoriam 2003 – 2013)	June 30, 2015
Mónica García	June 30, 2017
Tamar Galatzan	June 30, 2015
Steve Zimmer	June 30, 2017
Bennett Kayser	June 30, 2015
Nury Martinez (July 2, 2009 – June 30, 2013)	June 30, 2013
Mónica Ratliff (Effective July 1, 2013)	June 30, 2017

<b>Principal School District Officials:</b>	<b>Name</b>	<b>Title</b>
	John Deasy	Superintendent of Schools
	Michelle King	Senior Deputy Superintendent of School Operations
	Jaime Aquino	Deputy Superintendent of Instruction (Resigned Effective January 3, 2014)
	Matt Hill	Chief Strategy Officer
	Mark Hovatter	Chief Facilities Executive
	Donna Muncey	Chief of Intensive Support and Intervention
	Vivian Ekchian	Chief Human Resources Officer
	Megan Reilly	Chief Financial Officer
	Enrique Boull't	Chief Operating Officer
	Earl Perkins	Assistant Superintendent of School Operations
	Ronald Chandler	Chief Information Officer
	Kenneth Bramlett	Inspector General (Effective August 5, 2013)
	Alfred Rodas	Inspector General (Interim July 2, 2012 – August 4, 2013)
	David Holmquist	General Counsel
	Steven Zipperman	Chief of School Police
	Janalyn Glymph	Personnel Director

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

Fiscal Year: July 1 – June 30

<b>Number of Schools:</b>	<b>(As of October)</b>	<b>2009-2010</b>	<b>2010-2011</b>	<b>2011-2012</b>	<b>2012-2013</b>
	Elementary Schools	437	448	446	456
	Middle/Junior High Schools	78	83	84	86
	Senior High Schools	70	81	94	106
	Options Schools	56	56	56	56
	Special Education Schools	16	16	16	16
	Magnet Schools	25	26	28	28
	Magnet Centers	145	145	146	145
	Community Adult Schools	24	24	24	6
	Regional Occupational Centers	5	5	5	3
	Skills Centers	5	5	5	1
	Regional Occupational Program	1	1	1	1
	Early Education Centers	100	102	107	82
	Infant Centers	4	4	4	4
	Primary School Centers	23	20	20	18
	Newcomer Schools	—	—	—	—
	Multi-level Schools	12	15	18	21
	Total Schools and Centers	1,001	1,031	1,054	1,029
	Independent Charter Schools	150	171	179	185

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance/Hours of Attendance  
Year Ended June 30, 2013

	<b>Second Period Report</b>	<b>Annual Report</b>
Elementary:		
General Education:		
Kindergarten	42,018	42,093
Grades 1-3	120,950	120,880
Grades 4-8	179,840	179,543
Opportunity Schools	6	8
Home or Hospital	138	118
Community Day Schools	96	103
County Community Schools	9	8
Special Education	17,872	17,966
County Special Education	1	1
Total Elementary	<u>360,930</u>	<u>360,720</u>
Secondary:		
General Education:		
Regular Classes	130,663	129,037
Continuation Education	3,719	3,623
Opportunity Schools	486	492
Home or Hospital	122	101
Community Day Schools	878	852
County Community Schools	169	175
Special Education	10,615	10,513
Total Secondary	<u>146,652</u>	<u>144,793</u>
Block Grant Funded Fiscally Affiliated Charter	<u>28,867</u>	<u>28,863</u>
Adult Program:*		
Regional Occupational Centers & Programs	N/A	N/A
Classes for Adults – Mandated	N/A	N/A
Concurrently Enrolled Adults	N/A	N/A
Full-time Independent Study**	N/A	N/A
Total Adult Program	<u>N/A</u>	<u>N/A</u>
Total Average Daily Attendance	<u><u>536,449</u></u>	<u><u>534,376</u></u>
	<b>Hours of Attendance</b>	
Summer School:*		
Elementary	N/A	N/A
Secondary	N/A	N/A
Total Hours	<u>N/A</u>	<u>N/A</u>

\* Not collected due to changes made by Education Code Section 42605. For 2008-09 through 2014-15, Districts are not required to operate the program or follow program requirements. Revenue for these years will be based on the same relative proportion that the District received for these programs in fiscal year 2007-08.

\*\* 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, 2013

Alexander (Dr. Theodore, Jr.) Science Center – 0102491

	<b><u>Second Period Report</u></b>	<b><u>Annual Report</u></b>
Kindergarten ADA – Total	108.28	107.03
Kindergarten ADA – Classroom-based	108.28	107.03
Grades 1-3 ADA – Total	330.89	330.73
Grades 1-3 ADA – Classroom-based	330.89	330.73
Grades 4-6 ADA – Total	168.67	168.44
Grades 4-6 ADA – Classroom-based	168.67	168.44
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>607.84</u>	<u>606.20</u>
Classroom-based ADA	<u>607.84</u>	<u>606.20</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2013

Beckford Charter for Enriched Studies – 6015986

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	93.97	94.35
Kindergarten ADA – Classroom-based	93.97	94.35
Grades 1-3 ADA – Total	276.09	276.45
Grades 1-3 ADA – Classroom-based	276.09	276.45
Grades 4-6 ADA – Total	170.24	170.45
Grades 4-6 ADA – Classroom-based	170.24	170.45
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>540.30</u>	<u>541.25</u>
Classroom-based ADA	<u>540.30</u>	<u>541.25</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2013

Calabash Charter Academy – 6016240

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	78.04	78.42
Kindergarten ADA – Classroom-based	78.04	78.42
Grades 1-3 ADA – Total	214.54	214.35
Grades 1-3 ADA – Classroom-based	214.54	214.35
Grades 4-6 ADA – Total	103.49	103.82
Grades 4-6 ADA – Classroom-based	103.49	103.82
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>396.07</u>	<u>396.59</u>
Classroom-based ADA	<u>396.07</u>	<u>396.59</u>

See accompanying independent auditor's report.



LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2013

Canyon Charter School – 6016323

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	59.44	59.92
Kindergarten ADA – Classroom-based	59.44	59.92
Grades 1-3 ADA – Total	197.61	198.16
Grades 1-3 ADA – Classroom-based	197.61	198.16
Grades 4-6 ADA – Total	126.08	126.21
Grades 4-6 ADA – Classroom-based	126.08	126.21
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>383.13</u>	<u>384.29</u>
Classroom-based ADA	<u>383.13</u>	<u>384.29</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2013

Carpenter Community Charter School – 6016356

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	204.79	204.37
Kindergarten ADA – Classroom-based	204.79	204.37
Grades 1-3 ADA – Total	468.74	469.20
Grades 1-3 ADA – Classroom-based	468.74	469.20
Grades 4-6 ADA – Total	274.61	273.61
Grades 4-6 ADA – Classroom-based	274.61	273.61
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>948.14</u>	<u>947.18</u>
Classroom-based ADA	<u>948.14</u>	<u>947.18</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2013

Castlebay Lane Elementary School – 6071435

	<b><u>Second Period Report</u></b>	<b><u>Annual Report</u></b>
Kindergarten ADA – Total	138.42	138.73
Kindergarten ADA – Classroom-based	138.42	138.73
Grades 1-3 ADA – Total	334.26	333.93
Grades 1-3 ADA – Classroom-based	334.26	333.93
Grades 4-6 ADA – Total	218.02	217.95
Grades 4-6 ADA – Classroom-based	218.02	217.95
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>690.70</u>	<u>690.61</u>
Classroom-based ADA	<u>690.70</u>	<u>690.61</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2013

Colfax Charter Elementary School – 6016562

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	108.87	107.87
Kindergarten ADA – Classroom-based	108.87	107.87
Grades 1-3 ADA – Total	331.61	331.39
Grades 1-3 ADA – Classroom-based	331.61	331.39
Grades 4-6 ADA – Total	190.55	191.56
Grades 4-6 ADA – Classroom-based	190.55	191.56
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>631.03</u>	<u>630.82</u>
Classroom-based ADA	<u>631.03</u>	<u>630.82</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2013

Community Magnet Charter Elementary School – 6094726

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	68.91	68.72
Kindergarten ADA – Classroom-based	68.91	68.72
Grades 1-3 ADA – Total	207.82	207.87
Grades 1-3 ADA – Classroom-based	207.82	207.87
Grades 4-6 ADA – Total	182.35	182.54
Grades 4-6 ADA – Classroom-based	182.35	182.54
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>459.08</u>	<u>459.13</u>
Classroom-based ADA	<u>459.08</u>	<u>459.13</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2013

Dearborn Elementary Charter Academy – 6016729

	<b><u>Second Period Report</u></b>	<b><u>Annual Report</u></b>
Kindergarten ADA – Total	95.29	95.43
Kindergarten ADA – Classroom-based	95.29	95.43
Grades 1-3 ADA – Total	230.35	230.81
Grades 1-3 ADA – Classroom-based	230.35	230.81
Grades 4-6 ADA – Total	178.67	179.07
Grades 4-6 ADA – Classroom-based	178.67	179.07
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>504.31</u>	<u>505.31</u>
Classroom-based ADA	<u>504.31</u>	<u>505.31</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2013

Dixie Canyon Community Charter – 6016778

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	118.07	118.00
Kindergarten ADA – Classroom-based	118.07	118.00
Grades 1-3 ADA – Total	344.53	344.87
Grades 1-3 ADA – Classroom-based	344.53	344.87
Grades 4-6 ADA – Total	184.37	184.62
Grades 4-6 ADA – Classroom-based	184.37	184.62
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>646.97</u>	<u>647.49</u>
Classroom-based ADA	<u>646.97</u>	<u>647.49</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2013

El Oro Way for Enriched Studies – 6016869

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	73.62	73.77
Kindergarten ADA – Classroom-based	73.62	73.77
Grades 1-3 ADA – Total	226.20	225.28
Grades 1-3 ADA – Classroom-based	226.20	225.28
Grades 4-6 ADA – Total	157.18	156.91
Grades 4-6 ADA – Classroom-based	157.18	156.91
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>457.00</u>	<u>455.96</u>
Classroom-based ADA	<u>457.00</u>	<u>455.96</u>

See accompanying independent auditor's report.



LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2013

Enadia Technology Enriched Charter – 0117036

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	35.99	36.31
Kindergarten ADA – Classroom-based	35.99	36.31
Grades 1-3 ADA – Total	122.87	122.47
Grades 1-3 ADA – Classroom-based	122.87	122.47
Grades 4-6 ADA – Total	56.88	56.72
Grades 4-6 ADA – Classroom-based	56.88	56.72
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>215.74</u>	<u>215.50</u>
Classroom-based ADA	<u>215.74</u>	<u>215.50</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2013

Encino Charter Elementary School – 6016935

	<b><u>Second Period Report</u></b>	<b><u>Annual Report</u></b>
Kindergarten ADA – Total	77.83	77.44
Kindergarten ADA – Classroom-based	77.83	77.44
Grades 1-3 ADA – Total	317.83	317.75
Grades 1-3 ADA – Classroom-based	317.83	317.75
Grades 4-6 ADA – Total	155.93	155.60
Grades 4-6 ADA – Classroom-based	155.93	155.60
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>551.59</u>	<u>550.79</u>
Classroom-based ADA	<u>551.59</u>	<u>550.79</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2013

Germain Academy for Academic Achievement – 6017263

	<b><u>Second Period Report</u></b>	<b><u>Annual Report</u></b>
Kindergarten ADA – Total	83.90	84.74
Kindergarten ADA – Classroom-based	83.90	84.74
Grades 1-3 ADA – Total	243.12	243.14
Grades 1-3 ADA – Classroom-based	243.12	243.14
Grades 4-6 ADA – Total	154.86	154.12
Grades 4-6 ADA – Classroom-based	154.86	154.12
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>481.88</u>	<u>482.00</u>
Classroom-based ADA	<u>481.88</u>	<u>482.00</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2013

Hale (George Ellery) Charter Academy – 6061477

	<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	571.72	568.45
Grades 4-6 ADA – Classroom-based	571.72	568.45
Grades 7-8 ADA – Total	1,233.77	1,224.79
Grades 7-8 ADA – Classroom-based	1,233.77	1,224.79
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>1,805.49</u>	<u>1,793.24</u>
Classroom-based ADA	<u>1,805.49</u>	<u>1,793.24</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2013

Hamlin Charter Academy – 6017438

	<b><u>Second Period Report</u></b>	<b><u>Annual Report</u></b>
Kindergarten ADA – Total	74.20	74.38
Kindergarten ADA – Classroom-based	74.20	74.38
Grades 1-3 ADA – Total	208.21	208.69
Grades 1-3 ADA – Classroom-based	208.21	208.69
Grades 4-6 ADA – Total	115.65	115.43
Grades 4-6 ADA – Classroom-based	115.65	115.43
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>398.06</u>	<u>398.50</u>
Classroom-based ADA	<u>398.06</u>	<u>398.50</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2013

Haynes Charter for Enriched Studies – 6017529

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	78.31	78.52
Kindergarten ADA – Classroom-based	78.31	78.52
Grades 1-3 ADA – Total	188.34	188.09
Grades 1-3 ADA – Classroom-based	188.34	188.09
Grades 4-6 ADA – Total	124.61	124.83
Grades 4-6 ADA – Classroom-based	124.61	124.83
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>391.26</u>	<u>391.44</u>
Classroom-based ADA	<u>391.26</u>	<u>391.44</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2013

Hesby Oaks Leadership Charter – 0112060

	<b><u>Second Period Report</u></b>	<b><u>Annual Report</u></b>
Kindergarten ADA – Total	44.92	44.90
Kindergarten ADA – Classroom-based	44.92	44.90
Grades 1-3 ADA – Total	126.40	126.62
Grades 1-3 ADA – Classroom-based	126.40	126.62
Grades 4-6 ADA – Total	190.21	191.29
Grades 4-6 ADA – Classroom-based	190.21	191.29
Grades 7-8 ADA – Total	145.28	144.53
Grades 7-8 ADA – Classroom-based	145.28	144.53
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>506.81</u>	<u>507.34</u>
Classroom-based ADA	<u>506.81</u>	<u>507.34</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2013

Justice Street Academy Charter – 6017693

	<b><u>Second Period Report</u></b>	<b><u>Annual Report</u></b>
Kindergarten ADA – Total	76.40	76.23
Kindergarten ADA – Classroom-based	76.40	76.23
Grades 1-3 ADA – Total	180.17	180.45
Grades 1-3 ADA – Classroom-based	180.17	180.45
Grades 4-6 ADA – Total	140.77	140.49
Grades 4-6 ADA – Classroom-based	140.77	140.49
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>397.34</u>	<u>397.17</u>
Classroom-based ADA	<u>397.34</u>	<u>397.17</u>

See accompanying independent auditor's report.



LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2013

Kenter Canyon Charter School – 6017701

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	105.61	104.90
Kindergarten ADA – Classroom-based	105.61	104.90
Grades 1-3 ADA – Total	257.82	258.11
Grades 1-3 ADA – Classroom-based	257.82	258.11
Grades 4-6 ADA – Total	180.74	180.79
Grades 4-6 ADA – Classroom-based	180.74	180.79
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>544.17</u>	<u>543.80</u>
Classroom-based ADA	<u>544.17</u>	<u>543.80</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2013

Knollwood Preparatory Academy – 6017743

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	84.87	84.51
Kindergarten ADA – Classroom-based	84.87	84.51
Grades 1-3 ADA – Total	193.12	191.68
Grades 1-3 ADA – Classroom-based	193.12	191.68
Grades 4-6 ADA – Total	125.77	125.75
Grades 4-6 ADA – Classroom-based	125.77	125.75
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>403.76</u>	<u>401.94</u>
Classroom-based ADA	<u>403.76</u>	<u>401.94</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2013

Lockhurst Drive Charter Elementary – 6017891

	<b><u>Second Period Report</u></b>	<b><u>Annual Report</u></b>
Kindergarten ADA – Total	59.53	60.04
Kindergarten ADA – Classroom-based	59.53	60.04
Grades 1-3 ADA – Total	138.24	138.64
Grades 1-3 ADA – Classroom-based	138.24	138.64
Grades 4-6 ADA – Total	94.30	94.34
Grades 4-6 ADA – Classroom-based	94.30	94.34
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>292.07</u>	<u>293.02</u>
Classroom-based ADA	<u>292.07</u>	<u>293.02</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2013

Marquez Charter School – 6018063

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	94.45	94.47
Kindergarten ADA – Classroom-based	94.45	94.47
Grades 1-3 ADA – Total	247.52	247.80
Grades 1-3 ADA – Classroom-based	247.52	247.80
Grades 4-6 ADA – Total	208.83	208.83
Grades 4-6 ADA – Classroom-based	208.83	208.83
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>550.80</u>	<u>551.10</u>
Classroom-based ADA	<u>550.80</u>	<u>551.10</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2013

Millikan (Robert A.) Middle School – 6058150

	<b><u>Second Period Report</u></b>	<b><u>Annual Report</u></b>
Kindergarten ADA – Total	0.00	0.00
Kindergarten ADA – Classroom-based	0.00	0.00
Grades 1-3 ADA – Total	0.00	0.00
Grades 1-3 ADA – Classroom-based	0.00	0.00
Grades 4-6 ADA – Total	704.77	703.72
Grades 4-6 ADA – Classroom-based	704.77	703.72
Grades 7-8 ADA – Total	1,364.72	1,363.00
Grades 7-8 ADA – Classroom-based	1,364.72	1,363.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>2,069.49</u>	<u>2,066.72</u>
Classroom-based ADA	<u>2,069.49</u>	<u>2,066.72</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2013

Nestle Avenue Charter School – 6018287

	<b><u>Second Period Report</u></b>	<b><u>Annual Report</u></b>
Kindergarten ADA – Total	94.96	95.22
Kindergarten ADA – Classroom-based	94.96	95.22
Grades 1-3 ADA – Total	306.24	307.08
Grades 1-3 ADA – Classroom-based	306.24	307.08
Grades 4-6 ADA – Total	148.86	148.87
Grades 4-6 ADA – Classroom-based	148.86	148.87
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>550.06</u>	<u>551.17</u>
Classroom-based ADA	<u>550.06</u>	<u>551.17</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2013

Nobel (Alfred B.) Middle School – 6061543

	<b><u>Second Period Report</u></b>	<b><u>Annual Report</u></b>
Kindergarten ADA – Total	0.00	0.00
Kindergarten ADA – Classroom-based	0.00	0.00
Grades 1-3 ADA – Total	0.00	0.00
Grades 1-3 ADA – Classroom-based	0.00	0.00
Grades 4-6 ADA – Total	812.91	810.68
Grades 4-6 ADA – Classroom-based	812.91	810.68
Grades 7-8 ADA – Total	1,587.20	1,583.35
Grades 7-8 ADA – Classroom-based	1,587.20	1,583.35
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>2,400.11</u>	<u>2,394.03</u>
Classroom-based ADA	<u>2,400.11</u>	<u>2,394.03</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2013

Open Magnet Charter School – 6097927

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	45.41	45.44
Kindergarten ADA – Classroom-based	45.41	45.44
Grades 1-3 ADA – Total	209.74	209.53
Grades 1-3 ADA – Classroom-based	209.74	209.53
Grades 4-6 ADA – Total	141.09	140.84
Grades 4-6 ADA – Classroom-based	141.09	140.84
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>396.24</u>	<u>395.81</u>
Classroom-based ADA	<u>396.24</u>	<u>395.81</u>

See accompanying independent auditor's report.



LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2013

Palisades Charter Elementary – 6018634

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	94.89	94.94
Kindergarten ADA – Classroom-based	94.89	94.94
Grades 1-3 ADA – Total	261.67	260.87
Grades 1-3 ADA – Classroom-based	261.67	260.87
Grades 4-6 ADA – Total	145.44	145.62
Grades 4-6 ADA – Classroom-based	145.44	145.62
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>502.00</u>	<u>501.43</u>
Classroom-based ADA	<u>502.00</u>	<u>501.43</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2013

Plainview Academic Charter Academy – 6018725

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	52.02	52.67
Kindergarten ADA – Classroom-based	52.02	52.67
Grades 1-3 ADA – Total	139.48	140.48
Grades 1-3 ADA – Classroom-based	139.48	140.48
Grades 4-6 ADA – Total	113.27	114.20
Grades 4-6 ADA – Classroom-based	113.27	114.20
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>304.77</u>	<u>307.35</u>
Classroom-based ADA	<u>304.77</u>	<u>307.35</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2013

Pomelo Community Charter School – 6018774

	<b>Second Period Report</b>	<b>Annual Report</b>
Kindergarten ADA – Total	117.55	118.38
Kindergarten ADA – Classroom-based	117.55	118.38
Grades 1-3 ADA – Total	293.28	294.20
Grades 1-3 ADA – Classroom-based	293.28	294.20
Grades 4-6 ADA – Total	189.62	189.32
Grades 4-6 ADA – Classroom-based	189.62	189.32
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>600.45</u>	<u>601.90</u>
Classroom-based ADA	<u>600.45</u>	<u>601.90</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2013

Revere (Paul) Charter 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	689.32	684.41
Grades 4-6 ADA – Classroom-based	689.32	684.41
Grades 7-8 ADA – Total	1,329.26	1,320.29
Grades 7-8 ADA – Classroom-based	1,329.26	1,320.29
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>2,018.58</u>	<u>2,004.70</u>
Classroom-based ADA	<u>2,018.58</u>	<u>2,004.70</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2013

Riverside Drive Charter School – 6018923

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	102.77	102.67
Kindergarten ADA – Classroom-based	102.77	102.67
Grades 1-3 ADA – Total	262.78	263.54
Grades 1-3 ADA – Classroom-based	262.78	263.54
Grades 4-6 ADA – Total	174.15	173.41
Grades 4-6 ADA – Classroom-based	174.15	173.41
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>539.70</u>	<u>539.62</u>
Classroom-based ADA	<u>539.70</u>	<u>539.62</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2013

Serrania Avenue Charter School for Enriched Studies – 6019111

	<b><u>Second Period Report</u></b>	<b><u>Annual Report</u></b>
Kindergarten ADA – Total	84.94	85.22
Kindergarten ADA – Classroom-based	84.94	85.22
Grades 1-3 ADA – Total	274.23	274.50
Grades 1-3 ADA – Classroom-based	274.23	274.50
Grades 4-6 ADA – Total	197.07	197.41
Grades 4-6 ADA – Classroom-based	197.07	197.41
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>556.24</u>	<u>557.13</u>
Classroom-based ADA	<u>556.24</u>	<u>557.13</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2013

Sherman Oaks Elementary Charter School – 6019186

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	179.39	179.23
Kindergarten ADA – Classroom-based	179.39	179.23
Grades 1-3 ADA – Total	445.75	445.67
Grades 1-3 ADA – Classroom-based	445.75	445.67
Grades 4-6 ADA – Total	255.42	254.81
Grades 4-6 ADA – Classroom-based	255.42	254.81
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>880.56</u>	<u>879.71</u>
Classroom-based ADA	<u>880.56</u>	<u>879.71</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2013

Superior Street Elementary – 6019392

	<b><u>Second Period Report</u></b>	<b><u>Annual Report</u></b>
Kindergarten ADA – Total	82.38	83.01
Kindergarten ADA – Classroom-based	82.38	83.01
Grades 1-3 ADA – Total	284.50	285.31
Grades 1-3 ADA – Classroom-based	284.50	285.31
Grades 4-6 ADA – Total	179.81	179.58
Grades 4-6 ADA – Classroom-based	179.81	179.58
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>546.69</u>	<u>547.90</u>
Classroom-based ADA	<u>546.69</u>	<u>547.90</u>

See accompanying independent auditor's report.



LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2013

Topanga Learn-Charter Elementary – 6019525

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	75.47	75.70
Kindergarten ADA – Classroom-based	75.47	75.70
Grades 1-3 ADA – Total	116.46	115.52
Grades 1-3 ADA – Classroom-based	116.46	115.52
Grades 4-6 ADA – Total	93.69	93.92
Grades 4-6 ADA – Classroom-based	93.69	93.92
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>285.62</u>	<u>285.14</u>
Classroom-based ADA	<u>285.62</u>	<u>285.14</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2013

Topeka Charter School for Advanced Studies – 6019533

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	86.69	86.61
Kindergarten ADA – Classroom-based	86.69	86.61
Grades 1-3 ADA – Total	212.52	212.87
Grades 1-3 ADA – Classroom-based	212.52	212.87
Grades 4-6 ADA – Total	157.37	158.34
Grades 4-6 ADA – Classroom-based	157.37	158.34
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>456.58</u>	<u>457.82</u>
Classroom-based ADA	<u>456.58</u>	<u>457.82</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2013

Van Gogh Charter School – 6019673

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	71.76	72.13
Kindergarten ADA – Classroom-based	71.76	72.13
Grades 1-3 ADA – Total	269.09	269.15
Grades 1-3 ADA – Classroom-based	269.09	269.15
Grades 4-6 ADA – Total	147.19	147.39
Grades 4-6 ADA – Classroom-based	147.19	147.39
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>488.04</u>	<u>488.67</u>
Classroom-based ADA	<u>488.04</u>	<u>488.67</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2013

Welby Way Charter Elementary & Gifted High Ability Magnet Center – 6019855

	<b><u>Second Period Report</u></b>	<b><u>Annual Report</u></b>
Kindergarten ADA – Total	67.18	68.40
Kindergarten ADA – Classroom-based	67.18	68.40
Grades 1-3 ADA – Total	405.17	405.51
Grades 1-3 ADA – Classroom-based	405.17	405.51
Grades 4-6 ADA – Total	317.45	317.09
Grades 4-6 ADA – Classroom-based	317.45	317.09
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>789.80</u>	<u>791.00</u>
Classroom-based ADA	<u>789.80</u>	<u>791.00</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2013

Westwood Charter School – 6019939

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	186.62	186.88
Kindergarten ADA – Classroom-based	186.62	186.88
Grades 1-3 ADA – Total	410.99	410.91
Grades 1-3 ADA – Classroom-based	410.99	410.91
Grades 4-6 ADA – Total	240.84	241.16
Grades 4-6 ADA – Classroom-based	240.84	241.16
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>838.45</u>	<u>838.95</u>
Classroom-based ADA	<u>838.45</u>	<u>838.95</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2013

Wilbur Charter for Enriched Academics – 6019954

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	102.94	102.41
Kindergarten ADA – Classroom-based	102.94	102.41
Grades 1-3 ADA – Total	318.22	318.54
Grades 1-3 ADA – Classroom-based	318.22	318.54
Grades 4-6 ADA – Total	207.39	207.01
Grades 4-6 ADA – Classroom-based	207.39	207.01
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>628.55</u>	<u>627.96</u>
Classroom-based ADA	<u>628.55</u>	<u>627.96</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2013

Woodlake Elementary Community Charter – 6020036

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	95.44	95.29
Kindergarten ADA – Classroom-based	95.44	95.29
Grades 1-3 ADA – Total	251.74	250.01
Grades 1-3 ADA – Classroom-based	251.74	250.01
Grades 4-6 ADA – Total	192.52	192.33
Grades 4-6 ADA – Classroom-based	192.52	192.33
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>539.70</u>	<u>537.63</u>
Classroom-based ADA	<u>539.70</u>	<u>537.63</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2013

Woodland Hills Charter for Enriched Studies – 6020044

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	109.35	109.32
Kindergarten ADA – Classroom-based	109.35	109.32
Grades 1-3 ADA – Total	361.13	360.89
Grades 1-3 ADA – Classroom-based	361.13	360.89
Grades 4-6 ADA – Total	196.48	196.87
Grades 4-6 ADA – Classroom-based	196.48	196.87
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>666.96</u>	<u>667.08</u>
Classroom-based ADA	<u>666.96</u>	<u>667.08</u>

See accompanying independent auditor's report.



LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Instructional Time Offered  
Year Ended June 30, 2013

<b>Grade Level</b>	<b>1982-1983 Actual Minutes Offered</b>	<b>1986-1987 Minutes Requirements</b>	<b>2012-13 Actual Minutes Offered</b>	<b>Number of Days Traditional Calendar</b>	<b>Number of Days Multi-track Calendar <sup>(3)</sup></b>	<b>Complied with Instructional Minutes and Days Provisions</b>
Kindergarten	31,680	36,000	36,000	180	177	Yes
Grades 1 to 3	48,800	50,400	55,100	180	177	Yes
Grades 4 to 6 <sup>(1)</sup>	48,800	54,000	55,100	180	177	Yes
Grades 7 to 8 <sup>(2)</sup>	62,160	54,000	62,160 or 65,300	180	N/A	Yes
Grades 9 to 12	62,160	64,800	65,300	180	177	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) One elementary and one high school that followed the multi-track calendar offered a reduced school year; however, annual minutes were not reduced.

Notes:

1. All charter schools included in this audit report conform to the above Schedule of Instructional Time Offered.
2. LAUSD received incentive funding for increasing instructional time pursuant to the Longer Year/Longer Instructional day.

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, 2013  
(Dollars in thousands)

	<b>2013-2014 Budgeted</b>	<b>2012-2013 Actual</b>	<b>2011-2012 Actual</b>	<b>2010-2011 Actual</b>	<b>2009-2010 Actual</b>
General Fund:					
Revenues	\$ 6,042,820	\$ 5,671,594	\$ 5,882,516	\$ 6,328,532	\$ 6,208,625
Other Financing Sources	22,178	38,735	9,645	91,168	81,861
Total Revenues and Other Financing Sources	6,064,998	5,710,329	5,892,161	6,419,700	6,290,486
Expenditures	6,012,757	5,784,020	5,845,488	6,117,604	6,164,809
Other Financing Uses	208,914	158,402	125,394	66,531	212,732
Total Expenditures and Other Financing Uses	6,221,671	5,942,422	5,970,882	6,184,135	6,377,541
Change in Fund Balance	(156,673)	(232,093)	(78,721)	235,565	(87,055)
Beginning Fund Balance*	638,691	824,810	903,531	667,966	749,962
Ending Fund Balance	\$ 482,018	\$ 592,717	\$ 824,810	\$ 903,531	\$ 662,907
Available Reserves**	\$ 112,069	\$ 65,376	\$ 161,744	\$ 479,661	\$ 184,918
Unassigned Reserve for Economic Uncertainties	\$ 65,376	\$ 65,376	\$ 65,376	\$ 65,376	\$ 65,376
Unassigned Fund Balance	\$ 46,693	\$ —	\$ 96,368	\$ 414,285	\$ 119,542
Available Reserves as a Percentage of Total Expenditures and Other Financing Uses	1.80%	1.10%	2.71%	7.76%	2.90%
Total Long-Term Debt	\$ 17,468,810	\$ 17,152,004	\$ 16,630,225	\$ 16,195,638	\$ 15,752,067
Average Daily Attendance (ADA) at P-2 excluding regional occupational centers programs and adult programs	527,208	536,449	550,954	567,816	580,112

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 and actual beginning fund balances include other restatements.

\*\* Available reserves consist of all unassigned fund balances and unassigned reserve for economic uncertainties.

See accompanying notes to state compliance information.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule to Reconcile the Annual Financial Budget Report (SACS)  
with Audited Financial Statements  
Year Ended June 30, 2013  
(in thousands)

	<b>General</b>	<b>District Bonds</b>	<b>Adult Education</b>	<b>Child Development</b>	<b>State School Building Lease – Purchase</b>	<b>Liability Self- Insurance</b>
June 30, 2013 Unaudited Actual Financial Reports Fund Balances/Net Position	\$ 686,807	\$ 1,740,101	\$ 8,851	\$ 70	\$ 4,403	\$ 2,825
Adjustment:						
To reclassify expenditures from District Bonds to General Fund	(2,182)	2,182	—	—	—	—
To accrue unrecorded bond funded expenditures	—	(13,217)	—	—	—	—
To write-off long outstanding other payables	844	—	—	—	6	—
To increase the liability reserves in the Liability Self-Insurance Fund	—	—	—	—	—	(92,752)
To accrue additional contribution from the General fund to the Liability Self-Insurance Fund	(92,752)	—	—	—	—	92,752
To correct recognition of long-term loans – Children Center Facilities Loan	—	—	—	633	—	—
To reclassify fund balance:	—	—	—	—	—	—
From Assigned	—	—	(35)	—	—	—
To Committed	—	—	35	—	—	—
June 30, 2013 Audited Financial Statement Fund Balances/Net Position	<u>\$ 592,717</u>	<u>\$ 1,729,066</u>	<u>\$ 8,851</u>	<u>\$ 703</u>	<u>\$ 4,409</u>	<u>\$ 2,825</u>

There were no adjustments to fund balances for funds not presented above.

See accompanying notes to state compliance information.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Charter Schools  
Year Ended June 30, 2013

		<b>CDS Code</b>	<b>Affiliated</b>	<b>Fiscally Independent</b>	<b>Included in the District Audit</b>
1	Alexander (Dr. Theodore, Jr.) Science Center School	19 64733 0102491	x		Yes
2	Beckford Charter for Enriched Studies	19 64733 6015986	x		Yes
3	Calabash Charter Academy	19 64733 6016240	x		Yes
4	Canyon Charter School	19 64733 6016323	x		Yes
5	Carpenter Community Charter School	19 64733 6016356	x		Yes
6	Castlebay Lane Elementary School	19 64733 6071435	x		Yes
7	Colfax Charter Elementary School	19 64733 6016562	x		Yes
8	Community Magnet Charter Elementary School	19 64733 6094726	x		Yes
9	Dearborn Elementary Charter Academy	19 64733 6016729	x		Yes
10	Dixie Canyon Community Charter School	19 64733 6016778	x		Yes
11	El Oro Way for Enriched Studies	19 64733 6016869	x		Yes
12	Enadia Technology Enriched Charter	19 64733 0117036	x		Yes
13	Encino Charter Elementary School	19 64733 6016935	x		Yes
14	Germain Academy for Academic Achievement	19 64733 6017263	x		Yes
15	Hale (George Ellery) Charter Academy	19 64733 6061477	x		Yes
16	Hamlin Charter Academy	19 64733 6017438	x		Yes
17	Haynes Charter for Enriched Studies	19 64733 6017529	x		Yes
18	Hesby Oaks Leadership Charter	19 64733 0112060	x		Yes
19	Justice Street Academy Charter School	19 64733 6017693	x		Yes
20	Kenter Canyon Charter School	19 64733 6017701	x		Yes
21	Knollwood Preparatory Academy	19 64733 6017743	x		Yes
22	Lockhurst Drive Charter Elementary	19 64733 6017891	x		Yes
23	Marquez Charter School	19 64733 6018063	x		Yes
24	Millikan (Robert A.) Middle School, Performing Arts Magnet and Science Academy STEM School	19 64733 6058150	x		Yes
25	Nestle Avenue Charter School	19 64733 6018287	x		Yes
26	Nobel (Alfred B.) Middle School	19 64733 6061543	x		Yes
27	Open Magnet Charter School	19 64733 6097927	x		Yes
28	Palisades Charter Elementary	19 64733 6018634	x		Yes
29	Plainview Academic Charter Academy	19 64733 6018725	x		Yes
30	Pomelo Community Charter School	19 64733 6018774	x		Yes
31	Revere (Paul) Charter Middle School	19 64733 6058267	x		Yes
32	Riverside Drive Charter School	19 64733 6018923	x		Yes
33	Serrania Avenue Charter School for Enriched Studies	19 64733 6019111	x		Yes
34	Sherman Oaks Elementary Charter School	19 64733 6019186	x		Yes
35	Superior Street Elementary	19 64733 6019392	x		Yes
36	Topanga Learn-Charter Elementary	19 64733 6019525	x		Yes
37	Topeka Charter School for Advanced Studies	19 64733 6019533	x		Yes
38	Van Gogh Charter School	19 64733 6019673	x		Yes
39	Welby Way Charter Elementary & Gifted High Ability Magnet Center	19 64733 6019855	x		Yes
40	Westwood Charter School	19 64733 6019939	x		Yes
41	Wilbur Charter for Enriched Academics	19 64733 6019954	x		Yes
42	Woodlake Elementary Community Charter	19 64733 6020036	x		Yes
43	Woodland Hills Charter for Enriched Studies	19 64733 6020044	x		Yes
44	Academia Moderna	19 64733 0120097		x	No
45	Academic Performance Excellence Academy (APEX)	19 64733 0117077		x	No
46	Academy of Science and Engineering	19 64733 0126185		x	No
47	Accelerated Elementary School (ACES)	19 64733 0100743		x	No
48	Accelerated School, The (TAS)	19 64733 6112536		x	No
49	Alain Leroy Locke 3 College Preparatory Academy	19 64733 1935154		x	No
50	Alliance Christine O'Donovan Middle School (CRMS #3)	19 64733 0116533		x	No

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Charter Schools (Continued)  
Year Ended June 30, 2013

	<u>CDS Code</u>	<u>Affiliated</u>	<u>Fiscally Independent</u>	<u>Included in the District Audit</u>
51 Alliance Cindy and Bill Simon Technology Academy High School	19 64733 0121285		x	No
52 Alliance College-Ready Academy High School #5	19 64733 0111492		x	No
53 Alliance College-Ready Academy High School #16	19 64733 0123141		x	No
54 Alliance College-Ready Middle Academy #4	19 64733 0120030		x	No
55 Alliance College-Ready Middle Academy #5	19 64733 0120048		x	No
56 Alliance College-Ready Middle Academy #7	19 64733 0121277		x	No
57 Alliance Dr. Olga Mohan High School	19 64733 0111500		x	No
58 Alliance Environmental Science & Technology High School	19 64733 0117606		x	No
59 Alliance Gertz-Ressler Academy High School	19 64733 0106864		x	No
60 Alliance Health Services Academy High School	19 64733 0117598		x	No
61 Alliance Huntington Park College-Ready Academy High School	19 64733 0108936		x	No
62 Alliance Jack H. Skirball Middle School	19 64733 0111518		x	No
63 Alliance Judy Ivie Burton Technology High School	19 64733 0108894		x	No
64 Alliance Marc & Eva Stern Math & Science, California State University Los Angeles Campus	19 64733 0111658		x	No
65 Alliance Media Arts & Entertainment Design High School	19 64733 0116509		x	No
66 Alliance Renee and Meyer Luskin High School	19 64733 0124891		x	No
67 Alliance Richard Merkin Middle Academy	19 64733 0108902		x	No
68 Alliance Susan and Eric Smidt Technology High School	19 64733 0123133		x	No
69 Alliance Tennenbaum Family Technology High School *	19 64733 0121293		x	No
70 Alliance William & Carol Ouchi High School	19 64733 0111641		x	No
71 Anahuacelmecac International University Preparatory High School	19 64733 0118158		x	No
72 Animo Charter Middle School #3 – Clay Campus *	19 64733 0124016		x	No
73 Animo Charter Middle School #4 – Clay Campus*	19 64733 0124024		x	No
74 Animo College Preparatory Academy – Jordan Campus	19 64733 0124883		x	No
75 Animo Jackie Robinson	19 64733 0111583		x	No
76 Animo Jefferson Charter Middle School	19 64733 0122481		x	No
77 Animo Locke I College Prep Academy	19 64733 0118588		x	No
78 Animo Locke II College Prep Academy	19 64733 0118596		x	No
79 Animo Locke Technology High School	19 64733 0111617		x	No
80 Animo Oscar De La Hoya	19 64733 0101675		x	No
81 Animo Pat Brown High School	19 64733 0106849		x	No
82 Animo Ralph Bunche Charter High School	19 64733 0111575		x	No
83 Animo South Los Angeles Charter Senior High	19 64733 0102434		x	No
84 Animo Venice Charter High School	19 64733 0106831		x	No
85 Animo Watts College Preparatory Academy	19 64733 0111625		x	No
86 Animo Westside Charter Middle School	19 64733 0122499		x	No
87 Apple Academy Charter Public Schools (AACPS)	19 64733 0126078		x	No
88 Ararat Charter School	19 64733 0121079		x	No
89 Arts in Action Community Charter School	19 64733 0123158		x	No
90 Aspire Antonio Maria Lugo Academy	19 64733 0109660		x	No
91 Aspire Firestone Academy *	19 64733 0122622		x	No
92 Aspire Gateway Academy *	19 64733 0122614		x	No
93 Aspire Huntington Park Charter School	19 64733 0117960		x	No
94 Aspire Inskeep Academy *	19 64733 0124800		x	No
95 Aspire Juanita Tate Academy *	19 64733 0124792		x	No
96 Aspire Pacific Academy	19 64733 0122721		x	No
97 Aspire Slauson Academy *	19 64733 0124784		x	No
98 Bert Corona Charter School	19 64733 0106872		x	No
99 Birmingham Community Charter High School	19 64733 1931047		x	No
100 Bright Star Secondary Academy	19 64733 0112508		x	No

\* PSC = Public School Choice

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Charter Schools (Continued)  
Year Ended June 30, 2013

	<u>CDS Code</u>	<u>Affiliated</u>	<u>Fiscally Independent</u>	<u>Included in the District Audit</u>
101 California Academy for Liberal Studies Early College High School	19 64733 0109553		x	No
102 California Academy for Liberal Studies Middle School	19 64733 6118194		x	No
103 Camino Nuevo Academy 2-Harvard	19 64733 0122861		x	No
104 Camino Nuevo Charter Academy	19 64733 6117667		x	No
105 Camino Nuevo Charter Academy #4 *	19 64733 0124826		x	No
106 Camino Nuevo Charter High School	19 64733 0106435		x	No
107 Camino Nuevo Elementary School #3 *	19 64733 0122564		x	No
108 Celerity Cardinal Charter School	19 64733 0123984		x	No
109 Celerity Dyad Charter School	19 64733 0115766		x	No
110 Celerity Nascent Charter School	19 64733 0108910		x	No
111 Celerity Octavia Charter School	19 64733 0122655		x	No
112 Celerity Palmati Charter School	19 64733 0123166		x	No
113 Celerity Troika Charter School	19 64733 0115782		x	No
114 Centennial College Preparatory Academy	19 64733 0112128		x	No
115 Center for Advanced Learning	19 64733 0115139		x	No
116 Central City Value High School	19 64733 0100800		x	No
117 Charter High School of Arts Multimedia/ Performing High School (CHAMPS)	19 64733 0108878		x	No
118 Chime Charter Middle School	19 64733 0101634		x	No
119 Chime Institute Schwarzenegger Community School	19 64733 6119531		x	No
120 Citizens of the World Charter 2	19 64733 0126177		x	No
121 Citizens of the World Charter Hollywood	19 64733 0122556		x	No
122 City Charter Middle School	19-64733-0126102		x	No
123 Community Charter Early College High School	19 64733 0109876		x	No
124 Community Charter Middle School	19 64733 6116750		x	No
125 Crenshaw Arts-Technology Charter High School (CATCH)	19 64733 0101659		x	No
126 Crown Preparatory Academy	19 64733 0121848		x	No
127 Culture & Language Academy of Success Affirmation	19 64733 0100768		x	No
128 Discovery Charter Preparatory School #2	19 64733 0115253		x	No
129 Downtown Value School	19 64733 6119903		x	No
130 Early College Academy for Leaders & Scholars (ECALS) *	19 64733 0124933		x	No
131 El Camino Real Charter High School	19 64733 1932623		x	No
132 Endeavor College Preparatory Charter School	19 64733 0120014		x	No
133 Equitas Academy Charter Elementary School	19 64733 0119982		x	No
134 Excel Academy	19 64733 0112201		x	No
135 Extera Public School	19 64733 0124198		x	No
136 Fenton Avenue Charter School	19 64733 6017016		x	No
137 Fenton Primary Center	19 64733 0115048		x	No
138 Frederick Douglass Academy Elementary School	19 64733 0117952		x	No
139 Frederick Douglass Academy High School	19 64733 0112557		x	No
140 Frederick Douglass Academy Middle School	19 64733 0112433		x	No
141 Futuro College Preparatory Elementary School	19 64733 0120667		x	No
142 Gabriella Charter School	19 64733 0108886		x	No
143 Garr Academy of Mathematics and Entrepreneurial Studies (GAMES)	19 64733 0112334		x	No
144 Global Education Academy	19 64733 0114967		x	No
145 Goethe International Charter School	19 64733 0117978		x	No
146 Granada Hills Charter High School	19 64733 1933746		x	No
147 High Tech High – Los Angeles	19 64733 0100677		x	No
148 ICEF Vista Elementary Academy	19 64733 0117937		x	No
149 ICEF Vista Middle Academy	19 64733 0115287		x	No
150 Ivy Academia Charter School	19 64733 0106351		x	No

\* PSC = Public School Choice

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Charter Schools (Continued)  
Year Ended June 30, 2013

	<b>CDS Code</b>	<b>Affiliated</b>	<b>Fiscally Independent</b>	<b>Included in the District Audit</b>
151 Ivy Bound Academy	19 64733 0115113		x	No
152 James Jordan Middle School	19 64733 0109884		x	No
153 KIPP Academy of Opportunity	19 64733 0101444		x	No
154 KIPP Comienza Community Preparatory	19 64733 0121707		x	No
155 KIPP Empower Academy	19 64733 0121699		x	No
156 KIPP LA College Preparatory	19 64733 0100867		x	No
157 KIPP Philosophers Academy	19-64733-0125609		x	No
158 KIPP Raices Academy	19 64733 0117903		x	No
159 KIPP Scholar Academy	19-64733-0125625		x	No
160 Lakeview Charter Academy	19 64733 0102442		x	No
161 Lakeview Charter High School	19 64733 0122606		x	No
162 Larchmont Charter School	19 64733 0108928		x	No
163 Larchmont Charter School, West Hollywood	19 64733 0117929		x	No
164 Los Angeles Academy of Arts & Enterprise Charter (LAAAE)	19 64733 0110304		x	No
165 Los Angeles Leadership Academy	19 64733 1996610		x	No
166 Los Angeles Leadership Primary Academy	19 64733 0124818		x	No
167 Los Angeles Big Picture High School	19 64733 0122762		x	No
168 Los Feliz Charter for the Arts	19 64733 0112235		x	No
169 Lou Dantzler Preparatory Elementary School	19 64733 0117945		x	No
170 Lou Dantzler Preparatory High School	19 64733 0112540		x	No
171 Lou Dantzler Preparatory Middle School	19 64733 0112227		x	No
172 Magnolia Science Academy	19 64733 6119945		x	No
173 Magnolia Science Academy 2	19 64733 0115212		x	No
174 Magnolia Science Academy 3	19 64733 0115030		x	No
175 Magnolia Science Academy 4	19 64733 0117622		x	No
176 Magnolia Science Academy 5	19 64733 0117630		x	No
177 Magnolia Science Academy 6	19 64733 0117648		x	No
178 Magnolia Science Academy 7	19 64733 0117665		x	No
179 Magnolia Science Academy 8 (Bell) *	19 64733 0122747		x	No
180 Milagro Charter Elementary School	19 64733 0102426		x	No
181 Monsenor Oscar Romero	19 64733 0114959		x	No
182 Montague Charter Academy	19 64733 6018204		x**	No
183 Multicultural Learning Center	19 64733 6119044		x	No
184 N.E.W. Academy Canoga Park	19 64733 0102483		x	No
185 N.E.W. Academy of Science & Arts	19 64733 0100289		x	No
186 New Designs Charter School	19 64733 0102541		x	No
187 New Designs Charter School – Watts	19 64733 0120071		x	No
188 New Heights Charter School	19 64733 0111211		x	No
189 New Los Angeles Charter School	19 64733 0117614		x	No
190 New Millennium Secondary School	19 64733 0117911		x	No
191 New Village Charter High School	19 64733 0111484		x	No
192 North Valley Charter Academy	19 64733 0100776		x	No
193 Nueva Esperanza Charter Academy	19 64733 0120055		x	No
194 Ocean Charter School	19 64733 0102335		x	No
195 Our Community Charter School	19 64733 0109934		x	No
196 Pacoima Charter School	19 64733 6018642		x	No
197 Palisades Charter High School	19 64733 1995836		x	No
198 Para Los Ninos Charter Middle School	19 64733 0117846		x	No
199 Para Los Ninos Charter School	19 64733 6120489		x	No
200 Para Los Ninos – Evelyn Thurman Gratts Primary Center *	19 64733 0122630		x	No

\* PSC = Public School Choice

\*\* Fiscally Independent except Special Education Program

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Charter Schools (Continued)  
Year Ended June 30, 2013

	<b>CDS Code</b>	<b>Affiliated</b>	<b>Fiscally Independent</b>	<b>Included in the District Audit</b>
201 Port of Los Angeles High School (POLAH)	19 64733 0107755		x	No
202 Puente Charter School	19 64733 6120471		x	No
203 Renaissance Arts Academy	19 64733 0101683		x	No
204 Rise Ko Hyang Middle	19 64733 0124222		x	No
205 Santa Monica Boulevard Community Charter School	19 64733 6019079		x	No
206 Santa Rosa Charter Academy	19 64733 0119974		x	No
207 Stella Middle Charter Academy	19 64733 0100669		x	No
208 Synergy Charter Academy	19 64733 0106427		x	No
209 Synergy Kinetic Academy *	19 64733 0117895		x	No
210 Synergy Quantum Academy *	19 64733 0124560		x	No
211 TEACH Academy of Technologies	19 64733 0122242		x	No
212 Thurgood Marshall Charter Middle School	19 64733 0125261		x	No
213 Triumph Academy	19 64733 0112193		x	No
214 Triumph Charter High School	19 64733 0122598		x	No
215 USC Hybrid High	19 64733 0125864		x	No
216 Valley Charter Elementary School	19 64733 0122754		x	No
217 Valley Charter Middle School	19 64733 0122838		x	No
218 Valor Academy Charter School	19 64733 0120022		x	No
219 Vaughn Next Century Learning Center	19 64733 6019715		x	No
220 View Park Preparatory Accelerated Charter School	19 64733 6117048		x	No
221 View Park Preparatory Accelerated High School	19 64733 0101196		x	No
222 View Park Preparatory Accelerated Middle School	19 64733 6121081		x	No
223 Vista Charter Middle School	19 64733 0122739		x	No
224 Wallis Annenberg High School	19 64733 0100750		x	No
225 Watts Learning Center Charter Middle School	19 64733 0120527		x	No
226 Watts Learning Center Charter School	19 64733 6114912		x	No
227 Westside Innovative School House (WISH)	19 64733 0121012		x	No
228 Xinaxcalmecac Academia Semillas del Pueblo	19 64733 6119929		x	No

\* PSC = Public School Choice



## **LOS ANGELES UNIFIED SCHOOL DISTRICT**

### **Notes to State Compliance Information**

**Year Ended June 30, 2013**

#### **(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, 2013

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Catalog of Federal Domestic Assistance Number</b>	<b>Grantor or Pass-Through Entity ID Number</b>	<b>Program Cluster Expenditures</b>	<b>Total Federal Expenditures</b>
U.S. Department of Agriculture:				
Passed through California Department of Education:				
Child Nutrition School Programs Breakfast	10.553	PCA#13525, 13526	\$ 65,660,151	
Child Nutrition School Programs Lunch	10.555	PCA#13523, 13524	138,836,960	
Child Nutrition School Programs Snack	10.555	PCA#13755	294,547	
Donated Food Commodities	10.555	Not Available	14,677,815	
The Southland Bagel Company Settlement	10.555	Not Available	76,414	
Child Nutrition Summer Food Services				
Program Operations	10.559	PCA#13004	1,602,332	
Child Nutrition Summer Food Services Program				
Sponsor Administration	10.559	PCA#13006	167,610	
Subtotal expenditures – Child Nutrition Cluster				221,315,829
Child Nutrition Child Care Food Program Claims	10.558	PCA#13529		42,663,079
Child Nutrition Child Care Food Program – Cash in Lieu of Commodities	10.558	PCA#13534		3,191,330
Subtotal CFDA 10.558				45,854,409
Child Nutrition Team Nutrition-Front Line Professional Education Mini Grants	10.574	PCA#14890		164,349
Passed through California Department of Health Services				
Network 4 Healthy California	10.561	10-10072		5,761,263
Forest Reserve	10.665	Not Available		50,588
Subtotal Pass-Through Programs				273,146,438
Total U.S. Department of Agriculture				273,146,438
U.S. Department of Defense:				
Flood Control Projects	12.unknown	Not Available		909
Reserve Officer Training Corps Vitalization Act	12.unknown	Not Available		2,247,638
Startalk: Exploring Arabic Through Technology, Visual Arts and Photography	12.900	H98230-12-1-0124		79,753
Subtotal Direct Programs				2,328,300
Total U.S. Department of Defense				2,328,300
U.S. Department of Housing & Urban Development:				
Passed through City of Carson				
Carson Guidance – CBDG Entitlement Grants Cluster	14.218	MOU		13,741
Subtotal Pass-Through Programs				13,741
Total U.S. Department of Housing and Urban Development				13,741
U.S. Department of Justice:				
Step Program Secondary Schools	16.684	2011-GW-AX-K008		160,617
Subtotal Direct Program				160,617
Total U.S. Department of Justice				160,617
U.S. Department of Labor:				
Passed through Employment Development Department:				
Employment Development Department Trade Act				
East Los Angeles Occupational Center	17.245	200344		24,554
Harbor Occupational Center	17.245	200348		9,284
North Valley Occupational Center	17.245	200522		17,346
West Valley Occupational Center	17.245	200458		58
Subtotal CFDA 17.245				51,242
LARCA Workforce Innovation Fund	17.283	C-122088		286,715

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards (Continued)  
Year Ended June 30, 2013

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Catalog of Federal Domestic Assistance Number</b>	<b>Grantor or Pass-Through Entity ID Number</b>	<b>Program Cluster Expenditures</b>	<b>Total Federal Expenditures</b>
Passed through Watts Labor Community Action Committee: Workforce Investment Act – One Stop WorkSource - Adult	17.258	120970	\$ 81,631	
Passed through Los Angeles City College Workforce Investment Act – Youth Program-Harbor	17.259	4500187810	108,415	
Passed through Los Angeles City Workforce Investment Act – Youth Program	17.259	121599	793,000	
Passed through Para Los Ninos Workforce Investment Act – Youth	17.259	121136-13L	108,215	
Passed through Archdiocesan Youth Employment Services: Workforce Investment Act – Youth	17.259	T5241-12107	58,204	
Subtotal expenditures – Workforce Investment Act Cluster				1,149,465
Subtotal Pass-Through Programs				1,487,422
Total U.S. Department of Labor				1,487,422
National Science Foundation: Wide Chge. Experimental Study	47.076	0070 G ND220		244,456
Subtotal Direct Program				244,456
Total National Science Foundation				244,456
U.S. Environmental Protection Agency: Environmental Protection Agency–In-Home Asthma Trigger Ed	66.034	00T60101		52,194
Subtotal Direct Program				52,194
Total U.S. Environmental Protection Agency				52,194
U.S. Department of Education:				
Indian Education	84.060	S060A120283		207,665
Fund for Improv Edu Prog – Teach Am Hist	84.215	U215X100365		655,300
Small Learning Communities – COH 8	84.215	S215L080570		857,760
Subtotal CFDA 84.215				1,513,060
Gaining Early Awareness and Readiness for Undergraduate Programs (Gear-Up):				
Gear-Up-Project Steps	84.334	P334A050008		4,185
Gear-Up-Project Higher Learning	84.334	P334A050178		22,568
Gear-Up-Project Lasso	84.334	P334A050217		23,857
Gear-Up-District 8	84.334	P334A050205		8,059
Gear-Up-District 6	84.334	P334A060124		612,577
CA Gear Up	84.334	12-GEAR UP-1322/1326		7,220
Gear-Up 4 LA	84.334	P334A110166		3,199,163
Gear-Up-Project Steps	84.334	P334A110159		1,231,718
Subtotal CFDA 84.334				5,109,347
ARRA-I3 Fund LA'S Bold Competition	84.396	U396C100336		1,634,910
Teacher Incentive Fund (TIF)	84.374	S374A10066		3,390,582
Subtotal Direct Programs				11,855,564
Passed through California Department of Education: Workforce Investment Act – Adult Basic Ed/ESL	84.002	PCA#14508		15,520,547
Workforce Investment Act – Adult Secondary Ed	84.002	PCA#13978		2,051,951
Subtotal CFDA 84.002				17,572,498

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards (Continued)  
Year Ended June 30, 2013

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Catalog of Federal Domestic Assistance Number</b>	<b>Grantor or Pass-Through Entity ID Number</b>	<b>Program Cluster Expenditures</b>	<b>Total Federal Expenditures</b>
Elementary and Secondary Education Act, Title I	84.010	PCA#14329	\$ 208,989,931	
CE-NCLB T1 NPS	84.010	PCA#14329	6,568,245	
Elementary and Secondary Education Act, Title I Delinquent	84.010	PCA#14357	904,985	
Elementary and Secondary Education Act, Title I Neglected	84.010	PCA#14329	1,914,011	
CE-NCLB-Parent /Cluster resource	84.010	PCA#14329	1,546,232	
TI-A NCLB Supplemental Service	84.010	PCA#14329	47,602,964	
CE-NCLB T1-Reservations Schools	84.010	PCA#14329	1,229,370	
CE-NCLB-TI-Program Improvement School	84.010	PCA#14329	17,167,990	
CE-NCLB T1-Capital expenditure reimbursement NPS	84.010	PCA#14329	370,586	
NCLB-T1-Central Office	84.010	PCA#14329	6,385,909	
CE-NCLB T1-Professional Development	84.010	PCA#14329	7,300,618	
CE-NCLB-T1-Literacy Adoption	84.010	PCA#14329	420,959	
CE-NCLB-Public School Choice	84.010	PCA#14329	865,698	
CE-NCLB-T1 Lowest Performance School	84.010	PCA#14329	663,746	
Subtotal expenditures – Title I, Part A				301,931,244
Migrant Ed – Regular & Summer	84.011	PCA#14326		1,898,455
Special Ed: IDEA Local Assistance, Part B, Sec.611 Early Intervening Services	84.027	PCA#10119	4,408,062	
Special Ed: IDEA Basic Local Assistance Entitlement	84.027	12-13379-6473-01	100,712,081	
Special Ed: IDEA Local Assistance, Private School ISPs	84.027	12-13379-6473-01	961,266	
Special Ed: IDEA Mental Health Allocation Plan	84.027	12-14468-6473-01,12-15197-647	5,328,148	
Special Ed: IDEA Pre-School Local Assistance Entitlement	84.027	PCA#13682	10,024,640	
IDEA Preschool Grant	84.173	PCA#13430	4,029,207	
PreSchool Expansion-Staff Development	84.173	PCA#13431	37,691	
IDEA-Preschool Desired Results	84.173	PCA#14688	96,637	
Subtotal expenditures – Special Education Cluster				125,597,732
Carl D. Perkins – SEC INSTR	84.048	PCA#14894		6,099,407
Carl D. Perkins – Vocational and Technical Education	84.048	PCA#14893/14896		2,749,773
Subtotal CFDA 84.048				8,849,180
Magnet Schools Assistance	84.165	U165A100057		2,770,974
Early Intervention Funds – Part C	84.181	PCA#23761		1,207,800
Title IV – Safe and Drug Free Schools & Community- National-Readiness Emergency Mgt 4 Schs.	84.184	Q184E100145		87,658
Title IV – Safe and Drug Free Schools-Healthy Student	84.184	Q184L080226		2,126,573
Subtotal CFDA 84.184				2,214,231
Homeless Education Project	84.196	PCA#14332		208,299
Twenty-first Century Learning Centers	84.287	PCA#14349		2,535,236
Twenty-first Century Learning Centers	84.287	PCA#14535		13,094,088
Twenty-first Century Learning Centers	84.287	PCA#14603		865,502
Subtotal CFDA 84.287				16,494,826
Advanced Placement	84.330	S330B110037, PCA#14831		2,494,060
GSU Development & Valid of a Behavioral	84.324	R324B060005-05		1,001
Transition Teaching Program	84.350	U350A070039		276,974
Arts in Edu Model Dev & Dissem	84.351	U351D100117		457,057
School Dropout Prevention Program	84.360	S360A100054-11		2,197,220
Title III, Limited English Proficient Professional Development	84.365	PCA#14346		1,858,074
Title III, Limited English Proficient Coaches PD Loc	84.365	PCA#14346		17,685,941
Subtotal CFDA 84.365				19,544,015
No Child Left Behind Title II-B – Math	84.366	PCA#14512		372,635
No Child Left Behind Title II-A – Teacher Quality	84.367	PCA#14341		51,744,752
No Child Left Behind Title II-A - CPEC-ITQ Project Frame	84.367	ITQ-10-708		79,145
Subtotal CFDA 84.367				51,823,897

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards (Continued)  
Year Ended June 30, 2013

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Catalog of Federal Domestic Assistance Number</b>	<b>Grantor or Pass-Through Entity ID Number</b>	<b>Program Cluster Expenditures</b>	<b>Total Federal Expenditures</b>
School Improvement grant	84.377	PCA#15127/15183	\$ 15,523,882	
ARRA-School Improvement grant	84.388	PCA#15020	17,204,108	
Subtotal expenditures – School Improvement Grants Cluster				32,727,990
Passed through California Education Roundtable Intersegmental Coordinating Committee				
Alliance for Regional Collaboration to Heighten Educational Success (ARCHES)				
ARRA-Arches-I3 Slope	84.411	MOU		52,451
Passed through State Department of Rehabilitation: Rehab-Transition Partnership Program/Trans Part-Greater LA	84.126	27973		1,302,032
Passed through Center for Collaborative Education Principal Residency Network	84.363	MOA		225,409
Subtotal Pass-Through Programs				590,219,980
Total U.S. Department of Education				602,075,544
U.S. Department of Health & Human Services:				
SBHCC-Roosevelt HS Health Center	93.501	1C12CS21892-01-00		394,744
ACA GRT 4 School Based HealthCTR	93.501	1C12CS25600-01-00		60,461
School Health Program	93.938	3U87DP001201-05W1		409,591
CMS-Cycle II Chipra Outreach	93.767	1Z0CMS330872-01-00		440,935
Subtotal Direct Programs				1,305,731
Passed through University of California UCLA CEED Legacy Project Grant	93.738	5U58DP0009		16,247
Passed through Dibble Institute Dibble Inst-BldgBrighter Future	93.086	90FM0010-01-00		74,611
Passed through County of Los Angeles: Choose Health LA	93.531	PH-002164		315,594
Maternal Infant and Early Childhood Home Visiting Program	93.505	PH-002170		726,719
ARRA-Department of Public Health-Renew/Trust	93.724	PH-001130		7,280
Passed through California Department of Education: General Child Care Center-Block Grant	93.575	PCA#15136	7,635,156	
General Child Care Center-Mandatory & Matching Fund	93.596	PCA#13609	16,924,467	
Subtotal expenditures – Child Care Development Fund Cluster				24,559,623
Passed through University of California ARRA-NIMH School based Mental Program Research	93.701	1647 G NA105		70,021
Passed through County of Los Angeles: Passed through Los Angeles County Office of Education: Medi-Cal Administrative Activity	93.778	C-10606:08:09		7,720,033
Subtotal Pass-Through Programs				33,490,128
Total U.S. Department of Health & Human Services				34,795,859
Corporation for National and Community Service	94.013	11VSPCA014		5,658
Subtotal Direct Program				5,658
Total Corp for National and Comm Service				5,658
U.S. Department of Homeland Security:				
Passed through Governors Office of Emergency Services: Public Assistance – FEMA 1577 DR2005 Winter Storms	97.036	OES ID#037-91146-00		3,528
Public Assistance – FEMA-1810-DR-CA	97.036	OES ID#037-91146		5,200
Subtotal CFDA 97.036				8,728
Public Assistance – Disaster/FEMA 1810	97.039	OES ID #037-91146		57,058
Subtotal Pass-Through Programs				65,786
Total U.S. Department of Homeland Security				65,786
Total Expenditures of Federal Awards				\$ 914,376,015

**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2013

**(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) \$14,677,815 of donated food commodities received from the U.S. Department of Agriculture, passed-through the State of California, during the year ended June 30, 2013.

**(4) Subrecipient Awards**

Of the federal expenditures presented in the schedule of expenditures of federal awards, the District provided a significant amount of funding to various subrecipients. Due to the extensive number of federal programs and volume of subrecipients, it is not practical to display the detailed subrecipient information in the schedule of expenditures of federal awards.



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## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

To The Honorable Board of Education  
Los Angeles Unified School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Los Angeles Unified School District** (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 15, 2014.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as FS 13-01 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as FS 13-02 to be a significant deficiency.





### **Compliance and Other Matters**

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

### **District's Response to Findings**

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script, reading 'Simpson &amp; Simpson'.

Los Angeles, California  
January 15, 2014





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## **Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB A-133**

### Independent Auditor's Report

The Honorable Board of Education  
Los Angeles Unified School District

### **Report on Compliance for Each Major Federal Program**

We have audited **Los Angeles Unified School District's** (the District) compliance with the types of compliance requirements described in the *(OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

***Basis for Qualified Opinion on Teacher Incentive Fund (CFDA No. 84.374), Bold Competition (CFDA No. 84.396), and Child Care Development Fund Cluster (CFDA Nos. 93.575 and 93.596)***

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



<b>Compliance requirement</b>	<b>Program Name and Catalog of Federal Domestic Assistance (CFDA) number</b>	<b>Finding number</b>
Matching	Bold Competition, CFDA No. 84.396	F-13-05
Matching	Teacher Incentive Fund, CDA No. 84.374	F-13-05
Eligibility	Child Care Development Fund Cluster, CFDA No. 93.575 and 93.596	F-13-03

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

***Qualified Opinion on Teacher Incentive Fund (CFDA No. 84.374), Bold Competition (CFDA No. 84.396), and Child Care Development Fund Cluster (CFDA Nos. 93.575 and 93.596)***

In our opinion, except for the noncompliance described in the table above, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Teacher Incentive Fund (CFDA No. 84.374), Bold Competition (CFDA No. 84.396), and Child Care Development Fund Cluster (CFDA Nos. 93.575 and 93.596) for the year ended June 30, 2013.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned for the year ended June 30, 2013.

***Other Matters***

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items F-13-01 to F-13-07. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report



on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items F-13-03, F-13-04, F-13-05, and F-13-06 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items F-13-01 – F-13-07 to be significant deficiencies.

The District's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

January 15, 2014  
Los Angeles, California



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## Independent Auditor's Report on State Compliance

To The Honorable Board of Education  
Los Angeles Unified School District

### Report on Compliance

We have audited the compliance of the **Los Angeles Unified School District** (the District), with the compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2012-2013* (the Guide) for the year ended June 30, 2013. The District's programs are identified in the table below.

#### Management's Responsibility

Management is responsible for compliance with the requirements of the state laws and regulations applicable to each program.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with the requirements described in the Guide based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies*, prescribed in the California Code of Regulations (CCR), Title 5, sections 19810-19854. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above occurred. An audit also includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. However, our audit does not provide a legal determination of the District's compliance with those requirements.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with state laws and regulations applicable to the following programs:

	<b>Number of Procedures in Education Audit Appeals Panel Audit Guide, Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-13</b>	<b>Procedures performed</b>
Attendance Accounting: Attendance Reporting	6	Yes

	<b>Number of Procedures in Education Audit Appeals Panel Audit Guide, Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-13</b>	<b>Procedures performed</b>
Independent Study	23	Yes
Continuation Education	10	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Instructional Time for:		
School Districts	6	Yes
County Office of Education	3	Not applicable
Instructional Materials General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not applicable
Class Size Reduction (including Charter Schools):		
General Requirements	7	Yes
Option One	3	Yes
Option Two	4	Not applicable
Districts or Charter School with only One School Serving K-3	4	Not applicable
After School Education and Safety Program:		
General Requirements	4	Yes
After School Program	5	Yes
Before School Program	6	Yes
Contemporaneous Records of Attendance for Charter Schools	1	Yes
Mode of Instruction, for Charter Schools	1	Yes



	<b>Number of Procedures in Education Audit Appeals Panel Audit Guide, Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-13</b>	<b>Procedures performed</b>
Nonclassroom-Based Instruction/Independent Study, for Charter Schools	15	Not applicable
Determination of Funding for Nonclassroom- Based Instruction, for Charter Schools	3	Not applicable
Annual Instructional Minutes – Classroom Based for Charter Schools	4	Yes

#### ***Opinion***

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its programs for the year-ended June 30, 2013.

#### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guide and which are described in the accompanying schedule of findings and questioned costs as items S-13-01 to S-13-04.

The District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Los Angeles, California  
January 15, 2014

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

June 30, 2013

### Section I – Summary of Auditor’s Results

#### Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? 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
	<b>Department of Agriculture – Child Nutrition Cluster:</b>	Unmodified
10.553	School Breakfast Program;	
10.555	National School Lunch Program;	
10.559	Summer Food Service Program for Children	
10.558	Department of Agriculture – Child and Adult Care Food Program	Unmodified
	<b>Department of Labor – Workforce Investment Act</b>	Unmodified
17.258	WIA – Adult Program	
17.259	WIA – Youth Activities	
84.002	Department of Education – Workforce Investment Act, Title II: Adult Education and Family Literacy Act	Unmodified

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

June 30, 2013

<b>CFDA #</b>	<b>Name of Federal Program</b>	<b>Opinion</b>
84.010	Title I Grants to Local Educational Agencies	Unmodified
	<b>Department of Education – Special Education Cluster:</b>	Unmodified
84.027	Special Education Grants to States (IDEA, Part B);	
84.173	Special Education Preschool Grants (IDEA Preschool);	
84.048	Department of Education – Vocational Education Basic Grants to States (Perkins IV)	Unmodified
84.165	Magnet Schools Assistance	Unmodified
84.287	Department of Education – Twenty-First Century Community Learning Centers	Unmodified
84.334	Department of Education – Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	Unmodified
84.365	Department of Education – English Language Acquisition Grants	Unmodified
84.367	Department of Education – Improving Teacher Quality State Grants	Unmodified
84.374	Teacher Incentive Fund Initiative	Qualified
	<b>Department of Education – School Improvement Grants Cluster</b>	Unmodified
84.377	School Improvement Grants	
84.388	School Improvement Grants, Recovery Act	
84.396	Department of Education – Bold Competition	Qualified



**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

June 30, 2013

CFDA #	Name of Federal Program	Opinion
	<b>Department of Health and Human Services – Child Care Development Fund Cluster:</b>	Qualified
93.575	Child Care and Development Block Grant;	
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund.	
93.778	Department of Health and Human Services – Medical Assistance Program	Unmodified
•	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:	\$2,743,128
•	Auditee qualified as low risk auditee	No
<b>State Awards</b>		
Type of auditor’s report issued on compliance for state programs:		Unmodified

\*\*\*\*\*

**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
Schedule of Findings and Questioned Costs  
June 30, 2013

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

**FS-13-01 Construction in Progress and Transfers to Depreciable Capital Assets–Material Weakness**

State Audit Guide Finding Code: 30000

**Criteria**

An entity should have a “Capital Asset Management and Accounting System” including formal internal control policies and procedures, designed to provide a standardized process to ensure all capital assets, including infrastructure and intangible assets, are properly recorded, capitalized, reported, and depreciated in a timely manner in accordance with generally accepted accounting principles.

**Condition**

Since 1997, the District has undertaken numerous construction projects to either repair, or modernize existing school facilities, and starting in 2001, to build new schools. Facilities Services Division (FSD) facilitates the proper accumulation and recording of the costs related to construction projects. The Information Technology Division (ITD) and Integrated Library and Textbook Support Services (ILTSS) facilitate proper accumulation and recording of the costs related to School Network Modernization Projects and Library Renovation Programs, respectively. ITD also is responsible for all internally developed software used by the District.

The FSD, ITD and ILTSS are responsible to inform the General Accounting Branch, Financial Reporting (FR) whenever an asset is completed and put into service. The FR Branch is in charge of the proper accounting of these assets in the Integrated Financial System (IFS), once they are completed and put in service. At that time, the total cost of completed projects is transferred to the appropriate fixed asset account classification, and depreciation expense is computed accordingly.

Construction in progress (CIP) is a District general ledger account that refers to the temporary classification of capital assets that are being built/assembled/developed before being placed in service. The District tracks all its costs related to the building/assembly/development of such assets until the asset is completed. The District’s formal policy for the determination of when a FSD project is completed is the Notice of Completion (NOC), which is filed with the Los Angeles County Registrar-Recorder Office. For ITD School Network Modernization Projects the Test and Acceptance Form is the determination of completion. Internally developed software is moved to completed projects when substantially completed and put in service. For ILTSS projects, the “Budget Modification Form” issued to close the project is the determination of completion.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
Schedule of Findings and Questioned Costs  
June 30, 2013

In the past 6 years, audit testing of the accuracy of the amounts accumulated in CIP and subsequently transferred to depreciable capital assets, disclosed the following control deficiency; project costs (1) were capitalized too early, (2) capitalized in the wrong fiscal year, or (3) included indirect labor expenses unrelated to the construction of the related assets and expenses were improperly accumulated in CIP. Consequently, depreciation of such assets was either overstated or understated in the year the asset was incorrectly determined to be completed. The impact of the control deficiency in each prior year's audit was not material to each audit year's financial statements and was reported in the management letter. The District properly adjusted its government-wide financial statements to correct all audit adjustments for the misstatements found during each audit year.

Management's corrective action for this control deficiency previously reported was to enhance controls and procedures and perform a more thorough analysis to appropriately determine expenses to be capitalized as part of CIP and to properly transfer CIP to Depreciable Capital Assets. Management's corrective action reported in the FY 2012 audit indicated that FSD and FR had already begun a higher degree of analysis than was performed in the past in order to clean up the data in the Fixed Asset System in preparation for the conversion to the new SAP Financial System. However, FSD had found limitations due to the master data setup on the continuous manual adjustment processes found in the legacy system.

As a result of the District's migration of capital asset data from the IFS to the new SAP Financial System, District staff discovered that several projects completed in prior years had not been transferred from the CIP account in IFS. The number of projects in the CIP ledger was significantly more than the number of projects in progress in the FSD, ITD and ILTSS data bases. In addition, District Facilities staff identified expenses in the CIP account that were incurred over the last ten years, for repairs and maintenance of facilities, and therefore, should have been expensed in the years they were incurred. As a result, the FSD performed a review of the project numbers remaining in CIP and categorized them as either (1) projects completed in FY 2013, (2) projects completed prior to FY 2013, (3) cancelled projects which should have been expensed, (4) repair projects which should have been expensed, (5) indirect costs which had not been allocated to projects, and (6) active projects which should remain in CIP as of June 30, 2013. ITD and ILTSS performed a similar review process over their respective projects.

Our current year audit procedures performed to determine the completeness and accuracy of the ending CIP balance resulted in the identification of the following types of errors and misstatements, which the District has corrected with the restatement:

- A. Facilities Services Division (FSD)
  - Projects were prematurely capitalized or capitalized late, due to errors in the reported completion dates of the completed projects (i.e., completion dates reported to FR were inconsistent with the actual signed Notice of Completion (NOC) document from the FSD).

**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
Schedule of Findings and Questioned Costs  
June 30, 2013

- Various projects within ending CIP were found to have been completed prior to FY 2013 and should have been capitalized and transferred from CIP.
- Repair expenses and other expenses, which should not have been capitalized, were charged to Object Code 6000 – Capital Outlay, and were recorded in CIP in the government-wide financial statements.
- Allowable labor expenditures incurred in support of the capital program, which should not have been capitalized as a direct cost of a project, were charged to Object Code 6000 – Capital Outlay and should have expensed (i.e. program management, program support).
- Construction Management costs, which should have been capitalized, were charged to “temporary project numbers as a holding account, however, these costs were never allocated to actual project numbers and therefore, were never properly transferred to completed assets. As these project numbers are not true “construction projects”, there was no completion trigger, such as an “NOC” that would be used to inform FR of the asset completion.

**B. Information Technology Division (ITD)**

- Projects were prematurely capitalized or capitalized late.
- Projects within ending CIP were completed prior to FY 2013 and should have been capitalized and transferred from CIP.
- Project costs for BTS and ISIS were not all recorded as Object code 6000 – Capital Outlay, but were expensed instead of capitalized.

**C. Integrated Library and Textbook Support Services (ILTSS)**

- Projects were prematurely capitalized or capitalized late.

**Cause and Effect**

The recording of the District’s capital assets that are being built/assembled/developed is a very voluminous and complex process. There are several thousand transactions annually which are dependent upon employees from four different divisions, some of whom lack adequate knowledge of accounting for fixed assets and the financial criteria for “project completion” for the purpose of determination on whether expenditures should be capitalized or expensed. There is not a review process in place by employees with sufficient knowledge to detect and correct errors in a timely manner. Also, the annual review of CIP is not designed to reconcile all transactions between the legacy system (IFS) and the data bases maintained by the FSD, ITD and ILTSS divisions to ensure accuracy of the CIP ending balance.

The overall effect after all audit adjustments were booked is a restatement to the beginning net position of \$639.5 million, and the reclassification of asset cost from CIP to the appropriate fixed asset categories in the Government-wide financial statement.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
Schedule of Findings and Questioned Costs  
June 30, 2013

**Recommendation**

We recommend that the initial determination of what projects should be recorded to Object 6000-Capital Outlay, and the evaluation, determination and documentation related to the completion of projects, be performed by employees with adequate knowledge of the financial accounting for such assets.

The District's Financial Reporting Division should establish new and improved policies and procedures, with proper oversight by employees with adequate knowledge, to ensure that the CIP account is analyzed and reconciled on a timely basis by project level. The analysis should validate that (1) completed projects are moved timely from CIP to the appropriate fixed asset account to be depreciated; (2) projects remaining in CIP at year-end represent projects required to be capitalized in accordance with GAAP, (3) repair projects which do not meet the accounting standards to be capitalized, are timely expensed, (4) cancelled projects are timely expensed, and all costs in CIP have been properly allocated/direct charged to each project.

**View of Responsible Officials and Planned Corrective Action**

Management concurs with the finding of material weakness. Various issues were discovered in the detailed analysis and cleanup of the CIP which will be addressed in the policies and procedures described below. In the past four fiscal years, Divisions have made gradual improvements in recording completed projects; however, a major weakness (resulting in this recurring finding) was the manual processes used to evaluate the completion of capital project completion.

Management also concurs with the recommendation that the legacy process for accounting for capital assets requires re-engineering. The District will establish a comprehensive policy and procedure to address the gaps described in the condition above and will address the following areas: capitalization of project cost; the financial criteria for project completion for the purpose of capitalization; appropriate project completion documentation and reporting standards; adjustments for cancelled projects; expenses related to Assets Under Construction (AUC, formerly CIP); capitalization of project trailing charges; and adjustments in fixed asset accounts and values.

As part of the corrective action plan, the District will implement the following improvements to the controls related to capital assets:

- Finance will develop a reference guide for capitalization of fixed assets based on generally accepted accounting principles by approximately February 28<sup>th</sup>. Based on Finance's guidelines, FSD, ILTSS, and ITD will establish policies and procedures at a more detailed level for appropriate project types by approximately April 15<sup>th</sup>. In May, Divisions will provide training to staff with responsibilities for accounting and reporting of capital assets and conduct periodic review of asset reports.

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- Regular SAP reports will be developed for the proper categorization of all capital projects. This will be completed by approximately March 31<sup>st</sup>.
- FSD will modify non-SAP project control systems to a) enforce segregation of repair and capital activities and b) to embed capitalization events for project life-cycle tracking. An integrated reporting system will be developed to provide status of projects that will serve as a trigger for completion of assets. This will be completed by approximately May 30<sup>th</sup>.
- ITD will closely monitor all IT projects and reconcile to Quickbase (ITD asset tracking software) to ensure timely and accurate reporting of project completions in the fixed asset module.
- By approximately February 28<sup>th</sup>, Divisions will identify appropriate personnel with knowledge of financial accounting to identify capitalizable projects and evaluate and document completion of projects.

**FS-13-02 Standardized Change Management Process – Significant Deficiency**

State Audit Guide Finding Code: 30000

**Criteria**

Formal change management procedures are designed to provide a standardized and controlled method for processing system change requests (including maintenance and patches) for critical application programs and infrastructure configuration changes. They also guide management approvals for program changes.

**Condition**

We noted inconsistent approval procedures to initiate and process program changes for LAUSD accounting systems (e.g., SAP, ISIS, CMS, IFS, etc.). For some accounting systems (e.g., SAP), user acceptance approvals were required and for others (e.g., ISIS), approvals were not required. For some systems (e.g., SAP), standard change request forms, documenting business sponsor approvals are required and for other systems, (e.g., ISIS, Welligent, etc.) such forms are not required. As a result, a lack of consistent change management approval procedures may impact management control over the integrity of program changes for mission critical accounting systems.

**Cause and Effect**

Insufficient management approval of program changes could cause unauthorized programs and invalid data being introduced into the IFS production environment.

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**Recommendation**

Each system should have a change management process that adheres to consistent approvals for all LAUSD accounting systems. Procedures should include documenting business sponsor, ITD and user acceptance approval using an actual signature or workflow system user account for processing program change requests.

**View of Responsible Officials and Planned Corrective Action**

A change management process with consistent approvals will be implemented on the systems that lack standard consistent change management process and approvals.

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### Section III – Findings and Questioned Costs Relating to Federal Awards

#### Program Identification

Finding Reference Number:

**F-13-01**

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

Special Education Cluster: Grants to States, Preschool Grants, U.S. Department of Education, Passed through the California Department of Education, CFDA No. 84.027, Grant Agreement 12-13379-6473-01;

L.A.'s Bold Competition – Turning Around and Operating Its Low-Performance Schools, U.S. Department of Education, CFDA No. 84.396, Grant Agreement U396C100336;

Workforce Investment Act, Title II: Adult Education and Family Literacy Act, U.S. Department of Education, Passed through the California Department of Education, CFDA No. 84.002, Grant Agreement 13-Multiple-6473.

Compliance Requirement:

Cost Principles

State Audit Guide Finding Code:

30000 and 50000

#### Criteria

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

- Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.
- Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation that meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant federal agency. Such documentary support will be required where employees work on:
  - (a) More than one federal award,
  - (b) A federal award and a nonfederal award,
  - (c) An indirect cost activity and a direct cost activity,



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

#### Condition

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

*Special Education Cluster (CFDA #84.027):* In our sample of 60 payroll expenditures, we noted 2 employees at two school sites totaling \$4,463 provided signed semiannual certifications; however, the certifications were signed and dated subsequent to our request.

Total exceptions amounted to \$4,463 of the \$185,263 sampled from the sample population of \$39,554,596.

*L.A.'s Bold Competition (CFDA #84.396):* In our sample of 25 payroll expenditures, we noted 2 employees at one office site totaling \$7,356 provided semiannual certifications; however, the certifications were signed and dated subsequent to our request.

Total exceptions amounted to \$7,356 of the \$41,700 sampled from the sample population of \$236,995.

*Workforce Investment Act (CFDA No. 84.002):* In our sample of 60 payroll expenditures selected respectively from the first 6 months and the last 6 months of fiscal year 2012-13, we noted 3 employees at one school site totaling \$15,599 from the first 6 months, that provided signed semiannual certifications; however, the certifications were signed and dated subsequent to our request.

Total exceptions amounted to \$15,599 of the \$264,751 sampled from the sample population of \$4,085,445.

#### Cause and Effect

The conditions appear to be control deficiencies where employees did not follow the District's policies and procedures.

This finding is a repeat finding and has been reported previously for June 30, 2008 to June 30, 2012 (F-08-01, F09-01, F-10-01, F-11-01, and F-12-01) for Special Education Cluster.

This finding is a repeat finding and has been reported previously for June 30, 2009 to June 30, 2011 (F09-01, F-10-01 and F-11-01) for Workforce Investment Act.

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**Questioned Costs:** \$27,418 (see summary below):

- **Special Education Cluster:** \$4,463 – untimely
- **The Bold Competition:** \$7,356 – untimely
- **Workforce Investment Act:** \$15,599 – untimely

#### **Recommendation**

We recommend that the District continue to provide ongoing training to appropriate personnel on the updated procedures and include a process to monitor compliance with those procedures.

#### **View of Responsible Officials, Planned Corrective Action, and Contact Information**

The District will continue to provide information to appropriate personnel on time and effort requirements.

Response was provided by the Accounting Control of Los Angeles Unified School District  
Telephone: (213) 241-1000 (Accounting Control Office)

*L.A.'s Bold Competition (CFDA #84.396):* All employees who are solely funded by a federal reward receive and are asked to complete and return a Semi-Annual Certification form within 30 days of the close of June 30<sup>th</sup> and December 31<sup>st</sup> annually. Multi-funded employees receive and are required to complete a MFTR on a monthly basis

Name: Monique Epps  
Title: Director  
Telephone: (213) 241-2554

#### **Program Identification**

Finding Reference Number:

**F-13-02**

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, Passed through the California Department of Education, CFDA No. 84.010, Grant Agreement 14329;

Teacher Incentive Fund Initiative: U.S. Department of Education, CFDA No. 84.374, Grant Agreement S374A120066.

Compliance Requirement:

Allowable Costs

State Audit Guide Finding Code:

30000 and 50000

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#### 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.

Code of Federal Regulations Title 34 – Education, Part 80 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments – Subpart C – Post-Award Requirements, Section 80.23, Period of availability of funds:

- General: Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case, the carryover balances may be charged for costs resulting from obligations of the subsequent funding period.

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.

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#### Condition

*Title I Grants to LEAs (CDFA #84.010):* As part of our procedures over program expenditures, we selected a sample of non-payroll expenditures that were recorded and charged to the program to ascertain whether or not they were allowable per program regulations, accurately charged to the program, and appropriately supported in accordance with the OMB cost circular documentation requirement. We noted that the following non-payroll expenditures recorded to expenditure accounts were not allowable:

Based on 60 payment voucher (PV) samples, we noted the following:

- 1 sample totaling \$4,087 was charged for amusement park admission tickets. This purchase was not program related and thus, they were not allowable.
- 1 sample totaling \$2,320 was charged for a file cabinet and desk removers. This purchase was not program related and thus, it was not allowable.
- 1 sample totaling \$3,001 was charged for Korean books. This purchase was not allowable to the program.

Total exceptions of \$9,408 of the \$3,230,764 sampled of the \$33,843,104 PV expenditures.

*Teacher Incentive Fund Initiative (CFDA #84.374):* As part of our procedures over program expenditures, we selected a sample of adjusting journal vouchers 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 one (1) of the two (2) journal vouchers was to transfer the training stipends totaling \$229,803 to the Teacher Incentive Fund Initiative program. However, program staff erroneously used the wrong expenditure lines from the SAP payroll data when preparing the journal entry totaling \$314,292. They inadvertently used expenditure code 110004 for supplemental payments instead of code 190004 for training stipends; as such, the transfer/charge to the program was overstated by \$84,489.

Total exceptions amounted to \$84,489 of the \$1,171,541 sampled from the \$1,364,336 of total journal voucher transfers for the fiscal year ended June 30, 2013.

#### Cause and Effect

The conditions appear to be control deficiencies where employees did not follow District policies and procedures.

#### Questioned Costs

*Title I Grants to LEAs (CDFA #84.010):* \$9,408

*Teacher Incentive Fund Initiative (CFDA #84.374):* \$84,489 (\$314,292 - \$229,803)

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#### Recommendation

*Title I Grants to LEAs (CDFA #84.010):* We recommend that the District continue to provide guidance/training to ensure appropriate costs are charged to federally funded programs.

*Teacher Incentive Fund Initiative (CFDA #84.374):* The District should prepare an adjusting journal entry to correct the above error and provide proof of correction for the grantor's follow-up.

#### Views of Responsible Officials, Planned Corrective Actions, and Contact Information

*Title I Grants to LEAs (CDFA #84.010):* The District will continue to provide guidance and training to ensure expenditures fall within program guidelines. The District's handbooks and materials on budgeting that are part of the budget packet given to schools identifies allowable expenditures. In addition, currently, the funding of general supplies has been closed, and IMA may be restricted.

Name: Deborah Ernst

Title: Director, Federal and State Education Programs

Telephone: (213) 241-6990

*Teacher Incentive Fund Initiative (CFDA #84.374):* The correcting journal entry was made and posted on October 2, 2013. Effective October 2013, the following monitoring and review procedures were implemented 1) a monthly tracking system for all TIF-related expenditures per the major federal line items, 2) biweekly budget meetings and 3) a three-step review process for budget reporting.

Name: Drew Furedi, Ed.D

Title: Executive Director, Human Capital Initiatives

Telephone: (213) 241-5878

#### Program Identification

Finding Reference Number:

**F-13-03**

Federal Program Title, Awarding Agency, Pass-Through Entity, Catalog of Federal Domestic Assistance (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, Passed through the California Department of Education, CFDA No. 10.553, 10.555, and 10.559, Grant Agreement 19-64733-0000000-01;

Child Care and Development Fund: Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund, Passed through the California Department of Education, CFDA No. 93.575 and 93.596, Grant Agreements CSPP-2211 and CCTR-2210.

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Compliance Requirement: Eligibility  
State Audit Guide Finding Code: 30000 and 50000

#### Criteria

Title 7 – Agriculture, Chapter II – Food and Nutrition Service, Department of Agriculture, Part 245 – Determining eligibility for free and reduced price meals and free milk in schools, 245.6a - Verification requirements:

- (a) Verification requirement. School officials may seek verification of the information on the application. State agencies shall ensure that by December 15 of each School Year, School Food Authorities have selected and verified a sample of their approved free and reduced price applications in accordance with the conditions and procedures described in this section. Verification activity may begin at the start of the school year but the final required sample size shall be based on the number of approved applications on file as of October 31. Any extensions to these deadlines must be approved in writing by FNS.
- (b) Sources of information. Sources of information for verification may include written evidence, collateral contacts, and systems of records.

(1) Written evidence. Written evidence shall be used as the primary source of information for verification. Written evidence includes written confirmation of a household's circumstances, such as wage stubs, award letters, and letters from employers. Whenever written evidence is insufficient to confirm income information on the application or current eligibility, the school may require collateral contacts.

#### Section D of the District Contract with CDE, Certification of Eligibility:

The contractor shall designate the staff person authorized to certify eligibility. Prior to initial enrollment and at the time of recertification, an authorized representative of the contractor shall:

- Certify each family's/child's eligibility for child care and development services after reviewing the completed application and documentation contained in the family data file.
- Issue a notice of Action and Application for services.

#### Section E, Child Care and Development Center-Based Program Requirements, Contents of Family Data File:

- The Contractor shall establish and maintain a family data file for each family receiving child care and development services.
- The family data file shall contain a completed and signed application for services and the following records as applicable to determine eligibility and need in accordance with above:
  - 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

*Child Nutrition Cluster:* In our procedures performed to test annual verification of meal applications, we selected a sample of 40 applications and requested verification packages consisting of verification forms, meal applications, income support documents such as paystubs or employment verification letter and household size determination documents to determine if eligibility verified by the District was accurate and properly supported.

Our review of the verification packages noted the following:

- One (1) household income had been erroneously calculated resulting in incorrect eligibility determination where the child was classified as eligible for free meals instead of reduced-price meals.
- One (1) household income was properly documented and correctly calculated; however, it was erroneously recorded into CMS and resulted in incorrect eligibility determination where the child was classified as eligible for free meals instead of reduced-price meals.
- One (1) "Verification documentation of Households Applying for Free or Reduced-Price Meals" form was not signed by the second reviewer.

*Child Care and Development Fund:* In our procedures performed to determine eligibility for the childcare programs funded by this cluster, we sampled a total of 60 participants from 6 out of 100 Early

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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.

Our review of the participant files noted the following:

- Four (4) files lacked documentation supporting the single parent status
- One (1) file did not have sufficient proof of income (other than self-certification)
- Two (2) families' annual recertification were not done timely (more than 12 months)
- Two (2) files could not be located at one center
- One (1) CD 9600 Recertification form was not signed and dated by parent
- One (1) household income had been erroneously calculated resulting in over charging the family fee by 40 cents for half day or 80 cents for full day.

#### **Cause and Effect**

*Child Nutrition Cluster:* It appears that a lack of over-sight and adequate supervisory review over the annual verification process has resulted in inaccurate determination of eligibility.

This is a repeat finding and has been reported previously for June 30, 2012 (F-12-02).

*Child Care and Development Fund:* It appears that a lack of effective and timely monitoring by the District over the functions performed by the center managers and possible staffing issues has resulted in a failure to follow procedures during eligibility determination and annual recertification.

This is a repeat finding has been reported previously from June 30, 2009 to June 30, 2012 (F-09-04, F-10-03, F-11-03 and F-12-02).

#### **Questioned Costs**

*Child Nutrition Cluster:* The questioned cost is approximately \$480 based on the number of meals claimed for the 2 students for the school year 2012-13.

*Child Care and Development Fund:* The questioned cost could not be assessed for the exceptions noted for the Certification of Eligibility that were not signed and dated, and for late recertification because they may or may not have any impact on the family's eligibility status.

The questioned cost for the two (2) missing family files, inadequate support of one (1) family income and four (4) single parent status is estimated totaling \$58,327 based on the contract rate of \$34.29 per day multiplied by the total number of program operation days for fiscal year 2012-13.

The questioned cost for the other non-compliance issues could not be assessed (i.e., undetermined) as the family's eligibility status may or may not have any impact due to insufficient documentation.



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#### **Recommendation**

*Child Nutrition Cluster:* We recommend that the District continue to provide training to its staff that perform the verification of eligibility, to ensure that errors in calculations may be minimized.

*Child Care and Development Fund:* We recommend that the District strengthen its monitoring process to ensure that student files are reviewed on a regular basis in order to comply with the contract and records provision. The District should also continue to provide training sessions for the center managers to ensure that they are aware of the federal requirements in relation to eligibility and that the required documentation is being maintained.

#### **Views of Responsible Officials and Planned Corrective Actions, and Contact Information**

*Child Nutrition Cluster:* The District agrees with the recommendation. On December 12, 2013, the District had a re-training for staff on the verification process to be conducted. The training focused on calculating household incomes based on verification documents provided, determining eligibility and process for the second reviewer. In addition, the verification training has been scheduled in the yearly Food Services calendar to be conducted prior to September 30th of each calendar year to prepare for the verification process.

Name: Manish Singh  
Title: Program Manager  
Telephone: (213) 241-2983

*Child Care and Development Fund:* The District agrees with the finding. The Early Childhood Education (ECE) Division has implemented the following corrective action plan:

1. All new Elementary School Administrative Assistants (SAA) and Early Childhood Office Managers have been trained on compliance requirements for eligibility.
2. Returning ECE Office Managers and Elementary SAA's were given refresher training on eligibility requirements.
3. ECE fiscal staff has revised their job duties to include one site visit per quarter at every ECE center for training, review of documentation, and overall assistance in helping sites meet compliance requirements.

The above listed actions have been implemented as of October 29, 2013 and are part of the standard ongoing operational procedures of the Division.

Name: Maureen Diekmann  
Title: Executive Director  
Telephone: (213) 241-7511

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#### Program Identification

Finding Reference Number:

**F-13-04**

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

Title I Grants to Local Educational Agencies, U.S. Department of Education, Passed through the California Department of Education, CFDA No. 84.010, Grant Agreements 14329-6473 and 14981-6473;

Vocational Education Basic Grants to States (Perkins IV), U.S. Department of Education, California Department of Education, CFDA No 84.048, Grant Agreements 12-14893-6473; 12-14893-7443;

School Improvement Grants, Department of Education, California Department of Education, CFDA No 84.377 and 84.388, Grant Agreements

Workforce Investment Act (WIA), Title II: Adult Education and Family Literacy Act, U.S. Department of Education, Passed through the California Department of Education, CFDA No. 84.002, Grant Agreement No: Multiple-6473. 12-13970-6473.

Compliance Requirement:

Equipment Management

State Audit Guide Finding Code:

20000, 30000, and 50000

#### Criteria

Code of Federal Regulations, Title 34 – Education, Part 80 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments – Subpart C – Post – Award Requirements, Section 80.32, Equipment, Part (d):

- Management Requirement – Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:
  - (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

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- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.
- (4) Adequate maintenance procedures must be developed to keep the property in good condition.
- (5) If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

BUL-1158 Accounting for Supplies and Equipment Purchases: Major changes effective October 2012, each piece of equipment costing \$500 or more must be correctly labeled and inventoried. It is recommended that attractive equipment items, such as laptops, iPads, netbooks, iPod Touches, e-readers, etc., that have a unit cost of less than \$500 be labeled as well. Object code 4501 (General Supplies) should be used when purchasing equipment costing less than \$500.

Effective July 1, 2004, the dollar threshold to qualify items as “capital” or fixed assets is increased from \$15,000 to \$25000. The threshold for defining items purchased as supplies remains unchanged at below \$500. Items costing from \$500 to \$24,999 are considered “non-capital”.

BUL-3508.5 Section B - Inventory Form and Equipment Inventory Database: School or location is required to submit a Categorical Equipment Inventory (CEI) to Federal and State Education Programs, Beaudry Building, 16th Floor, or an electronic copy to FSEP@lausd.net by June 1 of each school year

BUL-3508.5 Section D: Letter of Certification requires school or location submit a Principal Certification if no equipment was purchase with categorical funds during the school year.

BUL-3508.5 Section E – Categorical Equipment Inventory Physical Check: School or location is required to perform the following:

- A physical check of the equipment inventory must be conducted every two years, and the results of the physical check must reconcile with inventory records. (Education Department General Administrative Regulations 34 CFR Part 80.32)
- Local district must identify staff to conduct the physical check at school sites. The staff can be a school-site or district-level personnel.
- Send the original copy of the Categorical Equipment Inventory Physical Check (Attachment E) to Federal and State Education Programs, Beaudry Building, 16th Floor, or an electronic copy to FSEP@lausd.net by June 1 and keep one copy on file at the school site.

BUL-953.1: Since requirements for equipment purchased using federal and state categorical funds differ, schools and offices that have purchased equipment with any federal or state categorical funds (e.g. Title I, State Compensatory Education, Beyond the Bell, Cafeteria, etc.) should refer to Bulletin No. 3508, “Inventory of Equipment Purchased through Categorical Programs”, for guidelines on maintaining inventory records.

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#### Condition

*Title I Grants to LEAs:* Based on our review of the District's most current policies and procedures for inventory for equipment purchased through categorical programs (i.e. BUL-3508.5), schools and local district offices are required to be compliant with specific policies stated therein, if the equipment was purchased with categorical funds. In our procedures performed to determine if the schools were in compliance with those policies and procedures, we sampled a total of 60 schools that submitted the CEI or PC and verified if the PC Letter was received and CEI was completed in accordance with the policies. We noted that the CEI provided by 3 schools were missing certain components (i.e. serial number or location information) for a few items. Subsequent to November 21, 2013, 2 out of these 3 schools corrected the CEI with the missing items.

*School Improvement Grants and ARRA:* A total of 19 schools received SIG funding during fiscal year 2012-13. Of the total 19 schools, 14 provided CEI and 5 provided PC Letters to the central office. In our procedures performed for all schools to determine if the schools were in compliance with those policies and procedures, we noted the following exceptions:

1. Certain information is missing for the following required components from 3 schools:

Missing Required Component	Number of Schools	Number of Equipment
Serial Number	3	24
Purchase Date	1	14
Locations	1	21
Acquisition Cost	1	5
Delivery Date	1	14
Funding	1	14

Subsequent to the discussion with the program staff, the schools corrected the CEI with the missing items on November 15, 2013.

*Vocational Education Basic Grants to States (Perkins IV): Section 132 – ROC/P Adult Vocational Education Basic Grants (contract numbers 12-14893-6473 and 12-14893-7443):*

A total of 30 locations received Perkins funding during fiscal year 2012-13. Of the total 30 schools, all are required to provide CEI for fiscal year 2012-13. In our procedures performed for 15 schools to determine if the schools were in compliance with those policies and procedures, we noted the following exceptions:

1. Certain information is missing for the following required components from 5 locations:

Missing Required Component	Number of Schools	Number of Equipment
Serial Number	1	10
Model	1	14
Purchase Date	3	163

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<u>Missing Required Component</u>	<u>Number of Schools</u>	<u>Number of Equipment</u>
Acquisition Cost	2	149
Inspection Date	1	127
Condition	1	127

2. Physical inspection check could not be verified for two (2) sampled locations. Note: Since attachment E is not submitted by any of the service areas, we looked at the inspection date along with signed principal assurance to satisfy the testing of physical check requirements.

Subsequent to the discussion with the program staff, the schools corrected the CEI with the missing items on December 19, 2013.

*Vocation Education Secondary:* According to the District's Perkins Division of Intensive Support and Intervention, schools and offices funded with Secondary Perkins are required to submit the Perkins Inventory Sheet to the Perkins Division of Intensive Support and Intervention for equipment purchased during the fiscal year or certifying that no equipment was purchased. The District's Perkins Advisors perform physical inventory based on the Perkins Inventory Sheets submitted, and documents the dates of the physical inventory inspection.

In our procedures performed for 15 schools to determine if the schools were in compliance with those policies and procedures, we noted the following exceptions:

1. No evidence of physical inventory inspection was performed for 4 schools. Additionally, for physical inventory inspection of the remaining 11 schools, the Division only inspected equipment purchased during the fiscal year instead of all equipment funded by Perkins.
2. 1 school mistakenly recorded an item with a unit cost less than \$500 in object code 4490.

*Workforce Investment Act, Title II: Adult Education and Family literacy Act:* In our procedures performed to determine if the schools were in compliance with the policies and procedures related to the equipment inventory for all 36 schools, we noted the following exceptions:

<u>Missing Required Component</u>	<u>Number of Schools</u>	<u>Number of Equipment</u>
Serial Number	1	2
Acquisition cost	1	1

Additionally, physical inventory inspection was done only for the equipment purchased during the fiscal year; however, none of the schools conducted the physical inventory for all equipment purchased prior to 2012-13.

#### **Questioned Cost**

Not applicable. This finding is considered a programmatic non-compliance issue as well as a deficiency in the internal control system to properly monitor and supervise the personnel who are assigned to perform the inventory management.

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#### Cause and Effect

Inadequate supervision and insufficient guidance/training to the personnel at the schools over inventory and management of equipment or property may have contributed to these issues.

This finding is a repeat finding and has been reported previously for June 30, 2010 through June 30, 2012 (F-08-01, F09-01, F-10-04, F-11-04, and F-12-03) for Title I Grants to LEAs, Vocational Education Basic Grants to States (Perkins IV) and Workforce Investment Act, Title II.

#### Recommendation

We recommend the District continue to strengthen its controls over property management by providing adequate supervision/training to ensure that inventory management be performed properly.

#### Views of Responsible Officials, Planned Corrective Actions, and Contact Information

*Title I Grants to LEAs:* Funding equipment will continue to be a **restricted** item, and schools must go through the budget adjustment request (BAR) process with approval from Federal and State Education Programs in order to purchase equipment. The guidelines are currently referenced in the *2013-2014 Program and Budget Handbook* and will be included in the *2014-2015 Program and Budget Handbook*.

Further, the ESC Title I coordinators will review the guidelines with the schools prior to the submission of the categorical equipment inventories for FY 2013-14.

Name: Deborah Ernst  
Title: Director, Federal and State Education Programs  
Telephone: (213) 241-6990

#### *Vocational Education Basic Grants to States (Section 132):*

Equipment inventory procedures pursuant to federal, district and division policies will be reviewed with service area administrators and school based personnel involved with Perkins programs. A review of Perkins program compliance procedures will be presented at administrative meetings. All such reviews will be accomplished by the end of the current fiscal year.

Name: Judy De La Torre  
Title: Specialist, Career Technical Education  
Telephone: (213) 241-3800

#### *Vocational Education Basic Grants to States (Section 131):*

1. Currently a historical data base is being gathered and put together of all schools who received Perkins funding as far back as existing records will allow. Once that inventory is compiled the CTE school advisors will be assigned various schools to inventory.
2. Also, currently CTE / Perkins funded teachers are being asked to submit a full classroom inventory of all equipment as to follow CDE recommendations.
3. Schools who have submitted and intent to apply for additional Perkins funds FY 14-15 must submit a complete inventory of CTE/Perkins funded equipment prior being approved.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

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4. Lastly, schools who have not purchased equipment will be asked to sign the waiver that states that items were not purchased for that year.

Name: Pia Damonte  
Title: Admin Coordinator, Career Technical Education  
Telephone: (213) 241-1031

*School Improvement Grants (SIG):* The three schools corrected the CEI with the missing items on November 15, 2013. The District and SIG Office will provide on-going guidance and training to ensure that SIG schools correctly identify and inventory all purchases.

Name: Nader Delnavaz  
Title: Director  
Telephone: (213) 241-2144

*Workforce Investment Act, Title II:* We agree with the auditor's findings. We will be conducting a physical inventory of the WIA equipment at our 10 Adult Education Service Area Schools to be completed by March 31<sup>st</sup>, 2014.

Name: Laura Chardiet  
Title: WIA Specialist  
Telephone: (213) 241-3830

#### Program Identification

Finding Reference Number:

**F-13-05**

Federal Program Title, Awarding  
Agency, Catalog of Federal  
Domestic Assistance (CFDA)  
Number, Award Number:

Teacher Incentive Fund Initiative, U.S. Department  
of Education, CFDA No. 84.374A, Grant  
Agreement S374A120066;

Gaining Early Awareness and Readiness for  
Undergraduate Programs (GEAR-UP), U.S.  
Department of Education , CFDA No. 84.334, Grant  
Agreement P334A110166;

Bold Competition (i3), U.S. Department of  
Education, CFDA No. 84.396, Grant Agreement  
U396C100336;

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.

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

- Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.
- Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation that meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant federal agency. Such documentary support will be required where employees work on:
  - (a) More than one federal award,
  - (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.

*Salaries and wages of employees used in meeting cost sharing or matching requirements of Federal awards must be supported in the same manner as those claimed as allowable costs under Federal awards.*



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#### Condition

*Teacher Incentive Fund Initiative* - According to the District's Interim Annual Performance Report (APR) for the period October 1, 2012 through May 31, 2013, the District's matching for the grant period totaled \$547,512. Through inquiry with the program personnel, the District's match consisted of salaries and benefits of \$301,512 and other contractual expenditures of \$246,000. We also noted that the employees, whose salaries were being used for the matching to the grant, were not originally required to prepare additional time reporting such as semi-annual certifications (SAC) and/or personnel activity reports (PAR) as required by OMB Circular A-87. Subsequent to the request, the District provided the semi-annual certifications signed by each of the employees for the period of October 2012 through May 31, 2013. However, the certifications were untimely in that they were dated in October 2013. In addition, the program personnel represented to us that other contractual expenditures of \$246,000 reported as match had not been incurred as it was projected. As such, no supporting documentation was provided.

*GEAR-UP* - In our procedures performed over matching contributions, we noted that matching expenditures totaling \$1,652,187 for the reporting period October 1, 2011 through September 30, 2012 were reported. Of the total match, \$840,962 were derived from the District's employee salaries and benefits. We requested documentation to support the reported matched expenditures and noted that the Personnel Activity Reports were summarized and signed by the employees every 6 months instead of monthly.

*Bold Competition* - The District's Bold Competition matching fund was provided by one of the District's Office Partners, Unite-LA. For the performance period of 2011-12, the District has represented to us that salary expenses of \$157,826 was used as a matching cost to the program. In our procedures performed over these matching contributions, we were provided the following documentation to support the cost used to meet the matching requirement.

- Summary worksheet showing staff allocation by funding source.
- Monthly Time and Effort Report for Sponsored Agreement (Time Report) - A form that was signed by the employee to certify the percentage allocation for the pay periods reported for the match.
- Payroll registers and/or canceled checks.

Based upon our review of the above documentation, we selected 40 samples totaling \$36,481 to test if the salary match met the OMB criteria. We noted that the Time Reports were signed by the employees, however, none of them were dated; as such, we could not determine when the Time Report was actually prepared. In addition, payroll records (i.e. payroll registers) were not provided for 7 out of the 40 Time Reports we sampled, therefore we were unable to verify the payroll expense.

#### Questioned Costs

*Teacher Incentive Fund Initiative* - Of the District's total matching expenditure reported for the period October 1, 2012 through May 31, 2013, \$246,000 was not supported with any documentation. The untimely signed semi-annual certifications is a programmatic internal control deficiency.

*GEAR-UP* - Not applicable. Questioned cost for the untimely signed semi-annual certifications is a programmatic internal control deficiency.

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*Bold Competition* – The questioned cost of \$36,481 is related to the Time Reports that were not dated for the 40 samples which also includes the 7 samples totaling \$3,105 for unsupported payroll expense.

#### **Cause and Effect**

*Teacher Incentive Fund Initiative* - There appears to be lack of policies and procedures for how to document and support the amounts report for matching on this grant.

*GEAR-UP* -Current policies and procedures for this grant did not require their employees to prepare and sign the PAR on a monthly basis.

*Bold Competition* – The District program office did not have procedures in place to determine that the documents were sufficient to meet the OMB Circular requirements for the matching provided by Unite-LA during the period 10/1/2011 through 9/30/2012.

#### **Recommendation**

*Teacher Incentive Fund Initiative* - Program Staff should review the District's established policies and procedures to ensure that proper documentation is prepared and maintained to support the matching.

*GEAR-UP* - Program staff should update its policies and procedures to require proper documentation be prepared and maintained to support the matching. We also recommend that the policy and procedure include proper timely review of the supporting documentation.

*Bold Competition* – Effective October 1, 2012, the District program office implemented a policy and procedure for reviewing the matching expenditures. We recommend that the program office continue to follow the procedures as described in the *Intensive Support and Intervention Division Public School Choice Office Process for Reviewing Matching Expenses*.

#### **Views of Responsible Officials, Planned Corrective Actions, and Contact Information**

*Teacher Incentive Fund Initiative* - Effective October 2013, time cards are collected monthly and semi-annual certifications per district policies and procedures for all TIF project related employees—including those whose salaries are paid for with TIF funds as well as those accounted for in our matching funds will be completed.

While the matching on the interim APR was over-reported by \$246,000, it is anticipated that the required match over the course of the grant will be met.

Effective October 2013, the following monitoring and review procedures were implemented 1) a monthly tracking system for all TIF-related expenditures per the major federal line items, 2) biweekly budget meetings and 3) a three-step review process for budget reporting.

Name: Drew Furedi, Ed.D

Title: Executive Director, Human Capital Initiatives

Telephone: (213) 241-5878

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

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*GEAR-UP* - Effective 2013-14, a monthly timesheet to document matching will be used and policies and procedures will be updated.

Name: Lois Bramwell  
Telephone: (213) 241-0150

*Bold Competition* – The District agrees with the recommendation and will continue to follow the procedures described in the referenced document.

Name: Monique Epps  
Title: Director  
Telephone: (213) 241-2554

#### Program Identification

Finding Reference Number:	<b>F-13-06</b>
Federal Program Title, Awarding Agency, Pass-Through Entity, Catalog of Domestic Assistance (CFDA) Number, Award Number:	Teacher Incentive Fund Initiative, U.S. Department of Education, CFDA No. 84.374A, Grant Agreement Grant Agreement S374A120066;  Magnet Schools Assistance, U.S. Department of Education, CFDA No 84.165, Grant Agreement U165A10057;  Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children, California Department of Education, U.S. Department of Agriculture CFDA 10.553, 10.555, and 10.559, Grant Agreement 19-64733-0000000-01;  Vocational Education Basic Grants to States (Perkins IV), U.S. Department of Education, California Department of Education, CFDA No. 84.048, Grant Agreements 12-14894-6473-00, 12-14893-6473-00 and 12-14893-7443-00.
Compliance Requirement:	Reporting
State Audit Guide Finding Code:	30000 and 50000

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

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#### 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:

*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.

*School food authority claims review process.* Prior to the submission of a monthly Claim for Reimbursement, each school food authority shall review the lunch count data for each school under its jurisdiction to ensure the accuracy of the monthly Claim for Reimbursement. The objective of this review is to ensure that monthly claims include only the number of free, reduced price and paid lunches served on any day of operation to children currently eligible for such lunches.

*Provision 2* – Provision 2 has a 4-year cycle for annual notification and certification for free and reduced price meals. In the first year, schools must take daily counts of the number of meals served by meal category (paid, free, reduced price) and establish the percentage of meals served by category each month. In the second, third and fourth school years, schools must count only the total number of reimbursable meals served each month; the monthly percentages established in the first year are then applied to the counts taken in the corresponding months of the current year. At the end of 4 years, the cycle may be extended for another 4 years if the State determines that the economic condition of the school's enrollment has not improved. Additional 4-year extensions may be approved on the same basis (42 USC 1759a (a)(1)(C) and (D); 7 CFR section 245.9(b)).

Code of Federal Regulations Title 34 – Education, Part 80 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, Subpart C – Post – Award Requirements, Section 80.20, Standards for financial management systems:

- A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:
- Permit preparation of reports required by this part and the statutes authorizing the grant, and
- Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions or applicable statutes.

The financial management systems of other grantees and subgrantees must meet the following standards:

- Financial reporting: Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.

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- 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

*Child Nutrition Cluster (CDEFA #s 10.553, 10.555, and 10.559):* During 2012-13, the District operated a total of 425 schools under Provision 2. To test the accuracy of the claim percentages used in year 2, 15 schools were sampled from 4 months (a total of 60 samples) to compare the monthly percentages by category for each month established in the Cafeteria Management System (CMS) with the percentages used in the final claim for lunch and breakfast for the corresponding months. Based on our review, we noted that the percentages claimed for breakfast (B) and lunch (L) for 5 schools did not agree with the percentages per CMS.

The following table shows only the results of the comparison of the percentages used between CMS and the final claims:

School ID	Type	Over / (Under) Billed to CDE (%)			Over / (Under) Billed to CDE (\$)			Total Claimed		Total
		Free	Reduced	Full	Free	Reduced	Full	Over	Under	Over/(Under)
13974	B	34%	9%	-43%	\$ 3,601	\$ 838	\$ (672)	\$ 4,439	\$ (672)	\$ 3,767
12027	B	-22%	-6%	27%	(1,093)	(239)	201	201	(1,332)	(1,131)
12397	B	5%	-1%	-4%	665	(131)	(74)	665	(205)	460
12767	B	9%	0%	-9%	724	(2)	(105)	724	(107)	617
18543	B	2%	-2%	0%	103	(102)	3	106	(102)	4
18543	L	-1%	2%	-1%	469	(608)	3	472	(608)	(136)
					\$ 4,469	\$ (244)	\$ (644)	\$ 6,607	\$ (3,026)	\$ 3,581

### *Magnet Schools Assistance (CFDA 84.165) and Teacher Incentive Fund Initiative (CFDA 84.374A)*

In our procedures performed over performance reporting, we noted that the District prepares Annual Performance Report (APR) using information primarily from the general ledger. The District submitted a separate APR for the Teacher Incentive Fund Initiative (TIF) for period of October 1, 2012 through May 31, 2013 and the Magnet Schools Assistance for October 1, 2011 through September 30, 2012. In order to test the accuracy of the information on the reports, we traced data from the reports to the general ledger. We also verified that the APRs were approved by the applicable certifying official.

*Teacher Incentive Fund Initiative (CFDA 84.374A):* Program staff was unable to provide a supporting reconciliation of the expenditures totaling \$2,680,171 reported on the Interim APR to the general ledger. Based on our review of the general ledger for the respective reporting period, we noted that the total should have been \$2,643,634. Thus, the APR reported \$36,537 more than the amount shown in the general ledger.

*Magnet Schools Assistance (CFDA 84.165):* During our review of the APR reported for the period October 1, 2011 through September 30, 2012 we noted that the District's total annual expenditures by school were reported based on the total expenditures divided equally by four (4) schools. Based on our inquiries with the program coordinator, the reporting methodology was provided to them by the

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Department of Education with instructions on how to report the expenditures. The program director also provided us with the training materials showing the instructions. However, based on our review of the instruction materials, it states that only shared costs are divided equally by the number of schools served by this grant. In other words, if the costs directly related to a specific school, such costs should be reported only for that school.

*Section 132 – ROC/P Adult Vocational Education Basic Grants (contract numbers: 12-14893-7443-00 and 12-14893-6473-00):*

In our procedures performed over the accuracy of the data reported on the CDE Form 101: E1 Report of Career Technical Education Enrollment and Program Completion ((called E1), we selected 60 students out of 10 CBEDs and traced the student information reported to the source documents (i.e. Registration Form, SIS data, Carl D. Perkins Declaration of Eligibility Form, and classroom attendance sheet) and noted the following exceptions:

1. Eligibility Forms were not provided for 15 students
2. Registration Forms were not provided for 8 students
3. Discrepancy was noted between the E1 Report and Eligibility Form for 10 students
4. Discrepancy was noted between the E1 Report and Registration Form for 11 students
5. Attendance sheet were not provided for 5 students

In another procedure performed over the E1 report submitted to CDE, we selected 10 CBEDs and we compared the participants data reported to CDE, with the Report from SIS (in excel format) that was used for inputting data into the CDE reporting system. We noted that the number of students reported for the following categories were not supported by the data recorded in the SIS system. According to the Program Personnel, some variance is expected as he ran the detail reports on request from the auditor several months after running the original summary report. The detail report pulls current student status information which is dynamic. However, the original files were maintained by the program personnel, as such we were unable to confirm whether or not the variances noted were due to the timing of when the report was ran or due to clerical errors.

CBED	Category	SIS	E1 Report	Variance
5622 CAS Adult	Ethnicity	206	205	-1
5622 ROCP Adult	Ethnicity	1,260	1,273	13
5622 ROCP Adult	Special Population	1,505	1,506	1
5849 ROCP Adult	Ethnicity	34	36	1
5849 CAS Adult	Special Population	226	227	1
4401 CAS Adult	Special Population	481	478	-3
4420 CAS Adult	Special Population	66	63	-1
4242 ROCP Adult	Ethnicity	164	165	1
4276 ROCP Adult	Ethnicity	2,359	2,366	7
4276 ROCP Adult	Special Population	2,881	2,885	4
4280 ROCP Adult	Special Population	1,090	1,089	-1
4420 ROCP Adult	Ethnicity	312	320	8
4276 ROCP Adult	Column E	186	189	3
4276 ROCP Adult	Column F	1,124	1,127	3

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#### Cause and Effect

*Magnet Schools Assistance (CFDA 84.165) and Teacher Incentive Fund Initiative (CFDA 84.374A):* The Program's current policies do not include procedures to ensure that the Final and/or Interim APRs are reconciled with the general ledgers and reported accurately. Also, the program personnel misinterpreted the CDE training materials related to the reporting for expenditures under this grant on the APRs.

*Child Nutrition Cluster (CDEFA #s 10.553, 10.555, and 10.559):* Program staff did not know the causes of the variances.

*Section 132 – ROC/P Adult Vocational Education Basic Grants:* There appears to be inadequate controls over E1 reporting.

This is a repeat finding and has been previously reported from June 30, 2006 through 2012 (F-06-25, F-07-25, F-08-18, F-09-15, F10-11, F-11-12, and F-12-09) for *Section 132 – ROC/P Adult Vocational Education Basic Grants*.

#### Questioned Costs

*Child Nutrition Cluster (CDEFA #s 10.553, 10.555, and 10.559):* The known questioned costs from the sampled schools and months amounted to \$6,607.

*Magnet Schools Assistance (CFDA 84.165) and Teacher Incentive Fund Initiative (CFDA 84.374A):* 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 the Department of Education. The actual drawdowns are conducted by the District's accounting team under the Special Funded Program and the drawdowns were supported by the general ledger.

*Section 132 – ROC/P Adult Vocational Education Basic Grants:* 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

*Child Nutrition Cluster (CDEFA #s 10.553, 10.555, and 10.559):* We recommend the District determine the cause of the variances. Program staff should perform a reconciliation between the claimed percentages with the CMS for all other schools and months under Provision 2 and make an adjustment accordingly, if any. We also recommend that the District strengthen its controls to ensure the claim percentages be reconciled with the CMS and such review should be performed periodically.

*Magnet Schools Assistance (CFDA 84.165) and Teacher Incentive Fund Initiative (CFDA 84.374A):* Policies and procedures should be implemented to strengthen its controls over APR reporting for the TIF Program, to ensure that reports are accurately reconciled to the actual data.

With regards to the specific finding related to reporting expenditure for each school under the Magnet School Assistance, the District should report the total cost per school in accordance with the instructions and adjust the total accumulative expenditures per school in the next APR.

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*Section 132 – ROC/P Adult Vocational Education Basic Grants:* The District should continue to monitor and enforce the policies and procedures they have implemented which has strengthened and improved its controls over reporting for the Secondary and Adult Vocational Education program, to ensure that students' data are not lost and the data collection is documented adequately.

### **Views of Responsible Officials, Planned Corrective Actions, and Contact Information**

*Child Nutrition Cluster (CDFA #s 10.553, 10.555, and 10.559):* The District agrees with the recommendation. The District scheduled a meeting with the Finance team and the Cafeteria Management System (CMS) team on Friday, November 22, 2013 and arrived at an action plan to determine the cause of the variances in the Provision 2 percentages.

#### **Action Plan**

1. The Finance team provided the current process on how the percentages were determined. The calculated percentages are submitted to the Food Services Program Manager for review and approval to upload the data into the system by CMS team. – COMPLETED on 11/22/13
2. The Finance team will review the 2012-13 P2 percentages submitted to the Food Services Program Manager uploaded into CMS by comparing it with the P2 percentages data in CMS. – COMPLETED on 12/4/13
3. The CMS Team to review the upload process of Provision 2 percentages by 12/3/13.
  - a. If the upload process was inaccurate, the CMS team will review the program/coding in the system and conduct a reconciliation of the file.
  - b. If the upload process was accurate, the CMS Team and Finance team are to conduct a reconciliation of the percentages of both files for all Provision 2 schools by 12/6/13.
4. The Finance Team will conduct a reconciliation of the percentages of both files on all Provision 2 schools (425) by 12/6/13 to determine any discrepancies. – COMPLETED on 12/4/13 (Refer to Action Plan #2).
5. Any downward claim adjustments, if found, will be submitted in CNIPS accordingly by 1/31/14.
6. After the review of both processes, both CMS and Finance team will develop a process map for discussing the upload of Provision 2 percentages. The process map will include a timeline for the first upload and to schedule quarterly dates to reconcile the information originally uploaded and CMS output by 2/28/14.

Name: Laura Benavidez

Title: Deputy Director of Food Services – Operations

Telephone: (213) 241-2999

*Teacher Incentive Fund Initiative:* Effective October 2013, the following monitoring and review procedures were implemented: 1) a monthly tracking system for all TIF-related expenditures per the major federal line items, 2) biweekly budget meetings and 3) a three-step review process for budget reporting.

Name: Drew Furedi, Ed.D

Title: Executive Director, Human Capital Initiatives

Telephone: (213) 241-5878



## LOS ANGELES UNIFIED SCHOOL DISTRICT

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*Magnet Schools Assistance:* Staff believed they were acting upon the direction of the USDE when reporting the cost per school on the Ad Hoc Report. Staff will use the recommended procedure for future AD Hoc Reports.

Name: Estelle Lockett  
Title: Administrative Coordinator  
Telephone: (213) 241-7900

*Section 132 – ROC/P Adult Vocational Education Basic Grants:* The Division of Adult and Career Education will implement corrective action to ensure that these important procedural data collection and student data retention items for the E1 and E2 reports are addressed by:

- Written explanations of these oversights and the appropriate steps to be taken will be provided to school administrators and program staff now and at the beginning of each program year
- Specific attention will be paid to these items by Division staff who monitor and review program files.
- Staff will be directed to save hard copies of the SIS reports used to generate the E1 report in order to document the data.

Name: Judy De La Torre  
Title: Specialist, Career Technical Education  
Telephone: (213) 241-3800

#### Program Identification

Finding Reference Number:

**F-13-07**

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

English Language Acquisition Program, U.S. Department of Education, Passed through the California Department of Education, CFDA 84.365, Grant Agreement 14346-64733;

Title I Grants to LEAs, U.S. Department of Education, Passed through the California Department of Education, CFDA 84.010, Grant Agreement 14329-6473.

Compliance Requirement:

Special Tests and Provisions:

English Language Acquisition Program: Parental Notifications (Annual & Initial and AMAO)

Title I Grants to LEAs: Highly Qualified Teachers

State Audit Guide Finding Code:

30000 and 50000

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#### Criteria

*English Language Acquisition Program (CFDA 84.365)*

MEM-5633.0: F – Principal Certification Form for the 2012-2013 School Year

Upon reviewing the teacher roster, if a “No” (not in compliance) or “Pending” appears after any teacher who is assigned to a core academic setting, then the school is not yet in compliance with NCLB with respect to teacher. Once the information for your school is verified, please complete the principal certification form and submit the original to Certificated Employment Operations by Friday, December 2, 2012.

Elementary & Secondary Education Act, Subpart 5 – Administration, Part C – General Provisions, Section 3302, Parental Notification:

- a. In General – Each eligible entity using funds provided under this title to provide a language instruction educational program shall, no later than 30 days after the beginning of the school year, inform a parent or the parents of a limited English proficient child identified for participation in, or participating in, such program of:
  - (1) The reasons for the identification of their child as limited English proficient and in need of placement in a language instruction educational program;
  - (2) The child’s level of English proficiency, how such level was assessed, and the status of the child’s academic achievement;
  - (3) The method of instruction used in the program in which their child is, or will be, participating, and the methods of instruction used in other available programs, including how such programs differ in content, instruction goals, and use of English and a native language in instruction;
  - (4) How the program in which their child is, or will be participating will meet the educational strengths and needs of the child;
  - (5) How such program will specifically help their child learn English, and meet age-appropriate academic achievement standards for grade promotion and graduation;
  - (6) The specific exit requirements for such program, the expected rate of transition from such program into classrooms that are not tailored for limited English proficient children, and the expected rate of graduation from secondary school for such program if funds under this title are used for children in secondary schools;
  - (7) In the case of a child with a disability, how such program meets the objectives of the individualized education program of the child; and
  - (8) Information pertaining to parental rights that includes written guidance:
    - a) Detailing:
      - The right that parents have to have their child immediately removed from such program upon their request and
      - The options that parents have to decline to enroll their child in such program or to choose another program or method of instruction, if available and
    - b) Assisting parents in selecting among various programs and methods of instruction, if more than one program or method is offered by the eligible entity.
- b. Separate Notification – In addition to providing the information required to be provided under subsection (a), each eligible entity that is using funds provided under this title to provide a language instruction educational program, and that has failed to make progress on the annual measurable

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achievement objectives described in Section 3122 for any fiscal year for which part A is in effect, shall separately inform a parent or the parents of a child identified for participation in such program, or participating in such program, of such failure not later than 30 days after such failure occurs.

- c. Receipt of Information – The information required to be provided under subsections (a) and (b) to a parent shall be provided in an understandable and uniform format and, to the extent practicable, in a language that the parent can understand.
- d. Special rule applicable during school year for a child who has not been identified for participation in a language instruction educational program prior to the beginning of the school year, the eligible entity shall carry out subsections (a) through (c) of this section with respect to the parents of the child within 2 weeks of the child being placed in such a program.

#### MEM-5903: Title III Annual Measurable Achievement Objective (AMAO) Guidelines for Parent Notification FY12-13

*Purpose:* This memorandum provides guidelines and procedures for informing all parents of English Learners (ELs) when the District does not meet one or more of the Title III Annual Measurable Achievement Objective (AMAO) performance targets.

*Instructions:* When one or more of the AMAO performance targets are not met, Title III requires the District to notify all parents of ELs of such failure. This notification must be provided no later than 30 days after the official release of Title III accountability data from CDE. This Year the Title III accountability data were released on October 11, 2012.

#### *Title I Grants to LEAs (CFDA #84.010)*

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.

No Child Left Behind Act Section 1119, (i) Verification of Compliance:

- (1) In General – In verifying compliance with this section, each local educational agency, at a minimum, shall require that the principal of each school operating a program under section 1114 or 1115 attest annually in writing as to whether such school is in compliance with the requirements of this section.

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#### MEM-5872.0: F – Principal Certification Form for the 2012-13 School Year

Upon reviewing the teacher roster, if a “No” (not in compliance) or “Pending” appears after any teacher who is assigned to a core academic setting, then the school is not yet in compliance with NCLB with respect to teacher. Once the information for your school is verified, please complete the principal certification form and submit the original to Certificated Employment Operations by Friday, October 26, 2012.

#### **Condition**

*English Language Acquisition Program (CFDA 84.365):* 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 fiscal year 2012-13 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 schools for certifications of AMAO, we noted the following:

- 3 schools did not issue the AMAO Certification Form before November 10, 2012.
- 3 schools could not locate the AMAO certification for the FY13 school year.

In our sample of 31 participating students for Annual parent notifications, we noted the following:

- 5 annual parent notifications could not be located or provided by the schools.
- 1 annual parent notification has no parent signature/date to indicate that it was sent out by school and reviewed by parents or any supporting documentation showing attempted effort(s) to notify parents.

In our sample of 29 participating students for Initial parental notification, we noted the following:

- 4 initial parent notifications cannot be located or provided by the schools.
- 3 initial parent notifications has issue dates beyond the mandatory deadline of 30 days after the beginning of the school year/ or within two weeks of child being placed in program.
- 1 initial notification was not sent out.
- 1 initial notification has no parent signature/date to indicate they were sent out by school and reviewed by parents or any supporting documentation showing attempted effort(s) to notify parents.

*Title I Grants to LEAs (CFDA #84.010):* In our procedures of verifying the schools’ compliance with the Principal Attestation over the certifications and notices on teacher qualifications, on November 19, 2013, we obtained a log maintained by the Certificated Workforce Management & Qualification Division (Division) and noted 7 out of 675 schools had not submitted the annual Principal Certification Form (PCF) to the Division as required by MEM-5872.0.

We further sampled 40 PCFs that were submitted to the Division and noted that 2 schools did not date the form; as such, we were unable to determine whether or not the forms were submitted on time. In addition, 9 annual PCFs submitted by the schools were dated after October 26, 2012.

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- 20-30 days late: 2 schools
- 31-60 days late: 3 schools
- 61-90 days late: 1 schools
- 90 days or more: 3 schools

#### Cause and Effect

*English Language Acquisition Program (CFDA 84.365):* Although the schools have made an effort to maintain proper records regarding the Annual Measureable Achievement Objectives, and the Annual and Initial Notifications, there does not appear to be effective controls in place to ascertain that sufficient documentation is maintained to support the District's compliance.

This is a repeat finding from fiscal years 2005-06 to 2011-12 (F-06-36, F-07-33, F-08-22, F-09-20, F-10-18, F-11-18 and F-12-10).

*Title I Grants to LEAs (CFDA #84.010):* The District's internal control and follow-up procedures over compliance with timely submission of the Principal Certification Form may not be sufficient.

This is a repeat finding from fiscal year 2011-12 (F-12-10).

#### Questioned Costs

*English Language Acquisition Program (CFDA 84.365):* Not applicable. This finding relates to a programmatic, non-compliance issue as well as a deficiency in the internal control system to properly monitor the parental notification process. No monetary costs are involved here.

*Title I Grants to LEAs (CFDA #84.010):* Not applicable. The finding related to the Principal Attestation is a programmatic non-compliance issue and it does not constitute any questioned costs.

#### Recommendation

*English Language Acquisition Program (CFDA 84.365):* We recommend the District continue to strengthen its policies and procedures to ensure that the schools comply with the requirement that all parental notifications are made in a timely manner and the supporting documentation is maintained on file to support the schools' compliance as per the English Language Acquisition Program.

*Title I Grants to LEAs (CFDA #84.010):* We recommend that the District continue to strengthen its monitoring process to ensure that schools are compliant with the principal attestation requirement and submit accurate certifications timely.

#### View of Responsible Officials, Planned Corrective Action, and Contact Information

*English Language Acquisition Program (CFDA 84.365):* We concur that the District should continue to strengthen its policies and procedures to ensure all schools are in compliance with the requirement that parental notifications are made in a timely manner and the required documentation is on file at the school site.

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MMED will review existing parental notification policies to include clear and explicit guidelines in regards to mandates and procedures pertaining to Title III parental notifications prior to July 2014. These policies will be posted on the MMED website, the District's *In Brief* for school-site administrators and *Inside LAUSD*

During the 2013-14 school year, the EL Online Accountability system (OLAS) was overhauled to provide clarity and more functionality for school sites, Educational Service Center (ESC) and the Central District. Because of this major overhaul, school site principals, ESC EL staff and MMED EL program staff will be able to regularly and efficiently monitor compliance of the Title III Parental notifications.

In addition, monitoring of the Title III parent notifications have or will have occurred through the following additional actions:

- Local Educational Service Center (ESC) EL Program Coordinators will be informed (December 2013) by MMED EL Program staff, during a regularly scheduled monthly meeting, about schools not meeting parent notification requirements per 2012-13 audit findings.
- Non-Compliant schools, during the 2012-13 Single audit, were required to re-send missing parent notifications and create a corrective action plan to MMED (re-send notifications and provide a written explanation for missing documents)
- MMED EL Program will generate certification reports in OLAS in October 2014 (annual and initial parent notifications) and December 2014 (AMAO school certifications). These reports will be disseminated to the ESC EL Coordinators and Instructional Superintendents for use in determining compliance for their respective schools.
- The EL Online Accountability system will be monitored monthly by MMED staff to ensure school-site compliance with EL accountabilities, clarity of information on the system and to make updates to streamline Title III parental notification certification procedures, as needed.
- MMED and ESC EL Program staff will use the 2012-13 audit findings to provide professional development to school site coordinators during regularly scheduled monthly ESC meetings
- During the Title III Master Plan Institute (July, August, September 2014) for school-site coordinators/designees, training will be provided in the following topics related to Title III parental notifications:
  - importance of Title III parental notification
  - timelines/process for Title III parent notifications
  - EL Online Accountability parental notification certification process
- MMED/ESC EL Program staff will continue to provide ongoing training through regularly scheduled meetings (2013-14 school year) on the EL Master Plan to ensure timeliness of implementation of parental notification policies and procedures

Name: Valerie Brewington

Title: Coordinator

Phone: (213) 241-5582

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*Title I Grants to LEAs (CFDA #84.010):* In the fall of 2013, Certificated Operations Branch added the following in MEM-6161.0 “No Child Left Behind (NCLB): Qualifications for Teachers; Parent Notification Requirements and Right to Know Procedures, Annual Principal Certification Form”, which provides school site principals the means to electronically submit the Principal Certification Form: *Once the information for your school is verified, please complete the Principal Certification Form online at <http://go.teachinla.com/nclb> . The form will automatically be sent to the NCLB unit after you click the SUBMIT button.*

This feature simplifies the submission of the form and ease the gathering of data. Principal Certification Forms from the 2012-2013 school year will be on file prior to 01/31/14.

Name: Derek Ramage

Title: Director, Certificated Workforce Management and Qualifications

Telephone: (213) 241-4663

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#### Section IV - Findings and Questioned Costs Relating to State Awards

##### S-13-01 Regular and Special Day Classes – Elementary Schools – Attendance Computations

**State Program:** Attendance Accounting: Attendance Reporting

**State Audit Guide Finding Codes:** 10000 and 40000

##### Schools Affected

- Barton Hill Elementary School
- Manhattan Place Elementary School
- Darby Elementary School
- Eshelman Elementary School
- Aragon Elementary School
- Lanai Road Elementary School

##### Criteria

*California Education Code, Section 46300(a)* – In computing average daily attendance of a school district or county office of education, there shall be included the attendance of pupils while engaged in educational activities required of those pupils under the immediate supervision and control of an employee of the district or county office who possessed a valid certification document, registered as required by law.

##### Condition, Cause and Effect

In our sample of 25 elementary schools, we obtained the Student Monthly Attendance Summary Reports (SMASRs) for a sample of teachers for school month five (5). SMASRs are system-generated reports from the District's Integrated Student Information System (ISIS), a system utilized by the teachers to electronically input, submit and certify student attendance on a daily basis. This system, which replaced the manual daily attendance recording through Student Apportionment Attendance Record Cards, was fully implemented for all of the District's elementary schools during FY 2009-2010. We verified whether these SMASRs were reported accurately in the *Second Principal Report (P2)* and the *Annual Principal Report (P3)*. We obtained the monthly statistical reports where all the SMASRs are summarized, for our sampled schools and verified whether the SMASRs were completely and accurately summarized. We then traced these monthly statistical reports to Revised Annual Attendance Ledgers (i.e. ACES Dump Reports), which in turn were traced to the *Second Principal Report (P2)* and the *Annual Principal Report (P3)*.

To test the integrity of data reported in the sampled SMASRs, we selected a sample of absences from notes, phone logs and other absence records and compared them to the SMASRs to verify that they were not included in the calculation of Average Daily Attendance reported in the P2 and P3. In addition, since the SMASRs are generated through ISIS, we also tested the system's general internal controls which included, but were not limited to appropriate access controls.

Out of the 29,000 days of attendance tested, 372 days of absences, we noted the following findings.

- **Barton Hill Elementary School** - Of 886 days of attendance and 14 absences sampled, we noted the following exceptions:



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- One (1) student was absent for a total of two (2) days, as evidenced by an absence note but was marked as present in the school's monthly attendance summary.
- **Manhattan Place Elementary School** - Of 867 days of attendance and 13 absences sampled, we noted the following exceptions:
  - Three (3) students were absent for a total of seven (7) days, as evidenced by absence notes but were marked as present in the school's monthly attendance summary.
- **Aragon Elementary School** - Of 986 days of attendance and 8 absences sampled, we noted the following exceptions:
  - Two (2) students were absent for a total of two (2) days, as evidenced by an absence note but was marked as present in the school's monthly attendance summary.
- **Darby Elementary School** - Of 986 days of attendance and 10 absences sampled, we noted the following exception:
  - One (1) student was absent for one (1) day, as evidenced by an absence note but was marked as present in the school's monthly attendance summary.
- **Eshelman Elementary School** - Of 942 days of attendance and 7 absences sampled, we noted the following exception:
  - One (1) student was absent for one (1) day, as evidenced by an absence note but was marked as present in the school's monthly attendance summary.
- **Lanai Road Elementary School** - Of 1530 days of attendance and 13 absences sampled, we noted the following exception:
  - One (1) student was absent for one (1) day, as evidenced by an absence note but was marked as present in the school's monthly attendance summary.

These findings are repeat findings, having been reported previously at June 30, 2012 (S-12-1) but for different schools.

#### Questioned Costs

14 days / 141 days = 0.10 ADA overstated \* \$5,266 = \$522

- **Barton Hill Elementary School** – 2 days overstated/141 days in single track school year
- **Manhattan Place Elementary School** – 7 days overstated/ 141 days in single track school year
- **Aragon Elementary School** – 2 days overstated/141 days in single track school year
- **Darby Elementary School** – 1 day overstated/141 days in single track school year
- **Eshelman Elementary School** – 1 day overstated/141 days in single track school year
- **Lanai Road Elementary School** – 1 day overstated/141 days in single track school year

#### Recommendation

We recommend that the District continue to strengthen its controls over implementing District policies over student attendance reporting. Furthermore, we recommend that the District continue to

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provide adequate attendance reporting training to the schools so that proper attendance reporting procedures are adhered to.

#### **Views of Responsible Officials and Planned Corrective Actions**

District staff will continue to work with various school staff throughout the school year to provide assistance, training, information, etc., as necessary to keep staff informed with the District policies and procedures pertaining to proper attendance/absence reporting.

#### **S-13-02 - Regular and Special Day Classes – Secondary Schools – Attendance Computations**

**State Program:** Attendance Accounting: Attendance Reporting

**State Audit Guide Finding Codes:** 10000 and 40000

#### **Schools Affected:**

- Curtiss Middle School
- Markham Middle School
- Emerson Middle School
- Cortines High School
- University High School

#### **Criteria**

*California Education Code, Section 46300(a)* – in computing average daily attendance of a school district or county office of education, there shall be included the attendance of pupils who were engaged in educational activities required of those pupils under the immediate supervision and control of an employee of the district or county office who possessed a valid certification document, registered as required by law.

#### **Condition, Cause and Effect**

In our sample of 13 secondary schools, we obtained the weekly attendance summaries for a sample of teachers for month four (4). The weekly attendance summaries are system-generated reports from the District's Integrated Student Information System (ISIS), a system utilized by the teachers to electronically input, submit and certify student attendance on a daily basis. We verified whether these weekly attendance summaries for the schools sampled were accurately reported in the *Second Principal Report (P2)* and the *Annual Principal Report (P3)*. We obtained the monthly statistical reports where all the weekly attendance summaries are summarized, for our sampled schools and verified whether the weekly attendance summaries were completely and accurately summarized. We then traced these monthly statistical reports to the Revised Annual Attendance Ledgers (i.e. ACES Dump Reports), which in turn were traced to the *Second Principal Report (P2)* and the *Annual Principal Report (P3)*.

To test the integrity of data reported in the sampled weekly attendance summaries, we selected a sample of absences from notes, phone logs and other absence records and compared these to the weekly attendance summaries to verify that these were not included in the calculation of Average Daily Attendance reported in the P2 and P3. In addition, since the weekly attendance summaries are generated through ISIS, we also tested the system's general internal controls which included, but were not limited to appropriate access controls.

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We selected a sample of 32,628 days of attendance and 419 absences for testing and noted the following findings:

- **Curtiss Middle School** - Of 798 days of attendance and 25 absences sampled, we noted the following exceptions:
  - One (1) student was absent for a total of two (2) days, as evidenced by absence notes, but were recorded as present in the school's weekly attendance summary.
- **Markham Middle School** - Of 2,550 days of attendance and 58 absences sampled, we noted the following exceptions:
  - Four (4) students were absent for four (4) days, as evidenced by absence notes, but were recorded as present in the school's weekly attendance summary.
- **Emerson Middle School** - Of 1,955 days of attendance and 25 absences sampled, we noted the following exception:
  - One (1) student was absent for a total of three (3) periods, as evidenced by absence notes, but was recorded as present in the school's weekly attendance summary.
- **Cortines High School** - Of 3,128 days of attendance and 16 absences sampled, we noted the following exception:
  - One (1) student was absent for one (1) day, as evidenced by an absence note, but was recorded as present in the school's weekly attendance summary.
- **University High School** - Of 3,351 days of attendance and 39 absences sampled, we noted the following exception:
  - One (1) student was absent for one (1) day, as evidenced by an absence note, but was recorded as present in the school's weekly attendance summary.

These findings are repeat findings, having been reported previously at June 30, 2012 (S-12-02) but for different schools.

#### Questioned Costs

9 days / 141 days = 0.06 ADA overstated \* \$5,266 = \$336

- **Curtiss Middle School** - 2 days overstated/141 days in single track school year
- **Markham Middle School** - 4 days overstated/ 141 days in single track school year
- **Emerson Middle School** - 1 day overstated/141 days in single track school year
- **Cortines High School** - 1 day overstated/141 days in single track school year
- **University High School** - 1 day overstated/141 days in single track school year

#### Recommendation

We recommend that the District continue to strengthen its controls over implementing District policies over student attendance reporting. Furthermore, we recommend that the District continue to

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provide adequate attendance reporting training to the schools so that proper attendance reporting procedures are adhered to.

#### **Views of Responsible Officials and Planned Corrective Actions**

District staff will continue to work with various school staff throughout the school year to provide assistance, training, information, etc., as necessary to keep staff informed of District policies and procedures pertaining to proper attendance/absence reporting.

#### **S-13-03- School Accountability Report Card**

**State Program:** School Accountability Report Card

**State Audit Guide Finding Code:** 72000

#### **Schools Affected**

- Cimarron Elementary School
- Cortines School Of VPA
- Eshelman Elementary School
- Hope High School
- La Salle Elementary School
- Liechty Middle School
- Manhattan Place Elementary School
- University High School

#### **Criteria**

*EC Section 33126 (a), (b)(8)* - (a) The school accountability report card shall provide data by which a parent can make meaningful comparisons between public schools that will enable him or her to make informed decisions on the school in which to enroll his or her children.

(b) The school accountability report card shall include, but is not limited to, assessment of the following school conditions:

(8) Safety, cleanliness, and adequacy of school facilities, including any needed maintenance to ensure good repair as specified in Section 17014, Section 17032.5, subdivision (a) of Section 17070.75, and subdivision (b) of Section 17089.

#### **Condition, Cause and Effect**

In our sample of 42 elementary and secondary schools, we noted eight (8) schools that reported inaccurate information about their facilities' conditions in their 2012-2013 School Accountability Report Card (SARC). In the most recent Facilities' Conditions Evaluation conducted by the District, information on some/all categories (i.e., gas leaks, mechanical systems, hazardous materials, structural damage, fire safety, interior surface, pest/vermin infestation, drinking fountains, restrooms, sewer, roof, and overall cleanliness) was noted as "Not Applicable". However, in the SARC, these were noted as either poor, fair or good.

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#### Questioned Costs

None

#### Recommendation

We recommend that information on the District's Facilities Conditions' Evaluation be uploaded accurately in the District's SARC. The District should conduct a review of the uploaded information in SARC to ensure its accuracy and its consistency with its source documents.

#### Views of Responsible Officials and Planned Corrective Actions

Effective December 2, 2013, changes will be made that will allow District's Facilities conditions as provided in the source file to be uploaded to SARC. Exception reports will be generated to display any records or values not uploaded to SARC, if any, for further review and validation. Additional staff will be assigned to verify the accuracy of the populated SARC against source data file. These actions will be implemented prior to the publication of 2012-13 SARC in February 2014.

#### S-13-04 – After School Education and Safety Program

**State Program:** After School Education and Safety Program

**State Audit Guide Finding Code:** 40000

#### School Affected

- |  |   |
|--|---|
| • <b>Melvin Elementary School</b>          | • <b>15<sup>th</sup> Street Elementary School</b> |
| • <b>Herrick Elementary School</b>         | • <b>West Vernon Elementary School</b>            |
| • <b>Madison Elementary School</b>         | • <b>24<sup>th</sup> Street Elementary School</b> |
| • <b>Byrd Middle School</b>                | • <b>Barett Elementary School</b>                 |
| • <b>El Sereno Middle School</b>           | • <b>Emelita Elementary School</b>                |
| • <b>Kittridge Elementary School</b>       | • <b>Humphreys Elementary School</b>              |
| • <b>Mack Elementary School</b>            | • <b>City Terrace Elementary School</b>           |
| • <b>Carver Middle School</b>              | • <b>Garden Grove Elementary School</b>           |
| • <b>Gage Middle School</b>                | • <b>Heliotrope Elementary School</b>             |
| • <b>Nimitz Middle School</b>              | • <b>Montara Elementary School</b>                |
| • <b>Beachy Elementary School</b>          | • <b>Parmelee Elementary School</b>               |
| • <b>Huntington Park Elementary School</b> | • <b>Fernangeles Elementary School</b>            |
| • <b>Sharp Elementary School</b>           | • <b>49th St. Elementary School</b>               |
| • <b>Vernon Elementary School</b>          | • <b>Valerio Elementary School</b>                |
| • <b>6th Ave Elementary School</b>         |   |

#### Criteria

*California Education Code 8483(a) – (1)* Every after school component of a program established pursuant to this article shall commence immediately upon the conclusion of the regular school day, and operate a minimum of 15 hours per week at least until 6:00 on every regular school day. Every after school component

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of the program shall establish a policy regarding reasonable early daily release of pupils from the program. For those programs or school sites operating in a community where early release policy does not meet the unique requirements of that community or school, or both, documented evidence may be submitted to the department for an exception and a request for approval of an alternative plan.

(2) It is the intent of the Legislature that elementary school pupils participate in the full day of the program every day during which pupils participate and that pupils in middle school or junior high school attend a minimum of nine hours a week and three days a week to accomplish program goals.

*California Education Code 8483.1 (a) – (1)* Every before school program component established pursuant to this article shall in no instance operate for less than one and one-half hours per regular school day. Every program shall establish a policy regarding reasonable late daily arrival of pupils to the program.

(2) (A) It is the intent of the Legislature that elementary school pupils participate in the full day of the program every day during which pupils participate and that pupils in the middle or junior high school attend a minimum of six hours a week or three days a week to accomplish program goals, except when arriving late in accordance with the late arrival policy or as reasonably necessary.

(2) (B) A pupil who attends less than one-half of the daily program hours shall not be accounted for the purposes of the attendance.

*California Education Code 8482* – The purpose of this program is to create incentives for establishing locally driven before and after school enrichment programs both during schooldays and summer, intersession, or vacation days that partner public schools and communities to provide academic and literacy support and safe, constructive alternatives for youth. The term public school includes charter schools.

#### **Condition, Cause and Effect**

On a sample basis, we tested attendance documentation of 54 schools and 3,240 students who participated in the After School Education and Safety Program. We examined the attendance records for the selected students and verified that the attendance reporting was complete and accurate. We also verified whether the selected students complied with the attendance requirements established by the District, as required by the California Education Code. We noted the following exceptions:

#### **After School Component of the Program**

On a sample basis, we tested the attendance documentation of 33 schools and 19,906 days of attendance in the after school component of the After School Education and Safety Program.

There were a total of four (4) students in three (3) schools who did not have complete sign-in and sign-out time on the sign-in/sign-out sheets. Some students didn't have either the sign-in time or sign-out time. Some students didn't have both. Due to the missing sign-in or sign-out time, we were unable to determine whether the elementary school students participated in the full day of after school program on every day during which students participated except as consistent with the established early release policy. There were also some students who did not have proper sign-in/ sign-out, as a result, we were unable to determine how long each student participated in the program. The following are the details of the exceptions:

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- **Madison Elementary School** – One (1) student did not have proper sign-in or sign-out time for one (1) day.
- **Herrick Elementary School** – two (2) students did not have proper sign-in or sign-out time for a total of two (2) days.
- **Melvin Elementary School** – One (1) student did not have proper sign-in or sign-out time for one (1) day.

There were 76 students in 11 schools that did not comply with the established early release policy. As a result, the following elementary schools had students that did not participate in the full day of the after school program on every day during which pupils participated, and the following middle schools had students that participated less than nine hours a week and three days a week:

- **Byrd Middle School** - one (1) student did not participate for nine hours and three days of the after school program for the week we tested that they participated and there were no early release forms or absence forms to explain why such requirement was not complied with.
- **El Sereno Middle School** - six (6) students did not participate for nine hours and three days of the after school program for the week we tested that they participated and there were no early release forms or absence forms to explain why such requirement was not complied with.
- **Kittridge Elementary School** – fourteen (14) students did not participate in the full period of the after school program for 41 days that they participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **15<sup>th</sup> Street Elementary School** – three (3) students did not participate in the full period of the after school program for a total of 14 days that they participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **West Vernon Elementary School** – two (2) students did not participate in the full period of the after school program for a total of four (4) days that they participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **24<sup>th</sup> Street Elementary School** – three (3) students did not participate in the full period of the after school program for a total of three (3) days that they participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **Barett Elementary School** - two (2) students did not participate in the full period of the after school program for a total of two (2) days that they participated and there were no properly early release forms to explain why such requirement was not complied with.
- **Emelita Elementary School** – 11 students did not participate in the full period of the after school program for a total of 35 days that they participated and there were no properly early release forms to explain why such requirement was not complied with.
- **Herrick Elementary School** – 11 students did not participate in the full period of the after school program for a total of 48 days that they participated and there were no properly early release forms to explain why such requirement was not complied with.
- **Humphreys Elementary School** – eight (8) students did not participate in the full period of the after school program for a total of 27 days that they participated and there were no properly early release forms to explain why such requirement was not complied with.

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- **Mack Elementary School** - 15 students did not participate in the full period of the after school program for a total of 44 days that they participated and there were no properly early release forms to explain why such requirement was not complied with.

We obtained the Monthly Attendance Report (MAR) for a sampled month for the same schools we sampled and compared the total attendance reported to the attendance records (e.g. sign in/sign out sheets) for the schools for a sampled week during the school year 2012-2013. We also tested the completeness and accuracy of the reports by selecting a sample of students and tracing the same students to attendance records and vice versa. We noted the following exceptions:

- **Carver Middle School** – MAR was understated by 16 days, compared to the sign-in sheets.
- **Gage Middle School** - MAR was overstated by 63 days, compared to the sign-in sheets.
- **Nimitz Middle School** - MAR was understated by 14 days, compared to the sign-in sheets.
- **El Sereno Middle School** - MAR was overstated by one (1) day, compared to the sign-in sheets. In addition one (1) student was marked as present for a total of one day on MAR but marked not present on sign-in sheets.
- **Beachy Elementary School** – MAR was overstated by nine (9) days, compared to the sign in sheets.
- **Huntington Park Elementary School** – MAR was overstated by two (2) days, compared to the sign-in sheets.
- **Madison Elementary School** – MAR was understated by four (4) days compared to the sign-in sheets. In addition one (1) student was marked present on MAR but was marked not present on sign in sheets
- **Sharp Elementary School** – MAR was overstated by three (3) days, compared to the sign-in sheets.
- **Vernon Elementary School** – MAR was overstated by one (1) day, compared to the sign-in sheets.
- **24<sup>th</sup> St Elementary School** – MAR was overstated by 28 days, compared to the sign-in sheets.
- **6th Ave Elementary School** – MAR was understated by three (3) days, compared to the sign-in sheets. In addition, one (1) student **was** marked present for one (1) day on the sign in sheets but was marked not present on the MAR. One (1) student was marked present on MAR for one day but was marked not present on the sign-in sheets.
- **Barett Elementary School** – MAR was understated by 19 days, compared to the sign-in sheets. In addition, three (3) students were marked not present for a total of two (3) days on the sign in sheets but were marked present on the MAR. Four (4) students were marked present in the MAR for a total of four days but were marked not present on the sign-in sheets.
- **City Terrace Elementary School** – MAR was understated by two (2) days compared to the sign-in sheets. In addition, two (2) students were marked not present for a total of (2) days on the sign-in sheets but were marked present on the MAR.
- **Garden Grove Elementary School** – MAR was overstated by seven (7) days, compared to the sign-in sheets. We also noted one (1) student was marked not present for a total of one (1) day on the sign-in sheets but was marked present on the MAR.



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- **Heliotrope Elementary School** – MAR was understated by 62 days, compared to the sign-in sheets. We also noted three (3) students were marked not present for a total of three (3) days on the sign in sheets but were marked present on the MAR
- **Montara Elementary School** – MAR was overstated by ten (10) days, compared to the sign-in sheets. In addition, four (4) students were marked not present for a total of five (5) days on the sign in sheets were not found in the MAR.
- **Parmelee Elementary School** – MAR was understated by two (2) students compared to the sign-in sheets. We also noted two (2) students were marked present for a total of two (2) days on the sign-in sheets but were not found on the MAR.
- **Mack Elementary School** – MAR was overstated by one (1) student, compared to the sign-in sheets. In addition one (1) student was marked as not present on sign-in sheet for a total of one (1) day but was marked present on the MAR.
- **Herrick Elementary School** – MAR was understated by seven (7) days compared to the sign-in sheets.
- **Humphreys Elementary School** – MAR was overstated by one (1) day compared to sign-in sheets. In addition one (1) student was marked not present for one day on sign-in sheets but was marked present on the MAR.
- **Melvin Elementary School** – One (1) student was marked not present for a total of one (1) day on the sign-in sheets but was marked present on the MAR.

### Before School Component of the Program

#### Condition, Cause and Effect

On a sample basis, we tested the attendance documentation of 8 schools and 1,304 days of attendance in the before school component of the After School Education and Safety Program.

There were nine (9) students in four (4) schools that did not comply with the established late arrival policy.

- **Fernangeles Elementary School** - One (1) student did not participate in at least one-half of the before school program for a total of one (1) day that the student participated and there was no late arrival form to explain why such requirement was not complied with. The student was counted as present in the attendance summary.
- **West Vernon Elementary School** – three (3) students did not participate in at least one-half of the before school program for a total of eight (8) days that they participated and there was no late arrival form to explain why such requirement was not complied with. The students were counted as present in the attendance summary.
- **49th St. Elementary School** - three (3) students did not participate in at least one-half of the before school program for a total of four (4) days that they participated and there was no late arrival form to explain why such requirement was not complied with. The students were counted as present in the attendance summary

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- **Valerio Elementary School** – two (2) students did not participate in at least one-half of the before school program for a total of two (2) days that they participated and there was no late arrival form to explain why such requirement was not complied with. The students were counted as present in the attendance summary

We also obtained the Monthly Attendance Reports (MAR) for the same schools we sampled and compared the total attendance reported to the attendance records (e.g. sign in/sign out sheets) for the schools for a sample week during the school year 2012-2013. We also tested the completeness and accuracy of the reports by selecting a sample of the students and tracing the same students to attendance records and vice versa. We noted the following exceptions:

- **Fernangeles Elementary School** – MAR was understated by 14 days compared to the sign in sheets. In addition two (2) students were marked present for total of six (6) days on the MAR, but were marked as not present on the sign-in sheets.
- **West Vernon Elementary School** – MAR was understated by 47 days, compared to the sign in sheets.
- **49th St. Elementary School** – MAR was understated by nine (9) days compared to the sign in sheets.
- **Hillside Elementary School** – MAR was understated by seven (7) days, compared to the sign in sheets.
- **Manchester Elementary School** – MAR was understated by 15 days, compared to the sign in sheets. We also noted one (1) student was marked present for a total of five (5) days on the sign-in sheets but was not found on the MAR.
- **Pinewood Elementary School** – MAR was understated by five (5) days, compared to the sign in sheets. We also noted one (1) student was marked present for a total of five (5) days on the sign-in sheets but was not found on the MAR.
- **Valerio Elementary School** – MAR was overstated by seven (7) days, compared to the sign in sheets. We also noted one (1) student was marked present for a total of five (5) days on the sign-in sheets but was not found on the MAR

#### Questioned Costs

As a result of the above testing, the total under reporting of attendance was 84 days. The California Department of Education will determine the impact of the above exceptions on the After School Education and Safety Program funding if there is any.

#### Recommendation

We recommend that the District strengthen its procedures on attendance documentation for the After School Education and Safety program. The District should ensure that the agencies performing the services for these programs are aware of the district policies, specifically on maintaining accurate attendance records. We also recommend for the District to continue performing agency visits to make sure that the established policies are complied with.

#### Views of Responsible Officials and Planned Corrective Actions

Beyond The Bell Branch agrees with the finding. Consequently we will continue to implement the following procedures to ensure that we are providing training on attendance policies and procedures, as

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well as how we are monitoring how the procedures are being implemented at the sites, to ensure documentation of reported attendance figures is readily available and accurate for auditing purposes.

1. Agency contractors and program personnel are required to attend a "Start-Up Meeting" scheduled prior to the beginning of the school year. Extensive training on attendance documentation is offered during this meeting.

2. During the "Start-Up Meeting," extensive time is spent on training staff on the importance of properly documenting and maintaining accurate attendance.

3. Beyond the Bell Branch Administrators and Traveling Supervisors attend the training meeting and interject their role in monitoring attendance procedures as they travel to sites. Beyond the Bell staff routinely monitor attendance to ensure procedures are being used and documentation is maintained as required.

4. Contractors and agency program personnel are required to attend an annual "Policies and Procedures/Risk Management" training. As a result of previous audit findings and reflection on best practices, Beyond the Bell developed an attendance documentation training that was implemented during the 2011 - 2012 year. Currently, the training is offered on a monthly basis. Newly hired personnel must register for and attend the next available training date. Returning personnel must register for and attend the training during the fiscal year.

5. The following "Policies and Procedures/Risk Management" training dates were scheduled for the 2013 - 2014 year (NOTE: Attendance Documentation has been implemented as a result of previous audit findings): • 8/06/13, 8/07/13, 8/10/13, 8/17/13, 9/18/13, 10/19/13, 11/11/13, 12/11/13, 01/18/14, 02/11/14, 03/08/14, 04/09/14, 05/17/14.

6. Contractors and agency program personnel are invited to attend a Federal Program Monitoring (FPM) training. The FPM training reflects the CDE's Program Dimensions. The goal of this training is to offer personnel a best practices approach to running exemplary programs that comply with the requirements in the Education Code. Extensive training on "attendance documentation" is offered during this meeting.

7. Beyond The Bell Branch conducts "site visits" to monitor program quality and student attendance through:

- Field Office Administrators
- Certificated Administrators conduct site visits to evaluate and monitor agency program implementation. Attendance documentation is closely monitored during these site visits.
- Field Office Traveling Playground Supervisors
- Classified/Unclassified Traveling Playground Supervisors conduct weekly visits to evaluate and monitor agency program implementation.
- Attendance documentation to ensure appropriate staff-to-student ratio, observation of sign-in/sign-out procedures and application of the "Early Release Policy" is closely monitored during these site visits.
- Central Office Administrators
- Central Office Administrators conduct site visits to evaluate and monitor agency program implementation. In addition to program quality and compliance, attendance documentation is closely monitored during these site visits.

8. Beyond the Bell Branch conducts "Random Reviews/Audits of Monthly Attendance Reports" to examine agency sign-in/sign-out procedures. The agency's "Attendance Documentation" procedures are further evaluated to ensure the agency's record keeping corresponds to data submitted to Beyond the Bell. In addition, evaluation of these documents ensures they:

- Comply with Beyond the Bell's "Early Release Policy."

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- Verify the sign-in/sign-out forms are certified by Site Coordinator.
- Contain Student ID Numbers.

9. To ensure the documentation for the ASES Program accurately reflects the number of students served and reported to the California Department of Education by the District, Beyond the Bell Branch contracted with City-Span Technologies Incorporated (A nationally recognized service firm which specializes in administering online attendance monitoring programs.) to administer an online attendance reporting and monitoring system. Beyond the Bell Branch through our needs assessments and evaluations recognized the need to strengthen our internal controls to ensure attendance data is compiled and reported accurately. Furthermore, Beyond the Bell Branch recognizes the need to maintain sufficient documentation for the reconciliation between the District's Quarterly Attendance Reports (QAR) and information submitted to the California Department of Education. Consequently, Beyond the Bell's gathering of attendance data and reporting procedures has evolved. As a result of the current and previous audit findings, the following system and procedures have been implemented:

- Monitoring has been strengthened from quarterly to monthly and all contractors and staff are now required to submit attendance documentation monthly which has resulted in more accurate attendance reporting to the CDE.
- Beyond the Bell issues a current "Alpha Roster" containing student identification numbers to agencies. Prior to this practice, agencies were responsible for obtaining student identification numbers from schools. Frequently, the information was outdated or incomplete.
- Beyond the Bell is in the process of reviewing agency's Sign-in/Sign-out rosters to ensure required information is recorded on a daily basis. Upon review of agency documents, Beyond the Bell Branch will develop an attendance documentation training scheduled for implementation for the 2014 -2015 year.
- Agencies submit their attendance electronically through a secured website to City-Span Technologies Incorporated.
- A discrepancy report is issued to agencies requesting them to make corrections of errors when they are identified.
- Agencies correct and resubmit the reports and discrepancies are fixed in attendance reports.
- The reporting of attendance to the California Department of Education (CDE) is accomplished on-line bi-annually through ASSIST through close collaboration with CDE's technical staff to ensure accurate transfer of the information.
- As a result of the volume generated by Beyond the Bell programs, the CDE has approved the submission of attendance through an EXCEL program via email. Personnel at CDE then upload the data into ASSIST. Once the data is in the system, the Beyond the Bell designee approves the data submitted.

**INDEPENDENT AUDITOR'S MANAGEMENT LETTER**



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FOUNDING PARTNERS  
BRANARD C. SIMPSON, CPA  
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January 15, 2014

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, 2013, and have issued our report thereon dated January 15, 2014. 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 was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider item **FS-13-01** to be a material weakness in internal control.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider item **FS-13-02** to be a significant deficiency in internal control.

Although not considered to be significant deficiencies or material weaknesses, we also noted certain items during our audit, which we would like to bring to your attention. These comments are summarized in the following report to management on pages 312 to 319.

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,

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

## **Current Year Management Letter Comments**

### **ML-13-01 Lack of Sufficient Authorization for SAP Program Changes**

#### **Observation**

We reviewed a sample of 40 SAP Transports processed during the audit year. We obtained SAP migration request forms for our samples and noted that two (2) transports were missing requestor signatories.

#### **Impact**

Insufficient management approval of program changes could cause unauthorized programs and invalid data being introduced into the IFS production environment.

#### **Recommendation**

SAP Transport Request forms should be consistently approved by the appropriate business management personnel (i.e., business sponsor) prior to implementing a transport request into production.

#### **Management Response**

We neglected to enter the information on the Requestor line, the forms were subsequently corrected. We had UAT tester's signature and Business Owner's signature on form but didn't complete the line for Requester. To mitigate in future, the Release Management Team will further review forms for accuracy.

### **ML-13-02 SAP Maintain Payroll Position Descriptions Access**

#### **Observation**

A Basis Administrator has production update access to the maintain payroll position descriptions (PO13) transaction code. However, his job function does not require him to have such access.

#### **Impact**

Inadequate restriction to modify/update access to production accounting data can result in unauthorized changes that could adversely impact the integrity of accounting and financial reporting information.

#### **Recommendation**

ITD management should periodically review access to the maintain payroll position descriptions (PO13) transaction code and remove inappropriate access in a timely manner.



## **Current Year Management Letter Comments**

### **Management Response**

No one is assigned to the role for access to PO13 on Basis Team. The remediation is for the Security Team to reassign authorization to the correct role for Basis. Access was removed immediately. Employee didn't even know he had it. This will remove the risk for finding.

### **ML-13-03 Access To Mainframe System Parameter Datasets (SYS1\*.\*)**

#### **Observation**

Our review of access to the IFS mainframe's system parameters revealed that a retired personnel had update access to the mainframe system parameter datasets (i.e., datasets with a SYS1\*.\* high-level)

#### **Impact**

Inappropriate access to operating system parameter settings could result in unauthorized changes to IFS accounting data and programs.

#### **Recommendation**

ITD management should periodically review access to SYS1\*.\* datasets and remove inappropriate access in a timely manner.

#### **Management Response**

IFS has been replaced as of July 2013 so no further action(s) will need to be taken.

### **ML-13-04 IFS Production Dataset Access**

#### **Observation**

Our review of access to IFS production data revealed that the following ITD personnel have update access to IFS production datasets:

- A Comp Applications Assistant, has update access to the following IFS production datasets:
  - IFS.\*\*
  - IFS.LEF1O.\*\*
- A mainframe user ID, SXS5683, not located in the RACF user database is assigned update access to the following IFS production datasets:
  - IFS.CTD\*.\*\*

Such access is not in alignment or conflicts with the user's current job function.

### **Current Year Management Letter Comments**

#### **Impact**

Inadequate restriction to modify/update access to production accounting data can result in unauthorized changes that could adversely impact the integrity of accounting and financial reporting information.

#### **Recommendation**

ITD management should periodically review access to IFS production data and remove inappropriate access in a timely manner.

#### **Management Response**

The ITD Personnel's access to Production dataset will be removed. She was granted access as she was the backup resource for the only Programmer responsible for IFS.

### **ML-13-05 Welligent Change Control**

#### **Observation**

We reviewed program changes processed for the Welligent application during the audit year. For the one program change processed during the year reviewed, we noted that there were no documented Business Sponsor, ITD or User Acceptance testing approvals.

#### **Impact**

Insufficient management approval of program changes could cause unauthorized programs and invalid data being introduced into the Welligent production environment.

#### **Recommendation**

ITD management should implement program change control procedures that include documenting business sponsor, ITD and user acceptance approval.

#### **Management Response**

Change control procedures with the required approvals will implemented to prevent unauthorized programs and invalid data from being introduced into the system.

## **Current Year Management Letter Comments**

### **ML-13-06 Ineffective Accrual Procedures for Construction-Related Payments**

#### **Observation**

Generally accepted accounting principles for government entities require that expenditures be recorded in the period in which governments normally liquidate the related liability or when the transaction is expected to draw upon current spendable resources. Every year-end, the District, through Accounts Payable Department determines what expenditures need to be accrued in its financial statements by verifying through different departments what goods have been received or what services have been rendered from various vendors, and for which the District have not yet paid.

For goods and services related to construction/modernization of schools, due to the high volume of transactions and the nature of the construction program, Facilities Services Division (FSD) and Information Technology Division (ITD) administer the determination of accrual amounts at year-end. After verifying the correctness of accrued amounts by searching for unrecorded liabilities, the auditors noted that expenditures related to the construction/improvement of schools were under-accrued by approximately \$17.5 million. About \$10.4 million of these under-accruals was from ITD and about \$7.1 million was from FSD.

#### **Impact**

Ineffective coordination within FSD and ITD to determine expenses incurred for services rendered and goods received but not billed/paid at year-end, resulted in significant adjustments in expenditures to be reported in the financial statements for FY 2012-13.

#### **Recommendation**

The District should implement a systematic methodology or procedure to be used in determining what expenditures need to be recorded as accrued liabilities in the appropriate fiscal year, especially for departments that involve high volume of expenditure transactions. For construction-related expenditures where typically, actual billings by vendors take place at a much later date from when the services are rendered, project managers and other employees responsible for overseeing delivery of goods and services from third party vendors should be made responsible and held accountable to coordinate with FSD, ITD and Accounts Payable Department in determining ongoing projects for which services have been rendered but have not been billed at year-end. Alternatively, these same project managers/employees may be assigned the responsibility to coordinate with third party vendors to encourage timely submission of billings/invoices. Actual billings/invoices can then be the basis for the amount of expenditures to be accrued at year-end.

## **Current Year Management Letter Comments**

### **Management Response**

The District agrees with the comment. The system improvements implemented as part of the SAP implementation will further improve the District's ability to capture all payments that should be accrued at year-end. The system will automatically record accruals based on the good receipts postings at the purchase order detail level. In addition, Divisions will review open contracts to ensure all appropriate accruals are done.

### **ML 13-07 Analysis of Accounts Receivable - Overpayments**

#### **Observation**

Due to the nature of the District's payroll processing and the massive volume of transactions processed by the District's Payroll Department for approximately 75,000 employees, overpayments of District employees' salaries inevitably occur. Particularly, overpayments happen mainly due, but not limited, to the following reasons:

- Employee timesheets are approved and submitted before the end of the month that they pertain to in order to comply with the California Education Code's requirements for certificated, classified and semi-monthly employees' pay dates. Estimated time reporting of work performed during the last few days of each month take place to determine the employees' payroll for the month. Overpayments of payroll occur when employees take personal days (vacation or sick days) without pay, on days when they estimated on their timesheets that they will be working.
- Due to "after-the-fact" receipt of documents, Human Resources Department and Personnel Commission Department of the District may not timely reflect employee resignations and salary rate changes in the District's employee records system. As a consequence, payment of payroll to employees who had left the District or payment of payroll to employees whose payroll rate already changed, may take place.

The process of collecting overpayments is extremely complex with the state legal laws related to employee overpayments, the numerous collective bargaining unit agreements, state statute of limitations, and the process required to obtain repayment plans from the employees. Therefore, the District is currently accounting for these overpayments and repayments through the SAP payroll system, and they are currently using an excel spreadsheet system to track the overpayments and the corresponding payment plans by employee. However, the District does not have an accounts receivable subsidiary ledger accounting system interfaced with the SAP general ledger to account for these overpayments.

Upon testing of the manual analysis of the overpayments, the auditors noted the following control deficiencies in the District's current processing and accounting for the amounts due from the employee overpayments:

- There is no comprehensive listing of overpayments, netted by the District's corresponding collections of these overpayments, by employees, at any point in time during the year. As a consequence, it is a tedious process to assess the collectability of the overpayments by employees. Management's analysis of reserves for uncollectible accounts receivable is based on an annual review.

### **Current Year Management Letter Comments**

- Collectability of these overpayments is determined by numerous factors, such as the nature and amount of overpayments, the agreed repayment plans acknowledged by the employees, among many others. Upon the District's identification of the overpayments and upon the employees' agreements of a repayment plan, no determination is made as to how much of these Accounts Receivable -overpayments is collectible within the next fiscal year and how much is collectible beyond that.

#### **Impact**

Current Year fund balance may be overstated by the District's recognition of all estimated Accounts receivable –overpayment collections in the current year. Modified accrual basis of accounting requires that these overpayment collections should only impact the fund financial statements when they are measurable and available to finance the expenditures of the fiscal period.

In addition, due to the process currently applied by the District's management to assess collectability of overpayments, management's estimate of reserves may be inaccurate.

#### **Recommendation**

We recommend that the District continue implementing procedures to develop and maintain an organized subsidiary ledger of Accounts Receivable – employee overpayments, where overpayments and corresponding collections of these overpayments, by employee, are accounted for. In that way, the District has a better basis of determining the overpayments' impact in the fund financial statements.

#### **Management Response**

LAUSD Payroll Administration agrees with the recommendation. Management is in the process of implementing an accounts receivable overpayment system which will be a subsidiary ledger. The subsidiary ledger will have information that reflects, at the employee level, the overpayments and corresponding collections made to the overpayments. This will also serve to improve the process currently applied by the District's management to assess the collectability of overpayments which are used to estimate the reserve for bad debts.

**Status of Prior Year Management Letter Comments**

**ML-12-01 - ISIS Access at School Site Visits**

**Recommendation**

Principals or Assistant Principals should review ISIS access periodically (e.g., monthly) to remove inappropriate access in a time manner.

**Current Status**

Corrective action implemented. We were informed that ISIS access is periodically reviewed.

**ML-12-02 - Developer Access to Payroll Production Data**

**Recommendation**

Management should continue to review access for all payroll infotypes and remove BTS' update access where possible. In the long term, ITD and Payroll management should develop a transition plan to migrate the need to update production payroll data from ITD-BTS to Payroll personnel.

**Current Status**

Corrective action(s) implemented. Developer access to SAP Payroll infotypes removed.

**ML-12-03 – Construction in Progress and Transfers to Depreciable Capital Assets**

**Recommendation**

We continue to recommend that the FSD perform a more thorough analysis of costs incurred for New Construction, Existing Facilities and Library Services projects when deciding whether these projects are completed and are ready to be put into operation and therefore, are to be depreciated.

Specifically, the District should establish and implement a clearer policy that addresses proper identification of completed projects. Currently, FSD's trigger point in determining a project's completion is a "notice of completion" document for the project's primary construction contractors. Supposedly, this document denotes that a project is completed or substantially completed. This information has to be verified by the facilities group and communicated to the General Accounting Branch. Same for ITD projects, ITD should thoroughly analyze all existing projects and evaluate each project's completion. The results of the evaluation should be communicated as well to the General Accounting Branch for proper recording of the assets' completion.

**Current Status**

In the process of cleaning the data in the Fixed Asset System for conversion to SAP, District staff discovered that several projects completed in prior years had not been transferred from the CIP account in IFS and certain facilities costs were improperly capitalized. See further discussion of this issue in **FS-13-01** of the Section II – Findings Relating to the Basic Financial Statements which are Required to be Reported in Accordance with GAS.

**Status of Prior Year Management Letter Comments**

**ML-11-01 - Data Center Physical Access**

**Recommendation**

Data Center access reports should be reviewed and signed periodically (e.g., every 6 to 12 months) by ITD management to identify and remove inappropriate physical access to the data center.

**Current Status**

Corrective action(s) partially implemented. Data Center access has been reviewed and documented. However, there are no management sign-offs.

**ML-11-03 - Batch Program Run Instructions**

**Recommendation**

Run book instructions should be developed for all IFS production batch jobs.

**Current Status**

Corrective action(s) not implemented. IFS is scheduled for retirement by June 2013.

**ML-11-04 - IT Asset Inventory Management**

**Recommendation**

An IT asset discovery tool should be implemented to support the management of IT asset inventory.

**Current Status**

Corrective action(s) partially implemented. ITD has contracted with a consultant to implement an IT asset discovery tool.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
Status of Prior Year Findings and Recommendations  
June 30, 2013

**Findings Related to the Basic Financial Statements Reported in Accordance with *Government Auditing Standards***

**FS-12-01 - Developer Access to Payroll Transactions - Significant Deficiency**

State Audit Guide Finding Code: 30000

**Recommendation**

Management should remove conflicting access for the users identified in a timely manner. Also, prior to assigning access to a SAP user or establishing a SAP role, the user's existing access or the newly established role should be reviewed to determine if the access presents a segregation of duties conflict.

**Current Status**

Corrective action(s) implemented. Conflicting access removed.

**FS-12-02 – Lack of Sufficient Authorization for SAP Program Changes – Significant Deficiency**

State Audit Guide Finding Code: 30000

**Recommendation**

SAP Transport Request forms should be consistently approved by the appropriate business management personnel (i.e., business sponsor) prior to implementing a transport request into production.

**Current Status**

Corrective action(s) implemented. Business Sponsor approval provided for SAP program changes.

**FS-12-03 - Lack of Sufficient Authorization for IFS Program Changes - Significant Deficiency**

State Audit Guide Finding Code: 30000

**Recommendation**

IFS Request forms should be consistently approved by the appropriate business management personnel (i.e., business sponsor) prior to implementing the change request into production.

**Current Status**

Corrective action(s) implemented. Business Sponsor approval provided for IFS program changes.



## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Status of Prior Year Findings and Recommendations

June 30, 2013

#### 1. Finding F-12-01 – Allowable Costs – Payroll Certifications and Documentation for Specially Funded Employee Positions

##### **Program Identification:**

**Title II, Part D, Enhancing Education Through Technology**, U.S. Department of Education (USED), Passed through the California Department of Education, CFDA No. 84.318, Grant Agreement No: 14334-6473;

**Special Education Cluster:** Grants to States, Preschool Grants, U.S. Department of Education (USED), Passed through the California Department of Education, CFDA No. 84.027, Grant Agreement 11-13379-6473-01;

**Child Care and Development Fund:** Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund; U.S. Department of Health and Human Services, Passed through the California Department of Education, CFDA Nos. 93.575 and 93.713, Contract CCTR-1118 and CSPP-1221;

**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;

**Vocational Education Basic Grants to States (Perkins IV)**, U.S. Department of Education (USED), Passed through the California Department of Education, CFDA No. 84.048, Grant Agreements 11-14894-6473, 11-14893-6473.

##### **Recommendation**

We recommend that the District continue to provide ongoing training to appropriate personnel on the updated procedures.

##### **Current Status**

Implemented

#### 2. Finding F-12-02 – Eligibility- Lack of Effective and Timely Monitoring of CCTR Centers

##### **Program Identification:**

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

**Child Care and Development Fund:** Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund, U.S. Department of Health and Human Services, Passed through the California Department of Education, CFDA No. 93.575 and 93.596, Grant Agreement CSPP-1221.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Status of Prior Year Findings and Recommendations

June 30, 2013

#### **Recommendation**

**Child Nutrition Cluster:** We recommend that the District strengthen its controls over the annual verification process to include a second supervisory review of all the cases and not just the ones that result in a change in eligibility. In addition, the District should consider providing training to staff that perform the verification to ensure that errors in calculation may be minimized.

**Child Care and Development Fund:** 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 continue to provide training sessions for the center managers to ensure that they are aware of the federal requirements in relation to eligibility and that the required documentation is being maintained.

#### **Current Status**

Implemented

### **3. Finding F-12-03– Equipment – Equipment Management Policies**

#### **Program Identification:**

**Title I Grants to Local Educational Agencies**, U.S. Department of Education (USDE), Passed through the California Department of Education, CFDA No. 84.010, Grant Agreements 14329-6473 and 14981-6473,

**Vocational Education Basic Grants to States (Perkins IV)**, U.S. Department of Education (USDE), California Department of Education, CFDA No 84.048, Grant Agreements 11-14893-6473 and 11-14893-7443;

**Workforce Investment Act (WIA), Title II:** Adult Education and Family Literacy Act, U.S. Department of Education (USDE), Passed through the California Department of Education, CFDA No. 84.002, Grant Agreement No: Multiple-6473. 11-13970-6473;

**Title II, Part D, Enhancing Education Through Technology:** U.S. Department of Education (USDE), Passed through the California Department of Education, CFDA No. 84.318, Grant Agreement Nos: 14334-6473 and 14368-64733.

#### **Recommendation**

We recommend the District continue to strengthen its controls over property management by providing adequate supervision/training to ensure that inventory management be performed properly.

#### **Current Status**

Implemented

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

**Status of Prior Year Findings and Recommendations**

June 30, 2013

**4. Finding F-12-04 – Matching, Level of Effort and Earmarking - Earmarking – Targeting Funds for Choice-Related Transportation and Supplemental Education Services**

**Finding F-11-06 – Matching, Level of Effort and Earmarking - Earmarking – Targeting Funds for Choice-Related Transportation and Supplemental Education Services**

**Program Identification:**

**Title I Grants to Local Educational Agencies**, U.S. Department of Education (USDE), Passed through the California Department of Education, CFDA No. 84.010, Grant Agreement 11-14329-6473

**Recommendation**

We recommend that the District update its procedures to ensure that the data used for the SES eligibility determination is updated based on the SBP verification.

**Current Status**

Implemented

**5. Finding F-12-05 – Matching, Level of Effort and Earmarking**

**Program Identification:**

**Bold Competition – Turning Around and Operating Its Low-Performance Schools:** U.S. Department of Education (USED), CFDA No. 84.396, Grant Agreement U396C100336.

**Recommendation**

The District should establish policies and procedures to obtain verifiable records to properly document services provided by a third party and charged to the grant as matching cost.

**Current Status**

Implemented. The Department of Education issued a Program Determination Letter dated December 31, 2013 and informed the District that the finding is resolved.

**6. Finding F-12-06 – Matching, Level of Effort and Earmarking – Earmarking**

**Finding F-11-05 – Matching, Level of Effort and Earmarking – Earmarking**

**Program Identification:**

**Vocational Education Basic Grants to States (Perkins IV)**, U.S. Department of Education (USDE), California Department of Education (CDE), CFDA No. 84.048, Grant Agreements 11-14893-7443-00, 11-14893-6473-00, 11-14894-6473-00, 10-14894-64733-00, 10-14893-64733 and 10-14893-7435-00.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Status of Prior Year Findings and Recommendations

June 30, 2013

#### **Recommendation**

The District should strengthen policies and procedures to ensure that the percentages used to allocate cost are adequately supported in accordance with the federal guidelines.

#### **Current Status**

Implemented

#### **7. Finding F-12-07 – Matching, Level of Effort and Earmarking – Administrative Cost plus the Indirect Cost Rate Limitation**

##### **Finding F-11-07 – Matching, Level of Effort and Earmarking – Administrative Cost plus the Indirect Cost Rate Limitation**

##### **Program Identification:**

**Vocational Education Basic Grants to States (Perkins IV),** U.S. Department of Education (USDE), California Department of Education (CDE), CFDA No. 84.048, Grant Agreement 11-14894-6473-00 and 10-14894-64733-00;

**Child Care and Development Fund:** Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund, Department of Health and Human Services (HSS), and ARRA – Child Care and Development Block Grant. California Department of Education (CDE), CFDA Nos. 93.575, 93.596, and 93.713, Grant Agreement Nos. CCTR-0124, CCTR-9129, CSPP-0227 and CSPP-9233;

**Twenty-First Century Community Learning Centers:** U.S. Department of Education (USDE), Passed through the California Department of Education, CFDA No. 84.287, Grant Agreement 11-14349-6473-4A, 11-14349-6473-5A, 11-14535-6473-4A, 11-14535-6473-5A, 11-14535-6473-6A, 11-14535-6473-6B, 11-14535-6473-6C, 11-14535-6473-6D, 11-14603-6473-6B, 11-14603-6473-6C, 11-14603-6473-6D, 11-14350-6473-SC.

#### **Recommendation**

**Vocational Educational Basic Grants to States:** We recommend that the District should enforce the Secondary Programs to follow the District's BUL-2643.5 and document the activity to support the daily functions.

**Child Care and Development Fund:** We recommend that the Division enforce the District's policies and procedures to ensure that administrative costs are appropriately computed and accounted for separately for the child development programs.

**Twenty-First Century Community Learning Centers:** We recommend that the District reinforce compliance of all program staff with the District's BUL-2643.5 to document and support the earmarking requirements of this grant.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Status of Prior Year Findings and Recommendations

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#### Current Status

Implemented

#### 8. Finding F-12-08 – Procurement, Suspension, and Debarment – No Evidence of Required Quotations

##### Program Identification:

**Title I Grants to Local Educational Agencies:** U.S. Department of Education (USDE), Passed through the California Department of Education, CFDA No. 84.010, Grant Agreements 14329-6473 and 15005-6473;

**Vocational Education Basic Grants to States (Perkins IV):** U.S. Department of Education (USDE), Passed through the California Department of Education, CFDA No 84.048, Grant Agreements 10-14894-64733 and 11-14893-7443;

**Title II, Part D, Enhancing Education Through Technology:** U.S. Department of Education (USDE), Passed through the California Department of Education, CFDA No. 84.318, Grant Agreement No: 09-14368-64733;

**American Recovery and Reinvestment Act of 2009, Enhancing Education Through Technology:** U.S. Department of Education (USDE), Passed through the California Department of Education, CFDA No. 84.386, Grant Agreement No: 10-15126-6473;

**American Recovery and Reinvestment Act of 2009; Special Education: IDEA Basic Local Assistance Entitlement:** U.S. Department of Education (USDE), Passed through the California Department of Education, CFDA No. 84.391, Grant Agreement No: 09-15003-6473-01.

##### Recommendation

The District should update the existing policies and procedures to require additional price analysis to be performed for items purchased from a vendor master contract that were not covered/listed in the master contract.

#### Current Status

Implemented

#### 9. Finding F-12-09 – Reporting – Performance Reporting

##### Finding F-11-12 – Reporting – Performance Reporting

##### Program Identification:

**Vocational Education Basic Grants to States (Perkins IV),** U.S. Department of Education (USDE), California Department of Education (CDE), CFDA No. 84.048, Grant Agreement Nos. 11-14894-6473-00, 11-14893-7443-00, 11-14893-6473-00, and 09-14894-64733- 00;

## LOS ANGELES UNIFIED SCHOOL DISTRICT

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**Twenty-First Century Community Learning Centers**, U.S. Department of Education (USDE), California Department of Education (CDE), CFDA No 84.287, Grant Nos. 11-14535-6473-4A, 11-14535-6473-5A, 11-14349-6473-5A, 11-14535-6473-4A, 10-14349-6473-4A, 10-14349-6473-5A, 10-14535-6473-4A, 10-14535-6473-5A, 10-14535-6473-6A.

#### Recommendation

**Vocational Education Basic Grants to States:** The District should implement policies and procedures to strengthen its controls over reporting for the Secondary Vocational Education program, to ensure that reports are accurately reconciled to the actual data. The District should consult with CDE to determine if it is required to resubmit the revised reports with corrections.

**Twenty-First Century Community Learning Centers:** The District should continue to strengthen its control procedures to closely monitor its outside vendor to ensure that attendance data is compiled and reported accurately in accordance with the State requirements.

#### Current Status

Partially Implemented – pending resolution letter from CDE Program Office.

#### 10. Finding F-12-10 – Special Tests and Provisions (Highly Qualified Teachers and Paraprofessionals) – Qualifications

##### Finding F-11-17 – Special Tests and Provisions (Highly Qualified Teachers and Paraprofessionals) – Qualifications

#### Program Identification:

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

#### Recommendation

We recommend that the District strengthen its monitoring process to ensure that schools are compliant with the principal attestation requirement and submit the accurate certifications timely.

#### Current Status

Implemented

#### 11. Finding F-12-10 – Special Tests and Provisions (Parent Notification Letters) – Support for Notifications

##### Finding F-11-18 – Special Tests and Provisions (Parent Notification Letters) – Support for Notifications

## **LOS ANGELES UNIFIED SCHOOL DISTRICT**

### **Status of Prior Year Findings and Recommendations**

June 30, 2013

#### **Program Identification:**

**English Language Acquisition Grants:** U.S. Department of Education (USDE): Passed through the California Department of Education, CFDA No. 84.365, Grant Agreement 14346-64733-00.

#### **Recommendation**

We recommend the District continue to strengthen its policies and procedures to ensure that the schools comply with the requirement that all parental notifications are made in a timely manner and the supporting documentation is maintained on file to support the schools' compliance as per the English Language Acquisition Program.

#### **Current Status**

Partially Implemented. Internal audit by program staff was completed in December 2013; a second audit will be completed in May 2014.

## **LOS ANGELES UNIFIED SCHOOL DISTRICT**

### **Status of Prior Year Findings and Questioned Costs**

June 30, 2013

#### **Findings and Questioned Costs Relating to State Awards**

##### **S-12-01 Regular and Special Day Classes – Elementary Schools – Attendance Computations**

**State Audit Guide Finding Codes:** 10000 and 40000

###### **Schools Affected**

- Burton Street Elementary School
- Anatola Elementary School
- Kingsley Elementary School
- San Jose Elementary School

###### **Recommendation**

We recommend that the District continue to strengthen its controls over implementing District policies over student attendance reporting. Furthermore, we recommend that the District continue to provide adequate attendance reporting training to the schools so that proper attendance reporting procedures are adhered to.

###### **Current Status**

Implemented

##### **S-12-02 Regular and Special Day Classes – Secondary Schools – Attendance Computations**

**State Audit Guide Finding Codes:** 10000 and 40000

###### **Schools Affected:**

- South Gate Middle School
- Southeast High School Tech – Media Magnet

###### **Recommendation**

We recommend that the District continue to strengthen its controls over implementing District policies over student attendance reporting. Furthermore, we recommend that the District continue to provide adequate attendance reporting training to the schools so that proper attendance reporting procedures are adhered to.

###### **Current Status**

Implemented

##### **S-12-03 Attendance Accounting – Continuation Education – Attendance Computations**

**State Audit Guide Finding Codes:** 10000 and 40000

###### **School Affected**

- Evergreen High School
- Phoenix High School



## **LOS ANGELES UNIFIED SCHOOL DISTRICT**

### **Status of Prior Year Findings and Questioned Costs**

June 30, 2013

#### **Recommendation**

We recommend that the District strengthen its review process over the compilation of the *Monthly Statistical Reports* to ensure that the reports accurately reflect student attendance data.

#### **Current Status**

Implemented

#### **S-10-04 – After School Education and Safety Program**

**State Audit Guide Finding Codes:** 40000

#### **School Affected**

- Arminta Elementary School
- Madisson Elementary School
- 75<sup>th</sup> Street Elementary School
- Solano Elementary School
- White Elementary School
- 10<sup>th</sup> Street Elementary School
- Camellia Elementary School
- Evergreen Elementary School
- President Elementary School
- Gardena Elementary School
- South Gate Middle School
- State Street Elementary School
- 59th Street Elementary
- Broadway Elementary School
- Leland Elementary School
- Rosewood Elementary School
- Olive Vista Middle School
- Peary Middle School
- Stevenson Middle School
- Romer Middle School
- San Fernando Middle School
- Berendo Middle School
- Clinton Middle School
- Middleton Middle School
- Los Angeles Academy Middle School

#### **Recommendation**

We recommend that the District strengthen its procedures on attendance documentation for the After School Education and Safety program. The District should ensure that the agencies performing the services for these programs are aware of the district policies, specifically on maintaining accurate attendance records. We also recommend for the District to continue performing agency visits to make sure that the established policies are complied with.

#### **Current Status**

Beyond the Bell will continue to implement the procedures to ensure that they are providing training on attendance policies and procedures, as well as how they are monitoring how the procedures are being implemented at the sites, to ensure documentation of reported attendance figures is readily available and accurate for auditing purposes.

#### **S-12-05 - Exclusion of Pupils – Pertussis Immunization**

**State Audit Guide Finding Codes:** 10000, 30000 and 40000

#### **Schools Affected**

## **LOS ANGELES UNIFIED SCHOOL DISTRICT**

### **Status of Prior Year Findings and Questioned Costs**

June 30, 2013

- Mt. Gleason G/HA Mag
- South Gate Middle School
- Apex Academy
- Leadership Ent MA
- Fremont Science and Magnet School
- Huntington Park High School
- Valley Academy Arts and Science
- Gage Middle School
- Burbank Middle School
- Nimitz Middle School

#### **Recommendation**

No recommendation is necessary to address this finding, as the requirements for Exclusion of Pupils - Pertussis Immunization will be inoperative for school year 2012-13.

#### **Current Status**

These requirements are no longer applicable for fiscal year 2012-2013.

## **APPENDIX C**

### **BOOK-ENTRY ONLY SYSTEM**

THE INFORMATION IN THIS APPENDIX C CONCERNING THE DEPOSITORY TRUST COMPANY AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE DISTRICT AND THE UNDERWRITERS BELIEVE TO BE RELIABLE, BUT THE DISTRICT AND THE UNDERWRITERS TAKE NO RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS THEREOF. THERE CAN BE NO ASSURANCE THAT THE DEPOSITORY TRUST COMPANY WILL ABIDE BY ITS PROCEDURES OR THAT SUCH PROCEDURES WILL NOT BE CHANGED FROM TIME TO TIME.

The Depository Trust Company (“DTC”), will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of each Series of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com). Information on these websites is not incorporated herein by reference.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds of a Series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and other payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the District subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and other payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District. Under such circumstances, in the event that a successor depository is not obtained, security certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC and the requirements of the Resolution with respect to certificated Bonds will apply.

THE DISTRICT, THE COUNTY, THE PAYING AGENT, THE FINANCIAL ADVISOR, AND THE UNDERWRITERS CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SECURITIES (I) PAYMENTS OF PRINCIPAL OF AND INTEREST EVIDENCED BY THE SECURITIES (II) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE SECURITIES OR (III) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE SECURITIES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

NEITHER THE DISTRICT, THE COUNTY, THE PAYING AGENT, THE CO-FINANCIAL ADVISORS, NOR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OR COMPLETENESS OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST ON SECURITIES; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE TRUST AGREEMENT; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE SECURITIES.

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## APPENDIX D

### PROPOSED FORM OF OPINION OF BOND COUNSEL

*Upon the delivery of the Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, proposes to render its final approving opinion with respect to the Bonds in substantially the following form:*

[Date of Delivery]

Los Angeles Unified School District  
Los Angeles, California

Los Angeles Unified School District  
(County of Los Angeles, California)

2014 General Obligation Refunding Bonds, Series A  
2014 General Obligation Refunding Bonds, Series B  
2014 General Obligation Refunding Bonds, Series C  
2014 General Obligation Refunding Bonds, Series D  
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Los Angeles Unified School District (the “District”), which is located in the County of Los Angeles (the “County”), in connection with the issuance by the District of \$196,850,000 aggregate principal amount of Los Angeles Unified School District (County of Los Angeles, California) 2014 General Obligation Refunding Bonds, Series A, \$323,170,000 aggregate principal amount of Los Angeles Unified School District (County of Los Angeles, California) 2014 General Obligation Refunding Bonds, Series B, \$948,795,000 aggregate principal amount of Los Angeles Unified School District (County of Los Angeles, California) 2014 General Obligation Refunding Bonds, Series C, and \$153,385,000 aggregate principal amount of Los Angeles Unified School District (County of Los Angeles, California) 2014 General Obligation Refunding Bonds, Series D (collectively, the “Bonds”), pursuant to a resolution of the Board of Education of the District adopted on November 12, 2013, as supplemented on May 13, 2014 (collectively, the “Resolution”). Capitalized undefined terms used herein have the meanings ascribed thereto in the Resolution.

In such connection, we have reviewed the Resolution, the Tax Certificate of the District, dated the date hereof (the “Tax Certificate”), certificates of the District, U.S. Bank National Association, as agent to the Treasurer and Tax Collector of the County, as paying agent, and others, and such other documents and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance,

and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to ensure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Resolution and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against school districts or counties in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated June 12, 2014, or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding obligations of the District.
2. The Resolution has been duly adopted and constitutes a valid and binding obligation of the District.
3. The Board of Supervisors of the County has power and is obligated to levy *ad valorem* taxes without limitation as to rate or amount upon all property within the District's boundaries subject to taxation by the District (except certain personal property which is taxable at limited rates) for the payment of the Bonds and the interest thereon.
4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP



## APPENDIX E

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Los Angeles Unified School District (the “District”) in connection with the issuance of its Bonds, which are being issued pursuant to the laws of the State of California and a resolution adopted by the Board of Education of the District on November 12, 2013, as supplemented on May 13, 2014 (collectively, the “Resolution”). The District covenants and agrees as follows:

**Section 1.** Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2 12(b)(5).

**Section 2.** Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 4 and 5 of this Disclosure Certificate.

“CUSIP Numbers” shall mean the Committee on Uniform Security Identification Procedure’s unique identification number for each public issue of a security.

“Beneficial Owner” shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Bonds” shall mean, collectively, the District’s \$196,850,000 2014 General Obligation Refunding Bonds, Series A, \$323,170,000 2014 General Obligation Refunding Bonds, Series B, \$948,795,000 2014 General Obligation Refunding Bonds, Series C, and \$153,385,000 2014 General Obligation Refunding Bonds, Series D.

“County” shall mean the County of Los Angeles, California.

“Dissemination Agent” shall mean Digital Assurance Certification, L.L.C., or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“Disclosure Counsel” shall mean an attorney-at-law, or a firm of such attorneys, of nationally recognized standing in matters pertaining to the disclosure obligations under Rule 15c-2 of the Securities and Exchange Commission of the United States of America, duly admitted to the practice of law before the highest court of any state of the United States of America.

“EMMA System” shall mean the MSRB’s Electronic Municipal Market Access system, the current internet address of which is <http://emma.msrb.org>.

“Holder” shall mean either the registered owners of the Bonds, or if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

“Listed Events” shall mean any of the events listed in Section 6(b) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate.

“Official Statement” shall mean the Official Statement dated June 12, 2014 with respect to the Bonds.

“Participating Underwriters” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Resolution” shall mean the resolution adopted by the Board of Education of the District on November 12, 2013, as supplemented and amended by the supplemental resolution adopted by the Board of Education of the District on May 13, 2014.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

**Section 3.**      Transmission of Notices, Documents and Information.

(a)      Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the EMMA System.

(b)      All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB.

**Section 4.**      Provision of Annual Reports. The District shall, or shall cause the Dissemination Agent to, not later than 240 days following the end of the District’s fiscal year (currently ending June 30), commencing with the report for the 2013-14 Fiscal Year (which is due not later than February 25, 2015), provide to the MSRB through its EMMA System an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Certificate. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 6(c).

Not later than thirty (30) days (not more than sixty (60) days) prior to the date on which the Annual Report is to be provided pursuant to subsection (a), the Dissemination Agent shall give notice to the District that the Annual Report is so required to be filed in accordance with the terms of this Disclosure Certificate. Not later than fifteen (15) days prior to said date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If the District is unable to provide to the MSRB through its EMMA System an Annual Report by the date required in subsection (a), the Dissemination Agent shall send a notice of such fact to the MSRB through its EMMA System.

The Dissemination Agent shall: determine each year prior to the date for providing the Annual Report the EMMA System the date on which such Annual Report shall be due and notify the District of such date; and (if the Dissemination Agent is other than the District) file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and that it was provided to the MSRB through the EMMA System.

**Section 5.**     Content of Annual Reports. The District's Annual Report shall contain or include by reference the following:

(a)     Audited financial statements of the District for the preceding fiscal year, prepared in accordance with the laws of the State of California and including all statements and information prescribed for inclusion therein by the Controller of the State of California. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 4 hereof, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b)     To the extent not included in the audited financial statement of the District, the Annual Report shall also include the following:

(i)     Adopted general fund budget of the District for the current fiscal year.

(ii)    District average daily attendance.

(iii)   District outstanding debt.

(iv)    Information regarding total assessed valuation of taxable properties within the District, if and to the extent provided to the District by the County.

(v)     Information regarding total secured tax charges and delinquencies on taxable properties within the District, if and to the extent provided to the District by the County.

(vi)    Information regarding total assessed valuation and parcels by land use.

(vii)   Information regarding the assessed valuation per parcel of single family homes.

(viii)   Information regarding the largest local secured taxpayers.

(c)     It shall be sufficient for purposes of Section 4 hereof if the District provides annual financial information by specific reference to documents (i) available to the public on the MSRB Internet Web site (currently, [www.emma.msrb.org](http://www.emma.msrb.org)) or (ii) filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference. The provisions of this Section 5(c) shall not apply to notices of Listed Events pursuant to Section 6 hereof.

(d)     The descriptions contained in clause (b) above of financial information and operating data constituting to be included in the Annual Report are of general categories or types of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, or due to changes in accounting practices, legislative or organizational changes, a statement to that effect shall be provided in lieu of such information. Comparable information shall be provided if available.

**Section 6.**     Reporting of Listed Events.

(a)     If a Listed Event occurs, the District shall provide or caused to be provided, in a timely manner not in excess of ten (10) Business Days of the District having notice of such Listed Event, notice of such Listed Event to (i) the EMMA System of the MSRB and (ii) the Dissemination Agent.

Pursuant to the provisions of this Section 6, the District shall give, or cause to be given, notice of the occurrence of any of the following events (each, a "Listed Event") with respect to the Bonds:

- (i) principal and interest payment delinquencies.
- (ii) non-payment related defaults, if material.
- (iii) modifications to rights of Holders, if material.
- (iv) Bond calls, if material and tender offers.
- (v) defeasances.
- (vi) rating changes.
- (vii) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (Internal Revenue Service Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
- (viii) unscheduled draws on the debt service reserves reflecting financial difficulties.
- (ix) unscheduled draws on the credit enhancements reflecting financial difficulties.
- (x) release, substitution or sale of property securing repayment of the Bonds, if material.
- (xi) bankruptcy, insolvency, receivership or similar event of the District (such event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District);
- (xii) substitution of credit or liquidity providers, or their failure to perform;
- (xiii) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) appointment of a successor or additional Paying Agent or the change of name of a Paying Agent, if material; and
- (xv) any amendment or waiver of a provision of this Disclosure Certificate.

The District notes that items (viii), (ix), (x) and (xii) are not applicable to the Bonds.

If the District determines that a Listed Event has occurred, the District shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to Section 3 hereof.

If the Dissemination Agent has been instructed by the District to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB through its EMMA System.

Notwithstanding the foregoing, notice of Listed Events described in subsections (b)(iv) and (v) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

**Section 7.** CUSIP Numbers. Whenever providing information to the Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements and notices of Listed Events, the District shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

**Section 8.** Termination of Reporting Obligation.

(a) The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 6(c).

(b) This Disclosure Certificate, or any provision hereof, shall cease to be effective in the event that the District (1) delivers to the Dissemination Agent an opinion of Disclosure Counsel, addressed to the District and the Dissemination Agent, to the effect that those portions of the Rule which require this Disclosure Certificate, or such provision, as the case may be, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the MSRB.

**Section 9.** Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall be Digital Assurance Certification, L.L.C. If at any time there is no designated Dissemination Agent appointed by the District, or if the Dissemination Agent so appointed is unwilling or unable to perform the duties of the Dissemination Agent hereunder, the District shall be the Dissemination Agent and undertake or assume its obligations hereunder. The Dissemination Agent (other than the District) shall not be responsible in any manner for the content of any notice or report required to be delivered by the District pursuant to this Disclosure Certificate.

**Section 10.** Amendment; Waiver. (a) This Disclosure Certificate may be amended by the District without the consent of the holders of the Bonds (except to the extent required under clause (a)(iv)(2) below), if all of the following conditions are satisfied:

(i) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the District or the type of business conducted thereby;

(ii) this Disclosure Certificate as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(iii) the District shall have received an opinion of Hawkins Delafield & Wood LLP or other nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the District, to the same effect as set forth in (a)(ii) above;

(iv) either (1) the District shall have received an opinion of Hawkins Delafield & Wood LLP or other nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the District, to the effect that the amendment does not materially impair the interests of

the holders of the Bonds or (2) is approved by the Holders of the Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Holders; and

(v) the District shall have delivered copies of such opinion and amendment to the MSRB through its EMMA system within ten (10) Business Days from the execution thereof.

(b) In addition to subsection 10(a) above, this Disclosure Certificate may be amended and any provision of this Disclosure Certificate may be waived, by written certificate of the District, without the consent of the holders of the Bonds, if all of the following conditions are satisfied:

(i) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Disclosure Certificate which is applicable to this Disclosure Certificate;

(ii) the District shall have received an opinion of Hawkins Delafield & Wood LLP or other nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the District, to the effect that performance by the District under this Disclosure Certificate as so amended or giving effect to such waiver, as the case may be, will not result in a violation of the Rule; and

(iii) the District shall have delivered copies of such opinion and amendment to the MSRB through its EMMA system.

(c) In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 6 hereof, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**Section 11.** Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**Section 12.** Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, the Dissemination Agent may (and, at the request of any Participating Underwriter or the Holders or Beneficial Owners of at least 25% of aggregate principal amount of the Bonds then outstanding, shall) or any Holders or Beneficial Owners of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in the Superior Court of the State of California in and for the County of Los Angeles or in the U.S. District Court in the County of Los Angeles. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in

the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

**Section 13.** Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

**Section 14.** Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: June 26, 2014

LOS ANGELES UNIFIED SCHOOL DISTRICT

By: \_\_\_\_\_  
Megan K. Reilly  
Chief Financial Officer

ACKNOWLEDGED AND AGREED TO BY:

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,  
as Dissemination Agent

By: \_\_\_\_\_  
Dissemination Agent

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## APPENDIX F

### THE LOS ANGELES COUNTY TREASURY POOL

*The Treasurer and Tax Collector of the County of Los Angeles (the “Treasurer”) manages, in accordance with California Government Code Section 53600 et seq., funds deposited with the Treasurer by County school and community college districts, various special districts and some cities. State law generally requires that all moneys of the County, school districts and certain special districts be held in the County’s Treasury Pool (the “Treasury Pool”) as described below. The composition and value of investments under management in the Treasury Pool vary from time to time, depending on the cash flow needs of the County and the other public agencies invested in the Treasury Pool, the maturity or sale of investments, purchase of new securities and fluctuations in interest rates generally. The Treasurer maintains a website, the address of which is <http://ttc.lacounty.gov>, on which the Treasurer periodically places information relating to the Treasury Pool. However, the information presented there is not part of this Official Statement, is not incorporated by reference herein and should not be relied upon in making an investment decision with respect to the Bonds.*

#### Los Angeles County Pooled Surplus Investments

The Treasurer and Tax Collector (the “Treasurer”) of the County of Los Angeles (the “County”) has the delegated authority to invest funds on deposit in the County Treasury (the “Treasury Pool”). As of April 30, 2014, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts in the following amounts:

Local Agency	Invested Funds (in billions)
County of Los Angeles and Special Districts	\$ 11.345
Schools and Community Colleges	12.272
Independent Public Agencies	2.154
Total	<u>\$25.771</u>

The Treasury Pool participation composition is as follows:

Non-discretionary Participants	91.64%
Discretionary Participants:	
Independent Public Agencies	6.99%
County Bond Proceeds and Repayment Funds	1.37%
Total	<u>100.00%</u>

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer’s prior approval. In Los Angeles County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State of California, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the Los Angeles County Board of Supervisors on an annual basis. The Investment Policy adopted on March 18, 2014, reaffirmed the following criteria and order of priority for selecting investments:

1. Safety of Principal
2. Liquidity
3. Return on Investment

The Treasurer prepares a monthly Report of Investments (the “Investment Report”) summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors. According to the Investment Report dated May30, 2014, the April 30, 2014 book value of the Treasury Pool was approximately \$25.771 billion and the corresponding market value was approximately \$25.655 billion.

An internal controls system for monitoring cash accounting and investment practices is in place. The Treasurer’s Compliance Auditor, who operates independently from the Investment Officer, reconciles cash and investments to fund balances daily. The Compliance Auditor’s staff also reviews each investment trade for accuracy and compliance with the Board adopted Investment Policy. On a quarterly basis, the County’s outside independent auditor (the “External Auditor”) reviews the cash and investment reconciliations for completeness and accuracy. Additionally, the External Auditor reviews investment transactions on a quarterly basis for conformance with the approved Investment Policy and annually accounts for all investments.

The following table identifies the types of securities held by the Treasury Pool as of April 30, 2014:

Type of Investment	% of Pool
U.S. Government and Agency Obligations	47.81
Certificates of Deposit	18.57
Commercial Paper	32.52
Bankers Acceptances	0.00
Municipal Obligations	0.19
Corporate Notes & Deposit Notes	0.91
Asset Backed Instruments	0.00
Repurchase Agreements	0.00
Other	<u>0.00</u>
	<u>100.00</u>

The Treasury Pool is highly liquid. As of April 30, 2014 approximately 44.647% of the investments mature within 60 days, with an average of 611 days to maturity for the entire portfolio.

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