

In the opinion of Sidley Austin LLP, San Francisco, California, Special Tax Counsel to the District, under existing law and assuming compliance with certain covenants in the Resolutions and other documents pertaining to the Series B Notes and requirements of the Internal Revenue Code of 1986, as amended, as described herein, interest on the Series B Notes is not included in the gross income of the owners of the Series B Notes for purposes of federal income taxation. In the further opinion of Special Tax Counsel, under existing law, interest on the Series B Notes is exempt from personal income taxes imposed by the State of California. See "TAX MATTERS" herein.

**\$780,000,000****LOS ANGELES UNIFIED SCHOOL DISTRICT****(County of Los Angeles, California)****2012-2013 Tax and Revenue Anticipation Notes, Series B****Interest Rate: 2.50%****Priced to Yield: 0.26%****CUSIP: 544646M58****Dated: Date of Delivery****Maturity Date: November 28, 2013**

The \$780,000,000 Los Angeles Unified School District 2012-2013 Tax and Revenue Anticipation Notes, Series B (the "Series B Notes") will be issued in fully registered form, without coupons. The Series B Notes will be registered in the name of Cede & Co., as the nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Series B Notes. Individual purchases of Series B Notes will be made in book-entry form only in denominations of \$5,000 or any integral multiple thereof. Owners of the Series B Notes will not receive physical certificates representing their ownership interest in the Series B Notes. Principal of and interest on the Series B Notes will be payable on the Maturity Date stated above. The principal of and interest on the Series B Notes will be paid when due by the Treasurer and Tax Collector of the County of Los Angeles (the "County"), as paying agent (the "Paying Agent"), to DTC, which is obligated in turn to remit such principal and interest to its DTC participants for subsequent disbursement to the beneficial owners of the Series B Notes, as described herein. See "THE SERIES B NOTES" herein.

The Series B Notes are not subject to redemption prior to maturity. See "THE SERIES B NOTES" herein.

The Series B Notes are being issued pursuant to a District Resolution and a County Resolution (each as defined herein) (collectively, the "Resolutions") to finance, in part, the General Fund (defined herein) cash flow requirements of the Los Angeles Unified School District (the "District") during Fiscal Year 2012-13. The principal amount of the Series B Notes, together with the interest thereon, is payable from certain taxes, income, revenue, cash receipts and other moneys of the District, received by the District for the General Fund of the District during Fiscal Year 2012-13 or accrued during Fiscal Year 2012-13 and which are generally available for the payment of current expenses and other obligations of the District, as provided by California law. The Series B Notes are equally and ratably secured by a pledge of certain revenues as described herein. See "THE SERIES B NOTES – Security and Sources of Payment for the Series B Notes" herein. The Resolutions authorizing the Series B Notes require certain revenues of the District pledged to the payment of the Series B Notes to be held by the Paying Agent in the Repayment Account (defined herein). Until the principal of and interest on the Notes is paid in full or until provision has been made for the payment in full of the principal of and interest on the Notes the moneys in the Repayment Account will be applied only for the purposes for which such Repayment Account was created.

Pursuant to the Resolutions, on July 2, 2012, the District issued its \$190,000,000 principal amount 2012-2013 Tax and Revenue Anticipation Notes, Series A-1 (the "Series A-1 Notes"), \$50,000,000 principal amount 2012-2013 Tax and Revenue Anticipation Notes, Series A-2 (the "Series A-2 Notes") and \$360,000,000 principal amount 2012-2013 Tax and Revenue Anticipation Notes, Series A-3 (the "Series A-3 Notes" and, together with the Series A-1 Notes and the Series A-2 Notes, the "Series A Notes"). The Series A Notes are outstanding in the aggregate principal amount of \$600,000,000. The District has set aside and deposited in the Repayment Account an amount sufficient to fully and timely pay principal of and interest on the Series A Notes on February 28, 2013, the maturity date therefor. Subsequent to the issuance of the Series B Notes, the District may not issue additional Series of Notes under the Resolutions except on or prior to June 28, 2013 one or more additional Series of Notes may be issued to refund the Series B Notes outstanding (the "Refunding Notes"). The Refunding Notes, if any, would be payable from the same pledge of certain revenues as the Series B Notes. The District does not currently expect to issue Refunding Notes. See "THE SERIES B NOTES – Security and Sources of Payment for the Series B Notes" and "– Outstanding Series A Notes and Refunding Notes" 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 MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Series B Notes are offered when, as and if issued by the District and received by the Purchaser, subject to the approval of legality by Hawkins Delafield & Wood LLP, Los Angeles, California, Bond Counsel. Certain legal matters will be passed upon for the District by Sidley Austin LLP, San Francisco, California, Special Tax Counsel. Certain other legal matters will 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 County by the County Counsel of the County of Los Angeles. Tamalpais Advisors, Inc. – KNN Public Finance, a Joint Venture, is serving as Financial Advisor to the District in connection with the issuance of the Series B Notes. It is expected that the Series B Notes in definitive form will be available for delivery to DTC in New York, New York, on or about February 26, 2013.

Date of the Official Statement: February 19, 2013

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, Torrance, Gardena, Compton, Lynwood, Paramount, Bell, South Gate, West Athens, West Covina, San Dimas, San Juan Capistrano, Orange, Fullerton, Anaheim, and Santa Ana.

Copyright 2008. All rights reserved.
 The information contained herein is the proprietary property of the following companies: Esri, Inc., and MapInfo Corporation. Reproduction or use of this information without the written permission of Esri, Inc. and MapInfo Corporation is prohibited.
 Prepared by Master Planning and Demographics Branch
 Facilities Services Division
 August 2008

MPD 0083
 8/20/08

0 1 2 3 4 5 Miles

MPD 0083

Copyright 2009. All rights reserved.
The information contained herein is the proprietary property of the following owners supplied under license and may not be reproduced except as licensed by LAUSD and Digital Map Products; Thomas Bros. Maps.

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



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

This Official Statement is not to be construed as a contract with the purchaser of the Notes. Statements contained in this Official Statement which involve estimates, forecasts, or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts. No representation is made that any past experience, as shown by any financial or other information herein, will necessarily continue or be repeated in the future. The information set forth herein has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information and expression of opinions herein are subject to change without notice, and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof.

This Official Statement is submitted with respect to the original issuance and sale of the Series B Notes referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the District. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

When used in this Official Statement and in any continuing disclosure by the District, in any press release and 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 does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

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

CUSIP is a registered trademark of American Bankers Association. CUSIP data in this Official Statement is provided by Standard & Poor’s CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP data herein is set forth for convenience of reference only. The District, the County and the Financial Advisor assume no responsibility for the selection or uses of the CUSIP number or for the accuracy or correctness of such data. The CUSIP number for the Series B Notes is subject to being changed after the issuance of the Series B Notes as a result of various subsequent actions.

[THIS PAGE INTENTIONALLY LEFT BLANK]

LOS ANGELES UNIFIED SCHOOL DISTRICT

BOARD OF EDUCATION

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

DISTRICT OFFICIALS

John Deasy, Ed.D., Superintendent
David Holmquist, General Counsel
Megan K. Reilly, Chief Financial Officer
Enrique Boull't, Chief Operating Officer
Luis Buendia, Interim Controller
John Walsh, Director of Finance Policy
Timothy S. Rosnick, Deputy Controller

BOND COUNSEL AND DISCLOSURE COUNSEL

Hawkins Delafield & Wood LLP
Los Angeles, California

SPECIAL TAX COUNSEL

Sidley Austin LLP
San Francisco, California

FINANCIAL ADVISOR

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

PAYING AGENT

Treasurer and Tax Collector
of the County of Los Angeles

[THIS PAGE INTENTIONALLY LEFT BLANK]

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
General.....	1
The District	1
Outstanding Series A Notes, the Series B Notes and Refunding Notes.....	2
Security and Sources of Payment for the Notes.....	2
Continuing Disclosure	3
District Short-Term Borrowing Program.....	3
Tax Matters.....	3
THE SERIES B NOTES	4
Description of the Series B Notes	4
Security and Sources of Payment for the Notes.....	4
Repayment Account.....	5
Outstanding Series A Notes and Refunding Notes	5
Investment of Funds.....	5
Available Sources of Payment	6
Borrowing from Other Agencies	7
Interfund Borrowing	7
Historical General Fund Cash Balances and Interfund Borrowing Capacity.....	10
Cash Flow Projections and Assumptions.....	11
Cash Flow Variance Summaries and Explanations	21
TAX MATTERS.....	25
LEGAL MATTERS.....	27
Continuing Disclosure	27
Litigation.....	27
Limitations on Remedies; Amounts Held in Treasury Pool	28
Legal Opinions.....	28
FINANCIAL STATEMENTS	28
MISCELLANEOUS	29
Rating.....	29
Financial Advisor.....	29
Sale of the Series B Notes.....	29
Additional Information	30
Execution and Delivery	30
APPENDIX A – DISTRICT FINANCIAL INFORMATION AND REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION	A-1
APPENDIX B – SELECTED INFORMATION FROM AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2012	B-1
APPENDIX C – BOOK-ENTRY ONLY SYSTEM	C-1
APPENDIX D – PROPOSED FORM OF OPINION OF BOND COUNSEL	D-1
APPENDIX E – PROPOSED FORM OF OPINION OF SPECIAL TAX COUNSEL	E-1
APPENDIX F – PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE	F-1
APPENDIX G – THE LOS ANGELES COUNTY TREASURY POOL	G-1

[THIS PAGE INTENTIONALLY LEFT BLANK]

OFFICIAL STATEMENT

\$780,000,000

**LOS ANGELES UNIFIED SCHOOL DISTRICT
(County of Los Angeles, California)
Tax and Revenue Anticipation Notes, Series B**

INTRODUCTION

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page through the appendices hereto (the "Official Statement"), and the documents summarized or described herein. A full review should be made of the entire Official Statement. The Official Statement, including any amendments or supplements hereto, has been prepared in connection with the purchase of the Series B Notes (as defined herein) by the Purchaser (as defined herein).

General

This Official Statement, which includes the cover page through the appendices hereto (the "Official Statement"), provides certain information in connection with the sale of the \$780,000,000 Los Angeles Unified School District 2012-2013 Tax and Revenue Anticipation Notes, Series B (the "Series B Notes"). The Series B Notes are being issued under the authority of Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the State of California Government Code (the "Act"), and pursuant to a resolution adopted by the Board of Education (the "District Board") of the Los Angeles Unified School District (the "District") on April 10, 2012 (the "District Resolution") and a resolution adopted by the Board of Supervisors of the County of Los Angeles (the "County") on May 15, 2012 (the "County Resolution" and together with the District Resolution, the "Resolutions"). On July 2, 2012, the District issued its \$190,000,000 principal amount 2012-2013 Tax and Revenue Anticipation Notes, Series A-1 (the "Series A-1 Notes"), \$50,000,000 principal amount 2012-2013 Tax and Revenue Anticipation Notes, Series A-2 (the "Series A-2 Notes") and \$360,000,000 principal amount 2012-2013 Tax and Revenue Anticipation Notes, Series A-3 (the "Series A-3 Notes" and, together with the Series A-1 Notes and the Series A-2 Notes, the "Series A Notes"). The District has set aside and deposited in the Repayment Account an amount sufficient to fully and timely pay principal of and interest on the Series A Notes on February 28, 2013, the maturity date therefor. The Series B Notes will be the second series of Notes (defined herein) issued by the District pursuant to the Act and the Resolutions.

The Series A Notes financed and the issuance of the Series B Notes will finance the cash flow requirements of the District's general fund (the "General Fund") during Fiscal Year 2012-13, including current expenses and capital expenditures. The District's fiscal year, beginning on July 1 and ending on June 30 of the following year, is referred to herein as "Fiscal Year." For additional information regarding General Fund revenues and expenditures, see "THE SERIES B NOTES – Cash Flow Projections and Assumptions" herein and Appendix A – "DISTRICT FINANCIAL INFORMATION AND REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION" attached hereto.

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 estimates it will serve 507,239 K-12 students in Fiscal Year 2012-13. As of October 2011, the District operated 446 elementary schools, 84 middle/junior high schools, 94 senior high schools, 56 options schools, 18 multi level schools, 16 special education schools, 28 magnet schools and 146 magnet centers, 24 community adult schools, 5 regional occupational centers, 5 skills centers, 1 regional occupational program center, 107 early education centers, 4 infant centers, and 20 primary school centers. In addition, as of October 2011, there were 19 affiliated charter schools operated by the District and 179 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 – "SELECTED INFORMATION FROM AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2012" attached hereto.

Outstanding Series A Notes, the Series B Notes and Refunding Notes

The Resolutions authorize the issuance of tax and revenue anticipation notes (the "Notes") at one or more times and in one or more series in an aggregate amount not to exceed \$1,500,000,000. The District has set aside and deposited in the Repayment Account an amount sufficient to fully and timely pay principal of and interest on the Series A Notes on February 28, 2013, the maturity date therefor, with the Treasurer and Tax Collector of the County (the "County Treasurer"). Pursuant to the Resolutions, the County Treasurer has been designated as the Paying Agent (the "Paying Agent") with respect to the Series B Notes.

The Series B Notes will be the second series of Notes issued under and in accordance with the Resolutions and will be delivered in fully registered form without coupons. The Series B Notes will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Series B Notes. Individual purchases of the Series B Notes will be made in book-entry form only, in denominations of \$5,000 and integral multiples thereof. The Beneficial Owners (defined herein) of the Series B Notes will not receive certificates representing their interests in the Series B Notes.

Principal of and interest on the Series B Notes will be paid on November 28, 2013 (the "Maturity Date") by the Paying Agent to DTC, which will in turn remit such principal and interest to its participants for subsequent distribution to the Beneficial Owners. See "THE SERIES B NOTES – Description of the Series B Notes" herein and Appendix C – "BOOK-ENTRY ONLY SYSTEM" attached hereto.

The District may issue one or more Series of Refunding Notes (defined herein) under the Resolutions on or prior to June 28, 2013 to refund the Series B Notes outstanding. The District does not currently expect to issue Refunding Notes. If Refunding Notes are issued, the District has covenanted to refund the Series B Notes in whole. See "THE SERIES B NOTES – Outstanding Series A Notes and Refunding Notes" herein.

Security and Sources of Payment for the Notes

The principal amount of the Notes, together with the interest thereon, is payable from General Fund Revenues which are received by or accrued to the District during Fiscal Year 2012-13. See "THE SERIES B NOTES – Available Sources of Payment" and " - Cash Flow Projections and Assumptions – State Cash Management Plan and Impact on the District's Cash Flows" herein and Appendix A – "DISTRICT FINANCIAL INFORMATION AND REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION –State Funding of Education – State Budget" attached hereto.

As security for the payment of the principal of and interest on the Series B Notes, the District will pledge to set aside and deposit General Fund Revenues in the Repayment Account in an amount which,

collectively, will be sufficient to pay principal of and interest on the Series B Notes on the Maturity Date in the amounts set forth herein on or before each Pledge Date (as defined herein). See “THE SERIES B NOTES – Security and Sources of Payment for the Series B Notes” herein. Pursuant to Section 53856 of the Act, the obligation to pay principal of and interest on the Series A Notes, the Series B Notes and any Refunding Notes constitutes a first lien and charge against and is payable from the first moneys received by the District from Pledged Revenues. See “THE SERIES B NOTES – Security and Sources of Payment for the Series B Notes” herein.

Continuing Disclosure

The District has covenanted for the benefit of the holders and beneficial owners of the Series B Notes to provide notices of the occurrence of certain enumerated events. The District will provide or cause to be provided these notices to the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access (“EMMA”) system, the website of which is emma.msrb.org, in the manner prescribed by the Securities and Exchange Commission (the “SEC”). See “CONTINUING DISCLOSURE” herein and Appendix F – “PROPOSED FORM OF DISCLOSURE CERTIFICATE” attached hereto. In the previous five years the District has not failed to comply in all material respects with any previous undertaking to provide information under the Rule 15c2-12(b)(5) (the “Rule”) of the SEC.

District Short-Term Borrowing Program

The District has issued tax and revenue anticipation notes each year since Fiscal Year 1990-91 to fund periodic cash flow deficits caused by timing differences between General Fund receipts and disbursements. The District has never defaulted on the payment of principal of or interest on any of its short-term or long-term debt obligations.

The District may issue tax and revenue anticipation notes in Fiscal Year 2013-14 (“2013-14 TRANs”), the principal amount of which, together with the interest thereon, will be payable from certain taxes, income, revenue, cash receipts and other moneys of the District, received by the District for the General Fund of the District during Fiscal Year 2013-14 or accrued during Fiscal Year 2013-14 and which are generally available for the payment of current expenses and other obligations of the District, as provided by California law. If issued, such 2013-14 TRANs would be general obligations of the District payable only out of the revenues pledged therefor and from any other moneys of the District lawfully available therefor. See Appendix A – “DISTRICT FINANCIAL INFORMATION AND REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION – District Financial Information – Future Financings” attached hereto.

Tax Matters

In the opinion of Sidley Austin LLP, San Francisco, California, Special Tax Counsel to the District, under existing law and assuming compliance with certain covenants in the Resolutions and other documents pertaining to the Series B Notes and requirements of the Internal Revenue Code of 1986, as amended, as described herein, interest on the Series B Notes is not included in the gross income of the owners of the Series B Notes for purposes of federal income taxation. Further, interest on the Series B Notes is not treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals and corporations; however, interest on the Series B Notes owned by a corporation is included in the calculation of the corporation’s alternative minimum tax liability.

In the opinion of Special Tax Counsel, under existing law, interest on the Series B Notes is exempt from personal income taxes imposed by the State of California.

In rendering the opinions described above, Sidley Austin LLP, Special Tax Counsel, will assume the correctness of the opinion of Hawkins Delafield & Wood LLP, Bond Counsel, to be delivered in connection

with the issuance of the Series B Notes that the Series B Notes constitute the valid and binding obligations of the District enforceable in accordance with their terms. However, Hawkins Delafield & Wood LLP has not been requested to, and has not, reviewed any matter or conducted any investigation or examination relating to the federal, state or local tax consequences with respect to the receipt of interest on the Series B Notes or the ownership or the disposition of the Series B Notes, and takes no responsibility therefor. Furthermore, Hawkins Delafield & Wood LLP is not expressing any opinion as to any federal, state or local tax consequences arising with respect to the Series B Notes, the receipt of interest thereon or the ownership or disposition thereof. See "TAX MATTERS" herein.

THE SERIES B NOTES

Description of the Series B Notes

The Series B Notes will be issued in the principal amount of \$780,000,000. The Series B Notes will be dated the date of delivery thereof and will mature on the Maturity Date. The Series B Notes will be issued in fully registered form without coupons, in denominations of \$5,000 each and integral multiples thereof. Principal of and interest on the Series B Notes will be payable on the Maturity Date. The Series B Notes will bear interest calculated at the rate per annum as shown on the cover hereof, computed on the basis of a 360-day year consisting of twelve 30-day months and will accrue from the date of delivery of the Series B Notes.

The Series B Notes will be issued in fully registered form, registered in the name of Cede & Co., as nominee of DTC. Principal of and interest on the Series B Notes will be payable when due on behalf of the District by the Paying Agent to DTC, which is obligated in turn to remit such principal and interest to participants in the DTC system ("DTC Participants") for subsequent disbursement to the Purchaser of the Series B Notes (the "Beneficial Owners"). The Series B Notes will not be subject to optional redemption, but may be defeased by Refunding Notes prior to maturity. As long as the Series B Notes are held by DTC or a successor securities depository, ownership of the Series B Notes will be evidenced by book-entry as described in Appendix C – "BOOK ENTRY ONLY SYSTEM" attached hereto.

Security and Sources of Payment for the Notes

The principal amount of the Notes, together with the interest thereon, is payable from taxes, income, revenue, cash receipts, and other moneys of the District as provided in Section 53856 of the Act which are intended as receipts for the general fund of the District and which are generally available for the payment of current expenses and other obligations of the District (collectively, "General Fund Revenues") which are received by or accrued to the District during Fiscal Year 2012-13 including, but not limited to, fiscal aid provided by the State and federal government and proceeds of Refunding Notes, if any.

As security for the payment of the principal of and interest on the Series B Notes, the District has agreed to set aside and deposit into the Repayment Account: (i) on June 28, 2013, an amount equal to \$525,000,000 from General Fund Revenues received by the District in June 2013 on or before such date; (ii) on July 31, 2013, an amount equal to \$127,500,000 from General Fund Revenues received by the District in July 2013 on or before such date and accrued to the District in Fiscal Year 2012-13 plus any deficiency in the amount that was required to be set aside and deposited in the Repayment Account on June 28, 2013; (iii) on August 30, 2013, an amount equal to \$127,500,000, plus any deficiency in the amount that was required to be set aside and deposited in the Repayment Account on July 31, 2013, and 100% of the interest to be due on the Series B Notes on the Maturity Date from General Fund Revenues received by the District in August 2013 on or before such date and accrued to the District in Fiscal Year 2012-13 (collectively, the "Pledged Revenues") on the aforementioned the dates (each a "Pledge Date"); provided, however, that in the event the District receives revenues from the Education Protection Account (defined herein) in June 2013 in excess of \$525,000,000, the District will deposit any and all of such excess amount in the Repayment

Account on or before June 28, 2013, and in such event, the amount required to be deposited in July 2013 shall be reduced by such additional amount as was deposited in June 2013.

Pursuant to the District Resolution, the District has pledged such amounts, all of which constitute Pledged Revenues. Pursuant to Section 53856 of the Act, the obligation to pay principal of and interest on the Series B Notes and any Refunding Notes constitutes a first lien and charge against and is payable from the first moneys received by the District from Pledged Revenues. Moneys in the Repayment Account will be used to pay the principal of and interest on each Series of Notes, in full when due in the order of their maturity. See "THE SERIES B NOTES - Outstanding Series A Notes and Refunding Notes" herein.

Repayment Account

In accordance with State law, the Pledged Revenues will be received by the Auditor-Controller of the County (the "Auditor-Controller") on behalf of the District and transferred to the Paying Agent therefor. The Pledged Revenues will be deposited by the Paying Agent and held in a special account designated the "Los Angeles Unified School District 2012-2013 Tax and Revenue Anticipation Notes Repayment Account" (the "Repayment Account"), and will be applied as directed in the Resolutions for the benefit of the owners of the Notes. Until the principal of and interest on the Notes is paid in full or until provision has been made for the payment in full of the principal of and interest on the Notes the moneys in the Repayment Account will be applied only for the purposes for which such Repayment Account was created.

In the event that there are insufficient General Fund Revenues received by the County Treasurer on behalf of the District by the third business day prior to any Pledge Date to permit the deposit into the Repayment Account of the full amount of the Pledged Revenues required to be deposited on such Pledge Date, the amount of any deficiency in the Repayment Account will be satisfied in full from any other moneys of the District lawfully available for the payment of the principal of the Notes and the interest thereon in accordance with Section 53857 of the State of California Government Code.

Outstanding Series A Notes and Refunding Notes

The Resolutions authorize the issuance of Notes at one or more times and in one or more series in an aggregate amount not to exceed \$1,500,000,000. On July 2, 2012, the District issued the Series A Notes in the aggregate principal amount of \$600,000,000. Principal of and interest on the Series A Notes is scheduled to be paid on February 28, 2013, the maturity date therefor, subsequent to the issuance of the Series B Notes. The District has set aside and deposited in the Repayment Account an amount sufficient to fully and timely pay principal of and interest on the Series A Notes on February 28, 2013, the maturity date therefor. The Series B Notes will be the second series of Notes issued under and in accordance with the Resolutions.

Subsequent to the issuance of the Series B Notes, the District may not issue additional Series of Notes under the Resolutions except on or prior to June 28, 2013 one or more additional Series of Notes may be issued under the Resolutions to refund the Series B Notes outstanding (the "Refunding Notes"). The Refunding Notes, if any, would be payable from the same pledge of certain revenues as the Series B Notes. The District does not currently expect to issue Refunding Notes. If Refunding Notes are issued, the District has covenanted to refund the Series B Notes in whole.

Investment of Funds

The proceeds of the Series B Notes will be deposited in the General Fund and invested in the Los Angeles County Treasury Pool (the "Treasury Pool"), or if the District directs, such moneys will be invested by the Paying Agent, acting as fiscal agent (the "Fiscal Agent").

Balances in the Repayment Account will be invested as permitted by Section 53601 of the California Government Code or as determined by the District as it deems appropriate, which authority is granted in the County Resolution in compliance with Section 53601.1 of the California Government Code; provided that any such investment will only be made (1) in direct obligations of the United States of America, including United States Treasury notes, bonds and bills, (2) in obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (3) in obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, (4) in the Treasury Pool or (5) in one or more investment agreements and/or guaranteed investment contracts provided, however, that the long-term ratings of the provider of such agreement or contract will be at least “AA-” by S&P (defined herein). The District shall not invest any proceeds of the Series B Notes or moneys deposited in the Repayment Account unless such investments shall mature or be redeemable in order to provide for timely payment of principal of and interest on the Series B Notes when due. The amounts deposited in the Repayment Account will be invested in the Treasury Pool. See Appendix G – “THE LOS ANGELES COUNTY TREASURY POOL” attached hereto.

The proceeds of investments of moneys held and invested by the Fiscal Agent pursuant to the District Resolution shall be retained or accounted for by the Fiscal Agent until the principal of all of the Notes (including Refunding Notes) and the unpaid interest thereon shall have been fully paid or until provision shall have been made for such payment, at which time any excess amount will be transferred to the General Fund.

Available Sources of Payment

The Series B Notes, in accordance with State law, are general obligations of the District, but are payable only out of General Fund Revenues received by the District and from any other moneys of the District lawfully available therefor. The District may, under existing law, issue tax and revenue anticipation notes, such as the Series B Notes, only if the principal thereof and interest thereon will not exceed 85% of the estimated amount of the then uncollected moneys available from the General Fund for the payment of such tax and revenue anticipation notes. The amount needed to repay the Series B Notes and the interest thereon is approximately \$795.0 million, which amount does not exceed 85% of the estimated amount of the uncollected moneys available for the payment of the Series B Notes.

The District estimates that General Fund Revenues available for payment of principal of and interest on the Series B Notes will be approximately \$3.7 billion for the period from February 1, 2013 through August 31, 2013, as indicated in the following Table 1. Except for Pledged Revenues, these moneys will be expended during the course of the remainder of Fiscal Year 2012-13, and no assurance can be given that any moneys, other than the Pledged Revenues, will be available to pay the Series B Notes and any Refunding Notes and the respective interest thereon.

Table 1
LOS ANGELES UNIFIED SCHOOL DISTRICT
Estimated General Fund Revenues Available for Payment of the Series B Notes
February 1, 2013 through August 31, 2013⁽¹⁾
(\$ in thousands)

Source of Revenues	Amount
Revenue Limit	
Property Taxes	\$ 382,384.20
State Aid – Revenue Limit ⁽²⁾	1,165,971.30
Federal Revenues	291,508.80
Other State Revenues	492,938.20
Other Local Revenues	48,590.10
Interfund Transfers In	432,244.40
Other Receipts/Non-Revenue ⁽³⁾	<u>882,336.30</u>
Total	<u>\$3,695,973.40</u>

⁽¹⁾ Based upon estimates contained in the Fiscal Year 2012-13 First Interim Financial Report (defined herein), actual cash flows through December 2012, estimated beginning balances in July 2013 and cash received in July 2013 and August 2013 that is attributable to Fiscal Year 2012-13.

⁽²⁾ Amount is net of cash deferrals and other adjustments.

⁽³⁾ Includes estimated proceeds from the Series B Notes.

Source: Los Angeles Unified School District.

For detailed information regarding estimated debt service coverage on the Series B Notes at each respective Pledge Date, see the table entitled “Projected General Fund and TRANS Repayment Account Cash Flow - Fiscal Year 2012-13” in the section entitled “- Cash Flow Projections and Assumptions - District Cash Flows for Fiscal Years 2011-12, 2012-13 and 2013-14” herein.

Borrowing from Other Agencies

The State Constitution authorizes school districts to borrow from County-held funds of other agencies until the last Monday in April of each fiscal year in amounts that do not exceed 85% of taxes accrued to the school district. In the event a school district elects to undertake such a borrowing, the State Constitution requires the school district to repay the borrowed amounts from revenues accruing to the school district before any other obligation of the school district is paid from such revenue. The District does not generally use such borrowing to cover temporary cash shortfalls in the General Fund and does not expect to use such borrowing to cover temporary cash shortfalls in Fiscal Year 2012-13.

Interfund Borrowing

Pursuant to Education Code 42603, the District could temporarily borrow, for cash flow purposes, up to 75 percent of the maximum of moneys held in any fund or account for the benefit of the General Fund (“Interfund Borrowing Capacity”). The District Board may direct that moneys held in any fund or account be temporarily transferred to another fund or account of the District for payment of obligations. Such a transfer would be accounted for as temporary borrowing between funds or accounts and such amounts would not be available for appropriation or be considered income to the borrowing fund or account. Pursuant to the Education Code, the District would have to repay the amounts transferred either in the same fiscal year or in the following fiscal year if the transfer takes place within the final 120 calendar days of a fiscal year. Further, the District may only temporarily borrow when the fund or account receiving the money will earn sufficient income, during or attributable to the current fiscal year, to repay the amount transferred.

The District routinely requests the District Board to provide authorization for such temporary borrowing by June 30 of each year, with such authorization applicable to the fiscal year beginning the

following July 1. In June 2012 and December 2012, the District Board authorized the District to use temporary borrowing during Fiscal Year 2012-13 and Fiscal Year 2013-14, respectively, in an amount not to exceed 75% of the maximum of moneys held in any fund or account for the benefit of the General Fund. The District's Interfund Borrowing Capacity is projected to be approximately \$1.0 billion as of June 30, 2013 and approximately \$955 million as of the Maturity Date. See " - Historical General Fund Cash Balances and Interfund Borrowing Capacity" and "Cash Flow Projections and Assumptions – State Cash Management Plan and Impact on the District's Cash Flows" below for the District's Interfund Borrowing Capacity as of June 30 for Fiscal Years 2008-09 through 2011-12 and the District's estimated Interfund Borrowing Capacity as of June 30 for Fiscal Year 2012-13 and as of the Maturity Date. The following Table 2 sets forth the largest funds comprising the District's Interfund Borrowing Capacity, their audited cash balance at June 30, 2010, June 30, 2011, and June 30, 2012 and their projected cash balances at June 30, 2013 and at the Maturity Date.

Table 2
LOS ANGELES UNIFIED SCHOOL DISTRICT
Interfund Borrowing Capacity
Fiscal Years ended June 30, 2010 through June 30, 2013 and as of the Maturity Date
(\$ in millions)

Fund Number	Fund	Type of Fund	Audited Borrowable Cash Balance at June 30, 2010	Audited Borrowable Cash Balance at June 30, 2011	Audited Borrowable Cash Balance at June 30, 2012	Projected Borrowable Cash Balance at June 30, 2013	Projected Borrowable Cash Balance at November 28, 2013
13	Worker's Compensation	Department contributions toward worker's compensation	\$517.7	\$466.6	\$106.0 ⁽¹⁾	\$ 390.4	\$ 386.9
15	Special Reserve Capital Outlay	Certificates of Participation proceeds for projects; legal settlement proceeds	99.7	97.6	131.2	88.8	70.8
16	Property and Liability	District contributions toward general liability and property self-insurance coverage	39.4	35.7	51.0	29.8	21.8
21	Health & Welfare	District contributions to health benefits fund	170.9	317.4	361.0	234.4	203.1
27	Deferred Maintenance ⁽²⁾	Funds set aside for long term maintenance projects	48.2	--	--	--	--
46	Attendance Incentive	A reserve to fund attendance incentive amounts earned by certain employees covered by MOU in early 1990s	20.6	20.6	21.1	20.8	20.1
62	Special Reserve FEMA	Earthquake repairs	3.5	2.0	2.0	2.0	2.0
66	Proposition 47	State matching funds for Bond Program	151.4	117.4	122.2	151.6	137.0
67	Proposition 55	State matching funds for Bond Program	243.8	334.7	211.2	231.2	234.3
68	Proposition 1D	State matching funds for Bond Program	105.6	265.3	176.6	82.7	104.7
73	Capital Facilities	Developer fees	<u>53.1</u>	<u>18.3</u>	<u>50.0</u>	<u>80.5</u>	<u>93.7</u>
		Total	<u>\$1,453.9</u>	<u>\$1,675.6</u>	<u>\$1,232.3</u>	<u>\$1,215.3</u>	<u>\$ 1,274.4</u>
		Interfund Borrowing Capacity (75% of Total)	\$1,090.4	\$1,256.7	\$ 924.2	\$ 986.5	\$ 955.8

⁽¹⁾ The ending balance for Fund Number 13 is net of temporary borrowing in April 2012 in the amount of \$300 million that was repaid in August 2012.

⁽²⁾ The District no longer maintains cash balances in the Deferred Maintenance Fund.

Source: Los Angeles Unified School District.

Historical General Fund Cash Balances and Interfund Borrowing Capacity

The following Table 3 sets forth the month-end cash balances in the General Fund for Fiscal Years 2008-09 through 2012-13 and through June 2014 for Fiscal Year 2013-14. The District's estimated and projected fiscal year-end Interfund Borrowing Capacity is also presented in the table above. See " – Interfund Borrowing" above for amounts available from the largest funds comprising Interfund Borrowing Capacity.

Table 3
LOS ANGELES UNIFIED SCHOOL DISTRICT
General Fund Month-End Cash Balances and Interfund Borrowing Capacity⁽¹⁾
Fiscal Years 2008-09 through 2012-13 and for July 2013 through November 2013 of Fiscal Year 2013-14
(\$ in millions)

Accounting Month	2008-09⁽²⁾	2009-10⁽³⁾	2010-11⁽⁴⁾	2011-12⁽⁵⁾	2012-13⁽⁶⁾	2013-14⁽⁹⁾⁽¹⁰⁾
July	\$ 766.2	\$ 779.1	\$ 820.6	\$ 820.9	\$1,005.5 ⁽⁷⁾	\$ 635.5
August	710.9	1,337.8	790.7	1,040.0	961.4 ⁽⁸⁾	758.4
September	525.8	1,152.8	717.5	1,393.5	876.7	785.7
October	1,388.2	1,333.5	528.5	1,045.8	805.9	737.8
November	1,267.1	1,215.4	885.0	849.7	644.9	627.1
December	1,489.0	1,605.5	1,623.5	1,018.1	863.9	1,051.1
January	1,533.0	1,473.3	1,439.1	1,179.2	625.8 ⁽⁹⁾	1,068.6
February	1,561.4	1,254.6	1,170.3	985.3	396.4 ⁽⁹⁾	696.3
March	1,142.3	835.6	796.7	148.5	836.0 ⁽⁹⁾	953.0
April	995.5	735.8	827.5	748.8 ⁽⁷⁾	825.9 ⁽⁹⁾	951.2
May	428.2	680.9	647.0	397.3 ⁽⁷⁾	434.6 ⁽⁹⁾	655.3
June	508.3	280.0	331.1	109.1 ⁽⁷⁾	238.2 ⁽⁹⁾	389.6
Interfund Borrowing Capacity at June 30:	\$ 564.8	\$ 1,090.4	\$ 1,256.7	\$924.2 ⁽⁷⁾	\$ 986.5	\$ 955.8

⁽¹⁾ Period-end balances are net of deposits to the repayment accounts relating to the short-term notes. See " – Borrowing from Other Agencies" and " – Interfund Borrowing" above. "Interfund Borrowing Capacity" reflects borrowable balances as of June 30 of each Fiscal Year.

⁽²⁾ Includes receipt in July 2008 of proceeds from the sale of \$500,000,000 of the District's 2008-2009 Tax and Revenue Anticipation Notes, Series A.

⁽³⁾ Includes receipt in August 2009 of proceeds from the sale of \$750,000,000 of the District's 2009-2010 Tax and Revenue Anticipation Notes.

⁽⁴⁾ Includes receipt in July 2010 of proceeds from the sale of \$540,000,000 of the District's 2010-2011 Tax and Revenue Anticipation Notes.

⁽⁵⁾ Includes receipt in July 2011 of proceeds from the sale of \$550,000,000 of the District's 2011-2012 Tax and Revenue Anticipation Notes.

⁽⁶⁾ Includes receipt in July 2012 of proceeds from the sale of \$600,000,000 of the Series A Notes and receipt in February 2013 of proceeds from the sale of \$780 million of the Series B Notes.

⁽⁷⁾ Reflects temporary borrowing in the amount of \$300 million undertaken in April 2012 and repaid in August 2012. See "THE SERIES B NOTES - Interfund Borrowing" herein.

⁽⁸⁾ Reflects repayment of \$300 million of temporary borrowing undertaken in April 2012.

⁽⁹⁾ Estimated.

⁽¹⁰⁾ Reflects the projected receipt in July 2013 of proceeds from the sale of \$315,000,000 of tax and revenue anticipation notes for Fiscal Year 2013-14. The District Board has not yet approved the sale and issuance of tax and revenue anticipation notes during Fiscal Year 2013-14. See "INTRODUCTION - District Short-Term Borrowing Program" herein.

Source: Los Angeles Unified School District.

Cash Flow Projections and Assumptions

General. The projected General Fund cash flow for Fiscal Year 2012-13 reflects the actual cash balances from July 2012 through December 2012 of Fiscal Year 2012-13, the Fiscal Year 2012-13 District Budget (as defined herein) and adjustments thereto and the estimated cash deferrals and adjustments to cash flows pursuant to the State's cash management plan for K-12 school districts (the "State Cash Management Plan"). See " – State Cash Management Plan and Impact on the District's Cash Flows" below.

Fiscal Year 2012-13 District Budget and Adjustments. The District's Board adopted the District's budget for Fiscal Year 2012-13 (the "Fiscal Year 2012-13 District Budget") on June 26, 2012. The Fiscal Year 2012-13 District Budget assumed the proposals relating to K-12 finance set forth in the May Revision to the Governor's Proposed State Budget for Fiscal Year 2012-13 would be approved and reflected certain of the provisions set forth in the Fiscal Stabilization Plan that was adopted by the District Board in March 2012 (the "March 2012 Fiscal Stabilization Plan"). The March 2012 Fiscal Stabilization Plan was adopted to address, among other things, projected budgetary imbalances for Fiscal Year 2012-13. See Appendix A – "DISTRICT FINANCIAL INFORMATION – District Financial Information – District Budget – Fiscal Stabilization Plan" and " – State Funding of Education – State Budget – State Budget for Fiscal Year 2012-13" attached hereto.

Subsequent to the District's adoption of the Fiscal Year 2012-13 District Budget, voters in the State approved the "Schools and Local Public Safety Protection Act" ("Proposition 30") at the November 6, 2012 Statewide election. Proposition 30 temporarily increases the maximum marginal personal income tax rates for certain individuals, heads of households and joint filers for the 2012 tax year to the 2018 tax year. In addition, Proposition 30 temporarily increases the State's sales and use tax rate by 0.25 percent from 2013 to 2016. Pursuant to Proposition 30, the State established the "Education Protection Account" within the State's General Fund to receive and disburse the revenues derived from the tax increases. Further, Proposition 30 directs that all moneys in the Education Protection Account are continuously appropriated for the support of school districts, county offices of education, charter schools, and community college districts.

The Fiscal Year 2012-13 District Budget assumed passage of Proposition 30. However, the District adjusted the Fiscal Year 2012-13 District Budget in connection with its First Interim Report (defined herein) to reflect the rescission of furlough days in accordance with the District's labor agreements with its collective bargaining units as well as other factors. See Appendix A – "DISTRICT FINANCIAL INFORMATION – District Financial Information – Collective Bargaining – General" attached hereto.

State Cash Management Plan and Impact on the District's Cash Flows. Pursuant to State law for Fiscal Year 2012-13, the State currently defers approximately \$8.0 billion of the principal apportionment payments from the general fund of the State ("State Aid") to school and community college districts within a fiscal year ("Intra-Fiscal Year Deferrals") and approximately \$7.4 billion of State Aid from one fiscal year to a subsequent fiscal year ("Cross-Fiscal Year Deferrals" and, together with the Intra-Fiscal Year Deferrals, the "State Aid Deferrals") in order to manage the State's cash flow. A portion of the Intra-Fiscal Year Deferrals are set forth in Section 16236(A)(2) of the Government Code. The remaining portion of the Intra-Fiscal Year Deferrals in the amount of \$6.92 billion are related to Proposition 30 and are authorized pursuant to Education Code 14041(a)(9).

In addition, Proposition 30 directs the State to pay K-14 school and community college districts the tax revenues on deposit in the Education Protection Account in June 2013, which amount was projected to be approximately \$6.7 billion as of January 10, 2013. The amount of tax revenues that the

State currently projects to be on deposit in the Education Protection Account in June 2013 is less than \$6.92 billion of Intra-Fiscal Year Deferrals imposed by the State in connection with Proposition 30. In the event the amount on deposit in the Education Protection Account in June 2013 is less than \$6.9 billion, the State is expected to pay the balance owed to K-14 school and community college districts in July 2013 instead of June 2013 pursuant to Section 14041(a)(9) of the Education Code. Notwithstanding a payment of such tax revenues in July 2013 instead of June 2013, the State deems such tax revenues to be revenues accrued to the District during Fiscal Year 2012-13. Accordingly, such tax revenues are Pledged Revenues. See “THE SERIES B NOTES - Security and Sources of Payment for the Notes” herein.

The Cross-Fiscal Year Deferrals are set forth in Sections 14041.5(a) and 14041.6 et. seq. of the Education Code. The Governor proposes to reduce Cross-Fiscal Year Deferrals by \$1.8 billion Statewide beginning in Fiscal Year 2013-14 and projects that all Cross-Fiscal Year Deferrals will be eliminated by the end of Fiscal Year 2016-17 assuming that the Governor’s Proposed Fiscal Year 2013-14 State Budget is approved and the projections contained therein are realized. These proposals have not been approved by the State Legislature at the current time, and the District can provide no assurances that the State Legislature and the Governor will approve any changes to the current State Aid Deferrals or maintain the current amounts and schedule of State Aid Deferrals. See Appendix A – “District Financial Information – State Funding of Education – State Budget – State Budget for Fiscal Year 2013-14” attached hereto.

The District has estimated the amounts and schedule of State Aid Deferrals in its cash flows based upon current State law and the projections derived from a calculation tool provided for school districts by the California Department of Education on its www.cde.ca.gov. However, the information presented on the California Department of Education’s website is not and will not be a part of this Official Statement, is not incorporated by reference herein and may not be relied upon in making an investment decision with respect to the Series B Notes. The timing and amounts of State Aid deferrals are subject to change by legislation. See Appendix A – “DISTRICT FINANCIAL INFORMATION AND REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION – State Funding of Education – State Budget - State Budget for Fiscal Year 2012-13” attached hereto. Tables 4 and 5 set forth the District’s estimated timetable for receipt of State Aid Deferrals during Fiscal Years 2012-13 and 2013-14. The District has incorporated the deferrals set forth below into its cash flows for Fiscal Years 2012-13 and 2013-14.

Table 4
LOS ANGELES UNIFIED SCHOOL DISTRICT
Estimated State Aid Cash Deferrals that affect Fiscal Year 2012-13 District General Fund Cash⁽¹⁾
(\$ in millions)

State Aid Deferrals	Fiscal Year 2012-13												Fiscal Year 2013-14	
	July 2012	August 2012	Sept. 2012	Oct. 2012	Nov. 2012	Dec. 2012	Jan. 2013	Feb. 2013	March 2013	April 2013	May 2013	June 2013	July 2013	Aug. 2013
February 2012	\$154.02	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
March 2012	--	100.11	--	--	--	--	--	--	--	--	--	--	--	--
April 2012	33.27	111.04	--	--	--	--	--	--	--	--	--	--	--	--
May 2012	61.61	77.00	--	--	--	--	--	--	--	--	--	--	--	--
June 2012	175.80	--	--	--	--	--	--	--	--	--	--	--	--	--
July 2012	(75.06)	--	56.02	--	--	19.04	--	--	--	--	--	--	--	--
August 2012	--	(44.71)	--	--	--	44.71	--	--	--	--	--	--	--	--
October 2012	--	--	--	(62.10)	--	62.10	--	--	--	--	--	--	--	--
February 2013	--	--	--	--	--	--	--	(43.78)	--	--	--	--	43.78	--
March 2013	--	--	--	--	--	--	--	--	(85.23)	--	--	--	--	85.23
April 2013	--	--	--	--	--	--	--	--	--	(112.08)	--	--	49.04	63.04
May 2013	--	--	--	--	--	--	--	--	--	--	(116.76)	--	116.76	--
June 2013	--	--	--	--	--	--	--	--	--	--	--	(116.76)	116.76	--
SB 1610	<u>(31.58)</u>	<u>(31.58)</u>	<u>(56.85)</u>	<u>(56.85)</u>	<u>(56.85)</u>	<u>(56.85)</u>	<u>(56.85)</u>	<u>(56.85)</u>	<u>(56.85)</u>	<u>(56.85)</u>	<u>(56.85)</u>	<u>631.47</u>	<u>(36.01)</u>	--
Total	<u>\$318.06</u>	<u>\$211.86</u>	<u>\$(0.83)</u>	<u>\$(118.95)</u>	<u>\$(56.85)</u>	<u>\$69.00</u>	<u>\$(56.85)</u>	<u>\$(100.63)</u>	<u>\$(142.08)</u>	<u>\$(168.93)</u>	<u>\$(173.61)</u>	<u>\$496.71</u>	<u>\$290.33</u>	<u>\$148.27</u>

⁽¹⁾ State Aid Deferral amounts represent the District's portion of State-wide K-12 deferrals set forth in the Education Code, the Government Code and the State Budget Act for Fiscal Year 2012-13.

Source: Los Angeles Unified School District.

Table 5
LOS ANGELES UNIFIED SCHOOL DISTRICT
Estimated State Aid Cash Deferrals that affect Fiscal Year 2013-14 District General Fund Cash⁽¹⁾
(\$ in millions)

State Aid Deferrals	Fiscal Year 2013-14												Fiscal Year 2014-15	
	July 2013	August 2013	Sept. 2013	Oct. 2013	Nov. 2013	Dec. 2013	Jan. 2014	Feb. 2014	March 2014	April 2014	May 2014	June 2014	July 2014	Aug. 2014
February 2013	\$43.78	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
March 2013	--	85.23	--	--	--	--	--	--	--	--	--	--	--	--
April 2013	49.04	63.04	--	--	--	--	--	--	--	--	--	--	--	--
May 2013	116.76	--	--	--	--	--	--	--	--	--	--	--	--	--
June 2013	116.76	--	--	--	--	--	--	--	--	--	--	--	--	--
July 2013	(68.76)	--	51.30	--	--	17.46	--	--	--	--	--	--	--	--
August 2013	--	(40.98)	--	--	--	40.98	--	--	--	--	--	--	--	--
October 2013	--	--	--	(56.88)	--	56.88	--	--	--	--	--	--	--	--
February 2014	--	--	--	--	--	--	--	(44.37)	--	--	--	--	44.37	--
March 2014	--	--	--	--	--	--	--	--	(85.23)	--	--	--	--	85.23
April 2014	--	--	--	--	--	--	--	--	--	(112.09)	--	--	49.04	63.04
May 2014	--	--	--	--	--	--	--	--	--	--	(116.76)	--	116.76	--
June 2014	--	--	--	--	--	--	--	--	--	--	--	(116.76)	116.76	--
Total	<u>\$257.58</u>	<u>\$107.29</u>	<u>\$51.30</u>	<u>\$(56.88)</u>	<u>\$0.00</u>	<u>\$115.32</u>	<u>\$0.00</u>	<u>\$(44.37)</u>	<u>\$(85.23)</u>	<u>\$(112.09)</u>	<u>\$(116.76)</u>	<u>\$(116.76)</u>	<u>\$326.93</u>	<u>\$148.27</u>

⁽¹⁾ State Aid Deferral amounts represent the District's portion of State-wide K-12 deferrals set forth in the Education Code and the Government Code.

Source: Los Angeles Unified School District.

Additional Considerations Relating to the District's Cash Flows. The District's General Fund has two components: (i) the Regular Program component, which represents monies available for general District expenditures and regular K-12 classroom instruction (the "Regular Program") and (ii) the Specially-Funded Program component, which represents monies that must be spent on specific categorical items or programs, such as special education (the "Specially-Funded Program"). The District's cash flow deficits occur in both the Regular Program component and the Specially-Funded Program component at different times. The District anticipates the largest deficit to occur in the Regular Program component and currently projects a net maximum cumulative cash flow deficit in the Regular Program component in June 2013 with the maximum cash flow deficit and working capital reserve being not less than approximately \$1.0165 billion. Taking into account the likelihood that the actual cash flow deficit may be different from that which is projected, the District has elected to issue the Series B Notes in an amount that is equal to approximately 76.7% of its currently projected maximum cash flow borrowing.

The estimates of amounts and timing of receipts and disbursements in the cash flow tables are based on certain assumptions and should not be construed as statements of fact. The assumptions are based on present circumstances and currently available information and are believed to be reasonable. The assumptions may be affected by numerous factors and there can be no assurance that such estimates will actually be achieved.

District Cash Flows for Fiscal Years 2011-12, 2012-13 and 2013-14. The District has prepared the General Fund actual cash flows for Fiscal Year 2011-12 set forth in Table 6, the actual and projected General Fund cash flows for Fiscal Year 2012-13 set forth in Table 7 and the projected General Fund cash flows for Fiscal Year 2013-14 set forth in Table 8. These cash flows are based upon the above-described assumptions. Tables 9 and 10 set forth in "Cash Flow Variance Summaries and Explanations" herein summarize and describe the major variances in the cash flows during Fiscal Years 2012-13 and 2013-14.

(\$ in thousands)

Coverage factors with Interfund Borrowing Capacity

16

Table 7
LOS ANGELES UNIFIED SCHOOL DISTRICT
Projected Fiscal Year 2012-13 Cash Flows at the time the Series A Notes were Issued
(\$ in thousands)

	Projected												Fiscal Year
	July 2012	Aug. 2012	Sept. 2012	Oct. 2012	Nov. 2012	Dec. 2012	Jan. 2013	Feb. 2013	March 2013	April 2013	May 2013	June 2013	2012-13 Total
BEGINNING BALANCE	\$223,434	\$716,764	\$1,057,148	\$1,175,952	\$909,236	\$650,232	\$605,169	\$326,393	\$105,360	\$190,877	\$570,132	\$369,002	\$223,434
RECEIPTS:													
Revenue Limit													
Property Taxes	\$ 30,255	\$ 40,148	\$ 0	\$ 0	\$ 79,430	\$321,975	\$ 82,810	\$ 65,159	\$ (5,168)	\$296,060	\$110,208	\$ 37,959	\$1,058,835
State Aid - Revenue Limit	412,412	330,841	175,263	89,100	119,850	119,850	200,387	48,108	63,600	97,658	63,632	0	1,720,700
Other	0	0	11,027	(10,447)	(5,367)	(1,080)	(1,004)	(9,751)	1,687	(1,541)	3,475	6,155	(6,846)
Federal Revenues	1,259	20,107	111,688	12,390	63,689	99,453	18,455	4,779	152,017	3,328	55,530	91,721	634,417
Other State Revenues	210,438	248,785	218,728	152,898	133,766	250,355	141,917	110,501	81,677	237,048	79,239	95,490	1,960,840
Other Local Revenues	713	32	1,315	3,080	3,158	7,213	5,049	12,494	7,731	6,712	5,394	18,112	71,003
Net Interfund Transactions/Other	20,657	26,766	(37,483)	(28,084)	(248,815)	(19,417)	77,877	43,782	68,491	21,627	90,148	78,877	94,429
Payroll Reimbursement to General Fund	206,712	229,288	261,108	108,315	417,707	182,681	177,152	199,614	205,658	191,047	209,530	212,874	2,601,687
Other Financing Sources	0	0	0	11	0	0	0	0	250,000	250,000	0	0	500,011
Other Receipts/Non-Revenue	34,685	13,501	13,989	36,896	35,862	20,111	26,788	15,595	16,740	13,726	43,724	21,938	293,555
TRANS Sold (Series A Notes)	606,734	0	0	0	0	0	0	0	0	0	0	0	606,734
TOTAL RECEIPTS	\$1,282,469	\$666,678	\$480,538	\$218,948	\$145,710	\$778,348	\$525,490	\$275,072	\$620,035	\$910,892	\$407,626	\$328,316	\$6,640,123
DISBURSEMENTS:													
Salaries & Benefits	\$316,670	\$254,892	\$276,883	\$383,703	\$304,658	\$403,623	\$380,116	\$384,771	\$386,187	\$395,200	\$369,677	\$470,961	\$4,327,342
Services, Supplies, Equip & Other Expense	172,469	71,403	84,851	101,961	100,056	119,789	116,513	111,334	148,331	136,437	139,079	124,782	1,427,003
Interfund Transfers Out	10,528	0	227,520	107,725	415,555	3,667	1,292	929	20,285	6,416	2,081	22,332	818,330
Payroll Adjustments Out	104,950	126,972	151,309	50,570	245,676	200,395	130,942	149,055	154,068	139,504	157,654	158,801	1,769,896
All Other Financing Uses	300,000	0	0	0	0	0	0	0	0	0	100,000	0	400,000
Other Disb/Non-Expenditures	7,784	2,800	995	18,887	646	35,860	37,321	10,297	43,925	37,267	19,832	37,934	253,546
Series A TRANS Interest Set Aside	0	0	0	0	0	0	7,637	0	0	0	0	0	7,637
Series A TRANS Principal Set Aside	0	0	0	0	0	300,000	300,000	0	0	0	0	0	600,000
Series B TRANS Interest Repayment	0	0	0	0	0	0	0	0	0	0	0	0	0
Series B TRANS Principal Repayment	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL DISBURSEMENTS	\$789,139	\$326,295	\$361,734	\$485,663	\$404,714	\$823,412	\$804,265	\$496,105	\$534,518	\$531,637	\$608,756	\$595,743	\$6,761,982
ENDING BALANCE	\$716,764	\$1,057,148	\$1,175,952	\$909,236	\$650,232	\$605,169	\$326,393	\$105,360	\$190,877	\$570,132	\$369,002	\$101,575	\$101,575
TRANS REPAYMENT ACCOUNT													
Beginning Balance	0	0	0	0	0	0	300,000	607,637	0	0	0	0	0
Receipts (Series A)	0	0	0	0	0	300,000	307,637	0	0	0	0	0	607,637
Disbursements (Series A)	0	0	0	0	0	0	0	(607,637)	0	0	0	0	(607,637)
Ending Balance	0	0	0	0	0	300,000	607,637	0	0	0	0	0	0
Coverage factors without Interfund Borrowing Capacity						3.02	2.06	1.17					
Coverage factors with Interfund Borrowing Capacity						6.29	5.33	2.87					

Source: Los Angeles Unified School District.

Table 8
LOS ANGELES UNIFIED SCHOOL DISTRICT
Actual Cash Flows Through December 2012 and Projected 2012-13 Cash Flows Through November 30, 2013
with Mid Year TRAns Issuance
(\$ in thousands)

	Actual						Projected	
	July 2012	Aug. 2012	Sept. 2012	Oct. 2012	Nov. 2012	Dec. 2012	Jan. 2013	Feb. 2013
BEGINNING BALANCE	\$ 109,134	\$1,005,549	\$961,449	\$876,726	\$805,870	\$644,862	\$863,900	\$625,820
RECEIPTS:								
Revenue Limit								
Property Taxes	\$ 30,829	\$ 44,134	\$ 17	\$ 0	\$ 26,530	\$ 340,550	\$ 75,888	\$ 59,713
State Aid - Revenue Limit	78,485	78,585	142,125	137,190	138,403	173,885	137,268	119,494
Deferrals - From Prior Year	501,357	305,787	0	0	0	0	0	0
Deferrals - Current Year	(75,060)	(44,706)	56,017	(62,096)	0	125,850	0	(43,784)
Other	0	4	(19,415)	58	(18,443)	64	(4,183)	2,981
Federal Revenues	14,030	2,228	65,702	21,230	13,113	107,295	98,846	17,896
Other State Revenues	226,242	195,776	121,853	297,643	156,953	223,763	204,656	83,142
Other Local Revenues	427	6,101	4,700	4,145	6,602	7,399	8,755	10,954
Interfund Transfers In	0	0	192,705	64,235	64,235	75,869	69,481	70,610
Other Financing Sources	0	300	0	0	767	437	0	0
Other Receipts/Non-Revenue	24,124	82,381	8,395	49,606	24,399	25,781	21,327	12,673
Series A TRAns Sold (inc. OIP)	606,989	0	0	0	0	0	0	0
Series B TRAns Sold (inc. OIP)	0	0	0	0	0	0	0	0
TOTAL RECEIPTS	\$1,407,424	\$ 670,590	\$ 572,098	\$ 512,012	\$ 412,558	\$1,080,893	\$ 612,039	\$ 333,679
DISBURSEMENTS:								
Net Salaries and Benefits	\$ 367,985	\$ 395,969	\$ 410,421	\$ 405,327	\$ 429,322	\$ 400,180	\$ 439,446	\$ 448,727
Services, Supplies, Equip & Other Expense	100,568	126,711	136,670	140,374	141,076	136,694	127,268	144,874
Interfund Transfers Out	(145,328)	(218,335)	(184,905)	(162,432)	(198,515)	(199,461)	(223,196)	(206,425)
All Other Financing Uses	323,225	304,344	362,186	383,269	371,883	337,413	343,518	387,176
Other Disb/Non-Expenditures	184,720	107,315	78,310	120,668	86,221	109,676	91,533	80,662
Series A TRAns Interest Set Aside	1,585	1	213,468	76,566	115,089	113,895	78,818	86,730
Series A TRAns Principal Set Aside	0	300,000	0	0	0	0	0	0
Series B TRAns Interest Repayment	1,479	3,030	2,857	2,366	374	871	28,614	8,497
Series B TRAns Principal Repayment	0	0	0	0	0	0	7,637	0
TOTAL DISBURSEMENTS	511,009	714,690	656,821	582,868	573,566	861,855	850,119	563,065
ENDING BALANCE	\$1,005,549	\$961,449	\$876,726	\$805,870	\$644,862	\$863,900	\$625,820	\$396,433
2012-13 TRAns REPAYMENT FUND								
Beginning Balance	0	0	0	0	0	0	300,000	607,637
Receipts (Series A)	0	0	0	0	0	300,000	307,637	0
Disbursements (Series A)	0	0	0	0	0	0	0	(607,637)
Receipts (Series B)	0	0	0	0	0	0	0	0
Disbursements (Series B)	0	0	0	0	0	0	0	0
Ending Balance	0	0	0	0	0	300,000	607,637	0
Coverage factors without Interfund Borrowing Capacity						3.88	3.03	1.65
Coverage factors with Interfund Borrowing Capacity						7.48	6.46	3.36

Table 8 (continued)
LOS ANGELES UNIFIED SCHOOL DISTRICT
Actual Cash Flows Through December 2012 and Projected 2012-13 Cash Flows Through November 30, 2013
with Mid Year TRANS Issuance
(\$ in thousands)

March 2013	April 2013	May 2013	June 2013	Projected					
				Total	July 2013	Aug. 2013	Sept. 2013	Oct. 2013	Nov. 2013
\$396,433	\$836,017	\$825,866	\$ 434,542	\$ 109,134	\$ 238,154	\$ 400,987	\$ 407,034	\$ 407,034	\$ 407,034
\$ 3,400	\$ 276,263	\$ 39,609	\$ 3,399	\$ 900,333	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
119,210	119,432	119,458	730,266	2,093,799	0	0	0	0	0
0	0	0	0	807,144	290,333	148,280	0	0	0
(85,000)	(112,087)	(116,758)	(116,758)	(474,380)	0	0	0	0	0
(14,857)	(2,855)	3,350	5,267	(48,028)	0	0	0	0	0
119,739	13,000	10,510	130,365	613,952	0	0	0	0	0
12,740	211,882	76,781	108,393	1,919,825	0	0	0	0	0
6,802	2,669	10,105	18,060	86,720	0	0	0	0	0
71,393	66,706	69,481	154,054	898,769	0	0	0	0	0
0	0	0	0	1,503	0	0	0	0	0
13,491	11,050	24,972	27,522	325,720	0	0	0	0	0
0	0	0	0	606,989	0	0	0	0	0
792,598	0	0	0	792,598	0	0	0	0	0
\$1,039,517	\$586,059	\$237,507	\$1,060,568	\$8,524,944	\$290,333	\$ 148,280	\$ 0	\$ 0	\$ 0
\$ 388,320	\$ 398,517	\$ 371,078	\$ 470,297	\$4,441,226	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
105,828	98,347	108,272	117,322	1,288,873	0	0	0	0	0
72,156	70,740	70,260	102,123	1,001,432	0	0	0	0	0
0	0	0	0	300,000	0	0	0	0	0
33,630	28,605	79,222	42,213	231,756	0	0	0	0	0
0	0	0	0	7,637	0	0	0	0	0
0	0	0	0	600,000	0	0	0	0	0
0	0	0	0	0	0	14,733	0	0	0
0	0	0	525,000	525,000	127,500	127,500	0	0	0
599,933	596,210	628,831	1,256,955	8,395,924	127,500	142,233	0	0	0
\$836,017	\$825,866	\$434,542	\$238,154	\$238,154	\$400,987	\$407,034	\$407,034	\$407,034	\$407,034
0	0	0	0	0	525,000	652,500	794,733	794,733	794,733
0	0	0	0	607,637	0	0	0	0	0
0	0	0	0	(607,637)	0	0	0	0	0
0	0	0	525,000	525,000	127,500	142,233	0	0	0
0	0	0	0	0	0	0	0	0	(794,733)
0	0	0	525,000	525,000	652,500	794,733	794,733	794,733	0
			1.45		4.14	3.86			1.51
			3.33		11.94	10.78			2.71

Table 9
LOS ANGELES UNIFIED SCHOOL DISTRICT
Projected Cash Flows through June 30, 2014 with issuance of the Series B Notes and a Fiscal Year 2013-14 TRAns
(\$ in thousands)

	Projected												
	July 2013	Aug. 2013	Sept. 2013	Oct. 2013	Nov. 2013	Dec. 2013	Jan. 2014	Feb. 2014	March 2014	April 2014	May 2014	June 2014	Total
BEGINNING BALANCE	\$238,185	\$507,957	\$488,448	\$515,739	\$467,912	\$357,154	\$781,070	\$798,642	\$426,332	\$683,102	\$681,230	\$385,361	\$238,185
RECEIPTS:													
Revenue Limit													
Property Taxes	\$ 29,521	\$ 42,262	\$ 16	\$ 0	\$ 37,604	\$312,879	\$ 78,902	\$ 62,085	\$ 3,535	\$284,884	\$ 42,374	\$ 3,534	\$ 897,597
State Aid - Revenue Limit	68,760	68,760	273,768	123,718	123,768	273,865	123,768	119,270	269,902	119,520	119,758	269,758	1,954,614
Deferrals - From Prior Year	290,333	148,282	0	0	0	0	0	0	0	0	0	0	438,616
Deferrals - Current Year	(68,760)	(40,981)	51,295	(56,884)	0	115,281	0	(44,368)	(85,233)	(112,087)	(116,758)	(116,758)	(475,252)
Other	0	5	(32,603)	(3,120)	(12,773)	(1,638)	(1,554)	4,833	(11,072)	(371)	5,162	6,588	(46,542)
Federal Revenues	13,747	2,210	65,682	21,204	56,834	14,575	111,850	69,217	127,180	12,869	12,877	114,036	622,282
Other State Revenues	193,303	203,332	123,449	309,226	172,782	141,248	307,205	55,351	17,467	211,391	81,573	79,774	1,896,102
Other Local Revenues	446	6,136	4,877	3,681	4,170	2,125	9,531	11,140	7,010	2,836	10,408	19,152	81,512
Interfund Transfers In	0	0	163,607	54,535	56,552	56,552	58,940	56,552	60,547	56,632	69,976	63,377	697,269
Other Financing Sources	0	300	0	0	0	0	0	0	450,000	0	0	0	450,300
Other Receipts/Non-Revenue	21,908	74,753	7,681	45,849	30,903	17,428	23,221	13,335	14,529	11,812	37,787	18,977	318,182
Series A TRAns Sold (inc. OIP)	0	0	0	0	0	0	0	0	0	0	0	0	0
Series B TRAns Sold (inc. OIP)	0	0	0	0	0	0	0	0	0	0	0	0	0
2013-14 TRAns Series A	318,683	0	0	0	0	0	0	0	0	0	0	0	318,683
TOTAL RECEIPTS	\$867,942	\$505,059	\$657,771	\$498,210	\$469,840	\$932,316	\$711,863	\$347,414	\$853,865	\$587,485	\$263,158	\$458,439	\$7,153,362
DISBURSEMENTS:													
Net Salaries and Benefits	\$304,657	\$284,546	\$333,666	\$359,204	\$374,898	\$311,350	\$323,452	\$361,767	\$362,926	\$372,197	\$346,739	\$425,071	\$4,160,474
Services, Supplies, Equip & Other Expense	162,751	95,148	67,671	105,708	89,133	98,610	104,042	99,517	124,753	116,047	125,524	134,615	1,323,518
Interfund Transfers Out	2,079	1	226,857	80,378	116,023	69,797	79,646	87,642	74,549	71,484	70,998	125,743	1,005,195
All Other Financing Uses	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Disb/Non-Expenditures	1,183	2,424	2,285	749	544	28,643	29,651	8,573	34,866	29,629	15,767	38,697	193,012
Series A TRAns Interest Set Aside	0	0	0	0	0	0	0	0	0	0	0	0	0
Series A TRAns Principal Set Aside	0	0	0	0	0	0	0	0	0	0	0	0	0
Series B TRAns Interest Repayment	0	14,950	0	0	0	0	0	0	0	0	0	0	14,950
Series B TRAns Principal Repayment	127,500	127,500	0	0	0	0	0	0	0	0	0	0	255,000
2013-14 TRAns Series A Interest Repay.	0	0	0	0	0	0	0	4,725	0	0	0	0	4,725
2013-14 TRAns Series A Principal Repay.	0	0	0	0	0	0	157,500	157,500	0	0	0	0	315,000
TOTAL DISBURSEMENTS	598,170	524,569	630,479	546,038	580,598	508,400	694,291	719,724	597,094	589,357	559,027	724,126	7,271,874
ENDING BALANCE	\$507,957	\$488,448	\$515,739	\$467,912	\$357,154	\$781,070	\$798,642	\$426,332	\$683,102	\$681,230	\$385,361	\$119,674	\$119,674
2012-13 TRAns REPAYMENT FUND													
Beginning Balance	\$525,000	\$652,500	\$794,950	\$794,950	\$794,950	0	0	0	0	0	0	0	\$525,000
Receipts (Series A)	0	0	0	0	0	0	0	0	0	0	0	0	0
Disbursements (Series A)	0	0	0	0	0	0	0	0	0	0	0	0	0
Receipts (Series B)	127,500	142,450	0	0	0	0	0	0	0	0	0	0	269,950
Disbursements (Series B)	0	0	0	0	(794,950)	0	0	0	0	0	0	0	(794,950)
Ending Balance	\$652,500	\$794,950	\$794,950	\$794,950	\$ 0	0	0	0	0	0	0	0	\$ 0
2013-14 TRAns REPAYMENT FUND													
Beginning Balance	0	0	0	0	0	0	0	157,500	319,725	0	0	0	0
Receipts (13-14 Series A)	0	0	0	0	0	0	157,500	162,225	0	0	0	0	319,725
Disbursements (13-14 Series A)	0	0	0	0	0	0	0	0	(319,725)	0	0	0	(319,725)
Ending Balance	0	0	0	0	0	0	157,500	319,725	639,450	0	0	0	0

Source: Los Angeles Unified School District.

Cash Flow Variance Summaries and Explanations

The following Table 9 sets forth and describes the amounts by which the District's Fiscal Year 2012-13 actual and projected results varied compared to what was projected at the time the District issued the Series A Notes in July 2012. The following Table 10 sets forth and describes the amounts by which the District's revenues and expenditures for Fiscal Year 2013-14 are expected to differ from the revenues and expenditures from Fiscal Year 2012-13.

Table 10
LOS ANGELES UNIFIED SCHOOL DISTRICT
Explanation of Fiscal Year 2012-13 Actuals Versus Fiscal Year 2012-13 Projections
at the Time of the 2012-2013 Tax and Revenue Anticipation Notes
(\$ in thousands)

ITEM	VARIANCE	EXPLANATION
BEGINNING BALANCE	\$(114,300)	The cash flows at the time the Series A Notes were issued reflected the Fiscal Year 2011-12 Third Interim projections for Fiscal Year 2011-12, which includes projections for May 2012 and June 2012. The cash flows presently reflect the Fiscal Year 2011-12 actual cash flows for the entire Fiscal Year 2011-12 fiscal year. The variance shown is the sum of \$10.7 million of increased revenues less \$125 million of increased expenditures compared to the amount that the District projected at the time Series A Notes were issued.
RECEIPTS:		
Revenue Limit		
Property Taxes	\$(158,502)	At the time of the Series A Notes were issued, the District projected the receipt of \$68 million of property taxes attributable to Fiscal Year 2011-12 in Fiscal Year 2012-13 due to the dissolution of redevelopment agencies in the District. The actual amount of such property taxes received was \$24.7 million so the cash flows were adjusted downward. In addition, the District had previously projected the receipt of \$47.2 million of redevelopment agency liquidation funds in November 2012 that have not been received which has resulted in a further adjustment of the Fiscal Year 2012-13 overall property tax projection at the time the Series B Notes are issued. The remaining variance reflects downward adjustments due to revised projections.
State Aid - Revenue Limit	705,863	The District did not separately identify "Deferrals - From Prior Year" and "Deferrals - Current Year" in the cashflows prepared for the Series A Notes. Accordingly, the combined variances of all components of "State Aid - Revenue Limit" are identified. The variance reflects the additional State Aid received in Fiscal Year 2012-13 due to the reversal of \$238 million of deferrals into Fiscal Year 2013-14 as a result of passage of Proposition 30, the reversal of \$255 million of trigger cuts due to the passage of Proposition 30 and a shift of approximately \$100 million from local property taxes as a result of the dissolution of redevelopment agencies.
Deferrals - From Prior Year	N/A	The District did not use this category in the cashflows prepared for the Series A Notes. See the explanation concerning "State Aid - Revenue Limit" herein.
Deferrals - Current Year	N/A	The District did not use this category in the cashflows prepared for the Series A Notes. See the explanation concerning "State Aid - Revenue Limit" herein.
Other	(41,183)	Variance primarily reflects updated projections for transfers of property taxes to fiscally independent charter schools. The actual transfers through December 2012 were approximately \$14 million greater than originally projected.
Federal Revenues	(20,465)	The District is projecting lower revenues in various federal sources, including Special Education and the No Child Left Behind program.
Other State Revenues	(41,015)	The District is projecting lower revenues in various restricted funding sources including, among others: \$3.3 million less in Special Education Master Plan, \$5.0 million less in After School Education and Safety, \$1.3 million less in Drug, Alcohol and Tobacco Funds and other smaller variances in several Other State Funding sources.
Other Local Revenues	15,716	Minor variance.
Interfund Transfers In	26,020	Minor variance.
Other Financing Sources	(498,508)	District projected an estimated \$500 million of Temporary Borrowing in the cash flows prepared for the Series A Notes. The District has determined to issue the Series B Notes instead.
Other Receipts/Non-Revenue	32,165	Minor variance.
Series A TRANS Sold (inc. OIP)	255	Minor variance.
Series B TRANS Sold (inc. OIP)	<u>792,598</u>	District did not assume issuance of a Series B Notes at the time it issued the Series A Notes. See the explanation concerning "Other Financing Sources" herein.
TOTAL RECEIPTS	<u>\$812,945</u>	
<i>(continued)</i>		

DISBURSEMENTS:

Net Salaries and Benefits	113,885	Reflects restoration of furlough days for all employees.
Services, Supplies, Equip & Other Expense	(138,130)	Non-salary expenditures were lower than originally projected in the First Interim Financial Report.
Interfund Transfers Out	183,102	Reflects increase in contributions of \$47.1 million to the Special Education and Home to School Transportation programs. Variance also reflects an increase to the projection for Interfund Transfers Out.
All Other Financing Uses	(100,000)	At the time of the issuance of the Series A Notes, the District expected to repay \$100 million of a \$500 million Temporary Borrowing in May 2013. However, the District has determined to issue the Series B Notes.
Other Disbursements/Non-Expenditures	(21,790)	Reflects adjustments for various items including, among others things, proposed settlements relating to litigation with respect to former and suspended District employees. See Appendix A – “District Financial Information - Events Regarding Suspended and Former District Employees” attached hereto.
Series A TRANS Interest Repayment	(0)	No variance.
Series A TRANS Principal Repayment	0	No variance.
Series B TRANS Interest Repayment	0	No variance.
Series B TRANS Principal Repayment	<u>525,000</u>	District did not assume issuance of Series B Notes at the time of the Series A Notes issuance. See the explanation concerning “Other Financing Sources” herein. In connection with the issuance of the Series B Notes, the District intends to set aside \$525.0 million of principal repayment in the Repayment Account in June 2013.
TOTAL DISBURSEMENTS	<u>\$562,066</u>	
ENDING BALANCE	<u>\$136,579</u>	

Table 11
LOS ANGELES UNIFIED SCHOOL DISTRICT
Explanation of Fiscal Year 2013-14 Changes from Fiscal Year 2012-13
(\$ in thousands)

ITEM	VARIANCE	
BEGINNING BALANCE	\$ 129,051	The variance reflects a projected higher beginning balance in Fiscal Year 2013-14 due to the carryover of a portion of the proceeds of the Series B Notes.
RECEIPTS:		
Revenue Limit		
Property Taxes	\$ (2,736)	Minor variance.
State Aid - Revenue Limit	(139,185)	Reflects the District's lower enrollment assumption for Fiscal Year 2013-14.
Deferrals - From Prior Year	(368,529)	Reflects reduced Cross-Fiscal Year Deferrals from Fiscal Year 2012-13 to Fiscal Year 2013-14 as a result of, among other things, the approval of Proposition 30 and adjustments in July 2013 relating to the State providing revenues from the Education Protection Account which were previously projected to be received through June 2013.
Deferrals - Current Year	(871)	Reflects an assumption that the Intra-Fiscal Year Deferrals in Fiscal Year 2013-14 will be approximately the same as the Intra-Fiscal Year Deferrals in Fiscal Year 2012-13.
Other	1,486	Minor variance.
Federal Revenues	8,330	Minor variance.
Other State Revenues	(23,723)	Minor variance.
Other Local Revenues	(5,207)	Minor variance.
Interfund Transfers In	(201,500)	The District's Fiscal Year 2013-14 multi-year projection reflects a lower contribution of \$72 million to restricted programs. The remaining variance reflects various additional adjustments.
Other Financing Sources	448,797	Reflects an assumption that the District will undertake Interfund Borrowing in April 2014 to fund late-year cash deficits. However, the District may issue tax and revenue anticipation notes in the spring of 2014.
Other Receipts/Non-Revenue	(7,538)	Minor variance.
Series A TRANs Sold (inc. OIP)	(606,989)	Reflects issuance of the Series A Notes in July 2012 that does not recur in Fiscal Year 2013-14.
Series B TRANs Sold (inc. OIP)	(792,629)	Reflects issuance of the Series B Notes in February 2013 that does not recur in Fiscal Year 2013-14.
2013-14 TRANs Series A	318,683	Reflects issuance of Fiscal Year 2013-14 Series A TRANs in July 2013.
TOTAL RECEIPTS	<u>\$(1,371,613)</u>	
DISBURSEMENTS:		
Net Salaries and Benefits	\$ (280,753)	Reflects primarily the reductions projected in the District's Fiscal Stabilization Plan for Fiscal Year 2013-14.
Services, Supplies, Equip & Other Expense	34,645	Minor variance..
Interfund Transfers Out	3,763	Minor variance.
All Other Financing Uses	(300,000)	Reflects repayment in August 2012 of \$300 million of Interfund Borrowing undertaken in Fiscal Year 2011-12 .
Other Disb/Non-Expenditures	(38,744)	Minor variance.
Series A TRANs Interest Set Aside	(7,637)	Reflects interest set-aside of the Series A Notes in January 2013 that will not recur in Fiscal Year 2013-14.
Series A TRANs Principal Set Aside	(600,000)	Reflects principal set-asides of the Series A Notes in December 2012 and January 2013 that will not recur in Fiscal Year 2013-14.
Series B TRANs Interest Repayment	14,950	Reflects interest set-aside of the Series B Notes in August 2013.
Series B TRANs Principal Repayment	(270,000)	Reflects principal set-asides of the Series B Notes in June 2013, July 2013 and August of 2013 that will not recur in Fiscal Year 2013-14.
2013-14 TRANs Series A Interest Repay.	4,725	Reflects interest set-aside of tax and revenue anticipation notes issued in Fiscal Year 2013-14 in January 2014.
2013-14 TRANs Series A Principal Repay.	315,000	Reflects principal set-asides of tax and revenue anticipation notes issued in Fiscal Year 2013-14 in January 2014 and February 2014.
TOTAL DISBURSEMENTS	<u>\$(1,124,051)</u>	
ENDING BALANCE	\$ (118,512)	

The District expects to update its cash flow projections when it submits to LACOE its Second Interim Financial Report for Fiscal Year 2012-13. The District expects to post updated cash flows on the District's website at www.lausd.net after it submits its Second Interim Financial Report for Fiscal Year 2012-13 to LACOE in March 2013. However, the information presented on the District's website is not and will not be a part of this Official Statement, is not incorporated by reference herein and may not be relied upon in making an investment decision with respect to the Series B Notes.

TAX MATTERS

General.

The Internal Revenue Code of 1986, as amended (the "Code") imposes certain requirements that must be met at and subsequent to the issuance and delivery of the Series B Notes for interest thereon to be and remain not included in gross income under Section 103 of the Code. Non-compliance with such requirements could cause the interest on the Series B Notes to be included in gross income for federal income tax purposes retroactive to the date of their issuance irrespective of the date on which such noncompliance occurs. The District has covenanted in the District Resolution and will covenant in the Tax Certificate to be executed and delivered by the District in connection with the issuance of the Series B Notes to comply with the applicable requirement of the Code in order maintain the exclusion of the interest on the Series B Notes from gross income for purposes of federal income taxation under Section 103 of the Code.

In the opinion of Sidley Austin LLP, Special Tax Counsel to the District, based on existing law and assuming compliance by the District with the requirements of the Code and the covenants described above, interest on the Series B Notes is not included in the gross income of the owners thereof for purposes of federal income taxation under Section 103 of the Code. Interest on the Series B Notes may be included in gross income for purposes of federal income taxation retroactive to their date of issuance if the District fails to comply, subsequent to the issuance of the Series B Notes with the covenants described above, including covenants relating to compliance with certain requirements of the Code and covenants regarding the use, expenditure and investment of the Series B Notes proceeds and the timely payment of certain investment earnings to the U.S. Treasury. Sidley Austin LLP renders no opinion as to the effect on the exclusion from gross income of interest on the Series B Notes of any action taken or not taken after the date of such opinion without the approval of such firm.

In the opinion of Sidley Austin LLP, Special Tax Counsel, under existing law, interest on the Series B Notes is not treated as an item of tax preference in calculating the alternative minimum tax imposed on individuals and corporations under the Code; however, interest on the Series B Notes owned by a corporation is included in the calculation of the corporation's alternative minimum tax liability. The Code contains other provisions that could result in tax consequences, upon which no opinion will be rendered by Special Tax Counsel, as a result of ownership of the Series B Notes or the inclusion in certain computations (including, without limitation, those related to the corporate alternative minimum tax) of interest that is excluded from gross income.

In the opinion of Sidley Austin LLP, Special Tax Counsel, under existing law, the interest on the Series B Notes is exempt from personal income taxes imposed by the State of California.

In rendering the opinions described above, Sidley Austin LLP, Special Tax Counsel, assumes the correctness of the opinion of Hawkins Delafield & Wood LLP, Bond Counsel, to be delivered in connection with the issuance of the Series B Notes that the Series B Notes constitute the valid and binding obligations of the District enforceable in accordance with their terms. However, Hawkins Delafield & Wood LLP has not been requested to, and has not, reviewed any matter or conducted any

investigation or examination relating to the federal, state or local tax consequences with respect to the receipt of interest on the Series B Notes, or the ownership or the disposition of the Series B Notes, and takes no responsibility therefor. Furthermore, Hawkins, Delafield & Wood LLP is not expressing any opinion as to any federal, state or local tax consequences arising with respect to the Series B Notes, the receipt of interest thereon or the ownership or disposition thereof.

Ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S-corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit. Prospective purchasers of the Series B Notes should consult their tax advisors as to the applicability of any such collateral consequences.

Original Issue Premium.

For purposes of the initial sale of the Series B Notes by the District to the Purchaser and assuming that the Purchaser does not hold the Series B Notes as inventory, stock in trade or for sale to customers in the ordinary course of business, the excess, if any, of the tax basis of the Series B Notes to the Purchaser over the principal amount payable at maturity is “note premium.” Note premium is amortized over the term of the Series B Notes for purposes of federal income taxation. The Purchaser is required to decrease his or her adjusted basis in any Series B Note with note premium by the amount of amortizable note premium attributable to each taxable year such Series B Note is held. The amortizable note premium on such Series B Notes attributable to a taxable year, if any, is not deductible for federal income tax purposes. The Purchaser of the Series B Notes with note premium should consult its tax advisors with respect to the determination for federal income tax purposes of the treatment of note premium upon sale or other disposition of Series B Notes and with respect to the state and local tax consequences of owning and disposing of such Series B Notes.

Backup Withholding.

Interest paid on the Series B Notes will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in and of itself, affect the excludability of such interest from gross income for purposes of federal income taxation, such reporting requirement causes the payment of interest on the Series B Notes to be subject to backup withholding if such interest is paid to beneficial owners who (a) are not “exempt recipients,” and (b) either fail to provide certain identifying information (such as the beneficial owner’s taxpayer identification number) in the required manner or have been identified by the IRS as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner’s federal income tax liability provided the required information is furnished to the IRS.

Future Developments.

Future or pending legislative proposals, if enacted, regulations, rulings or court decisions may cause interest on the Series B Notes to be subject, directly or indirectly, to federal income taxation or to State or local income taxation, or may otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. Legislation or regulatory actions and future or pending proposals may also affect the economic value of the federal or state tax exemption or the market value of the Series B Notes. Prospective purchasers of the Series B Notes should consult their tax advisors regarding

any future, pending or proposed federal or State tax legislation, regulations, rulings or litigation, as to which Special Tax Counsel expresses no opinion.

For example, various proposals have been made in Congress and by the President (the “Proposed Legislation”), which, if enacted, would subject interest on bonds that is otherwise excludable from gross income for federal income tax purposes, including interest on the Series B Notes, to a tax payable by certain bondholders that are individuals, estates or trusts with adjusted gross income in excess of thresholds specified in the Proposed Legislation. It is unclear if the Proposed Legislation will be enacted, whether in its current or an amended form, or if other legislation that would subject interest on the Series B Notes to a tax or cause interest on the Series B Notes to be included in the computation of a tax, will be introduced or enacted. Prospective purchasers should consult their tax advisors as to the effect of the Proposed Legislation, if enacted, in its current form or as it may be amended, or such other legislation on their individual situations.

The proposed form of opinion of Special Tax Counsel is attached hereto as Appendix E.

LEGAL MATTERS

Continuing Disclosure

The District has covenanted for the benefit of the holders and beneficial owners of the Series B Notes to provide notices of the occurrence of certain enumerated events. The District will provide or cause to be provided these notices to the MSRB through its EMMA system 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 DAC, www.dacbond.com. However, the information presented through the EMMA system and DAC is not incorporated by reference in this Official Statement and should not be relied upon in making an investment decision with respect to the Series B Notes. The specific nature of the information to be contained in the notices of enumerated events is set forth in Appendix F – “PROPOSED FORM OF DISCLOSURE CERTIFICATE” attached hereto. In the previous five years the District has not failed to comply in all material respects with any previous undertaking to provide information under Rule 15c2-12(b)(5) (the “Rule”) of the SEC.

Litigation

No litigation is pending or threatened concerning the validity of the Series B Notes. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District’s ability to collect or set aside Pledged Revenues or contesting the District’s ability to issue and retire the Series B Notes. There are a number of lawsuits and claims pending against the District, including personal injury and property damage suits, for which the District is either self-insured or insured in varying degrees by commercial insurance. In the opinion of the District, the aggregate amount of the liabilities of the District which may result from existing suits and claims will not materially affect the finances of the District.

For more information regarding lawsuits and claims pending against the District, see Appendix A – “DISTRICT FINANCIAL INFORMATION AND REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION – District Financial Information – Recent Events Regarding Suspended and Former District Employees”, “ - Collective Bargaining – Litigation Regarding District Layoff Procedures” and “ - State Funding of Education – Litigation Regarding State Budgetary and Fiscal Actions.”

Limitations on Remedies; Amounts Held in Treasury Pool

The opinion of Bond Counsel, the proposed form of which is attached hereto as Appendix E, is qualified by reference to bankruptcy, insolvency, reorganization, arrangement, moratorium and other laws affecting the enforcement of creditors' rights generally. Bankruptcy proceedings, if initiated, could subject the owners of the Series B Notes 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.

On January 24, 1996, the United States Bankruptcy Court for the Central District of California held in the case of *County of Orange v. Merrill Lynch* that a State statute providing for a priority of distribution of property held in trust conflicted with, and was preempted by, federal bankruptcy law. In that case, the court addressed the priority of the disposition of moneys held in a county investment pool upon bankruptcy of the county, but was not required to directly address the State statute that provides for the lien in favor of holders of tax and revenue anticipation notes. The County on behalf of the District holds taxes and other revenues that will be set aside and pledged to repay the Series B Notes and following payment of these funds to the County or the District such funds will be invested in the Treasury Pool. In the event of a petition for the adjustment of debts of the District under Chapter 9 of the Bankruptcy Code, a court might hold that the Owners of the Series B Notes do not have a valid and prior lien on the Pledged Revenues where such amounts are deposited in the Treasury Pool and may not provide the Owners of the Series B Notes with a priority interest in such amounts. Such amounts may not be available for payment of principal of and interest on the Series B Notes unless the Owners of the Series B Notes could "trace" the funds from the Repayment Account that have been deposited in the Treasury Pool. There can be no assurance that the Owners could successfully so "trace" the Pledged Revenues.

Legal Opinions

The validity of the Series B Notes and certain other legal matters are subject to the approving opinion of Hawkins Delafield & Wood LLP, Los Angeles, California, Bond Counsel to the District. The proposed form of opinion of Bond Counsel is set forth in Appendix E hereto. Certain matters will be passed upon for the District by Sidley Austin LLP, San Francisco, California, Special Tax Counsel to the District. The proposed form of opinion of Special Tax Counsel is contained in Appendix E hereto. Bond Counsel and Special Tax Counsel undertake no responsibility to the Holders of the Series B Notes for the accuracy, completeness or fairness of this Official Statement. Certain other legal matters will 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 County by the County Counsel of the County.

FINANCIAL STATEMENTS

Excerpts from the District's Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2012 (the "Fiscal Year 2011-12 CAFR"), including its general purpose financial statements for the Fiscal Year ended June 30, 2012 are attached as Appendix B hereto. The basic financial statements of the District for the Fiscal Year 2011-12, certain sections of which are included in Appendix B to this Official Statement, 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.

MISCELLANEOUS

Rating

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), has assigned its rating of "SP-1+" to the Series B Notes. The District has furnished to S&P certain materials and information with respect to itself and the Series B Notes. Generally, S&P bases its ratings on such information and materials and on its own investigations, studies and assumptions. The rating reflects only the view of S&P and any explanation of the significance of such rating may be obtained only from S&P furnishing the same, at the following address: Standard & Poor's, 55 Water Street, New York, New York 10041, telephone: (212) 438-2124. There is no assurance that the rating will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the rating obtained may have an adverse effect on the market price of the Series B Notes.

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 execution and delivery of the Series B Notes 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 this 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.

Sale of the Series B Notes

J.P. Morgan Securities LLC (the "Purchaser") has agreed to purchase the Series B Notes pursuant to the Note Purchase Agreement by and among the District, the County and the Purchaser at a price equal to the \$792,823,200 (representing the principal amount of the Series B Notes, plus an original issue premium of \$13,174,200, and less a Purchaser's fee of \$351,000).

Additional Information

The purpose of this Official Statement is to supply information to prospective buyers of the Series B Notes. Quotations from and summaries and explanations of the Series B Notes, the Resolutions providing for issuance of the Series B Notes, and the constitutional provisions, statutes and other documents described herein do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions. Copies of such documents are available for inspection at the District by request to the Chief Financial Officer at (213) 241-7888. Copies of the District's annual reports and notices of event filings are available at DAC's website, www.dacbond.com and through the MSRB's EMMA system, 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 Series B Notes.

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 Series B Notes.

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

[THIS PAGE INTENTIONALLY LEFT BLANK]

TABLE OF CONTENTS

	Page
DISTRICT GENERAL INFORMATION.....	1
District Boundaries.....	1
District Governance; Senior Management	1
Facilities and Staff.....	3
DISTRICT FINANCIAL INFORMATION.....	3
District Budget.....	3
State Financial Accountability and Oversight Provisions	7
Significant Accounting Policies, System of Accounts and Audited Financial Statements	8
Collective Bargaining.....	10
Retirement Systems.....	13
Other Postemployment Benefits.....	21
Insurance	25
Events Regarding Suspended and Former District Employees	26
Cafeteria Fund Expenditures	27
District Fiscal Policies.....	28
District Debt.....	31
Future Financings.....	38
Overlapping Debt Obligations	39
Assessed Valuation of Property within the District	41
Academic Performance and Instructional Initiatives.....	48
Public School Choice Program	50
STATE FUNDING OF EDUCATION	50
General	50
Charter School Funding	55
Proposition 98	55
Litigation Regarding State Budgetary and Fiscal Actions	56
State Budget.....	57
State Funding of Schools without a State Budget	62
CALIFORNIA CONSTITUTIONAL AND STATUTORY PROVISIONS RELATING TO <i>AD VALOREM</i> PROPERTY TAXES, DISTRICT REVENUES AND APPROPRIATIONS.....	63
Constitutionally Required Funding of Education.....	63
Article XIII A of the State Constitution	63
Legislation Implementing Article XIII A.....	63
Article XIII B of the State Constitution	64
Article XIII C and Article XIII D of the State Constitution	65
Proposition 98	65
Proposition 39	66
Proposition 1A	66
State School Facilities Bonds.....	67
Future Initiatives	69
REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION.....	70
Population	70
Income.....	70
Employment.....	71
Commercial Activity	72
Leading County Employers.....	74
Construction.....	75
GLOSSARY OF CERTAIN TERMS AND ABBREVIATIONS.....	76

[THIS PAGE INTENTIONALLY LEFT BLANK]

The information in this Appendix A concerning the operations of the Los Angeles Unified School District (the “District”) provides investors with certain information pertaining to the District’s finances and demographics. Investors must read the entire Official Statement, including this Appendix A, to obtain information essential to making an informed investment decision. The Los Angeles Unified School District (County of Los Angeles, California) 2012-2013 Tax and Revenue Anticipation Notes, Series B (the “Series B Notes”) are payable from certain taxes, income, revenue, cash receipts and other moneys of the District, as provided in Section 53856 of the California Government Code (the “Act”), which are received by the District during Fiscal Year 2012-13 or accrued to or held by the District and provided for and attributable to Fiscal Year 2012-13 and which are generally available for the payment of current expenses and other obligations of the District. Principal of and interest on the Series B Notes is not payable from the proceeds of any ad valorem property tax levied by the County of Los Angeles (the “County”) for the District’s general obligation bonds. See “THE SERIES B NOTES - Security and Sources of Payment for the Series B Notes” in the forepart of this Official Statement. See “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 about 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 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.

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 Science degree, Marion Knott Scholar, *cum laude*, from the Naval Postgraduate School with a Master of Science, Financial Management, and from Monterey College of Law with a Juris Doctorate.

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

Luis Buendia, Interim Controller. Mr. Buendia began serving as the District's Controller in February 2012. He has been employed by the District since 1990 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.

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 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 doctorate 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.

Facilities and Staff

As of October 2011, the District operated 446 elementary schools, 84 middle/junior high schools, 94 senior high schools, 56 options schools, 18 multi level schools, 16 special education schools, 28 magnet schools and 146 magnet centers, 24 community adult schools, 5 regional occupational centers, 5 skills centers, 1 regional occupational program center, 107 early education centers, 4 infant centers, and 20 primary school centers. In addition, as of June 30, 2012, there were 19 affiliated charter schools operated by the District and 179 fiscally independent charter schools within the District's boundaries. 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.

As of June 30, 2012, the District employed approximately 40,313 certificated (full-time equivalent ("FTE")) employees, approximately 27,776 classified FTE employees and approximately 13,289 non-regular employees. The District also employs part-time and temporary employees.

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.

DISTRICT FINANCIAL INFORMATION

District Budget

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

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

School districts in the State must also conduct a review of their budgets according to certain standards and criteria established by the CDE. A written explanation must be provided for any element in 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. A copy of the completed checklist, together with any comments or recommendations, must be provided to the school district and its governing board by November 1 of such year.

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

Budget and Finance Policy. The District has adopted a Budget and Finance Policy that provides for the District to fund reserves for various purposes, including anticipated balances (the "Reserve for Anticipated Balances"), economic uncertainties (the "Reserve for Economic Uncertainties"), general financial flexibility and accumulation of funding for replacement of depreciated capital items. The budgeting of the Reserve for Anticipated Balances reflects the District's best estimate of the year-end District General Fund balance. By establishing in the budget an anticipated ending balance level, the Reserve for Anticipated Balances allows the District to manage its budget with the intent of ending the fiscal year in a specific financial position, while also enabling the budget to more accurately reflect the actual level of anticipated District General Fund expenditures. Generally, the Reserve for Anticipated Balances is represented by the aggregate amount of the estimated Assigned Ending Balance and the estimated Restricted Ending Balance in the District's budget for each fiscal year. The District's Chief Financial Officer has recommended that, with the exception of the Reserve for Economic Uncertainties which State law requires to be fully funded and the Reserve for Anticipated Balances, the District henceforth postpone contributions to its reserves until the District can fund such reserves without significant adverse impacts to the District's instructional program and its other essential activities. See "District Financial Information - District Budget - Fiscal Year 2012-13 District Final Adopted Budget" herein.

Fiscal Year 2012-13 District Final Adopted Budget. The District Board adopted its budget for Fiscal Year 2012-13 on June 28, 2012 (the "Fiscal Year 2012-13 District Final Adopted Budget") and submitted the Fiscal Year 2012-13 District Final Adopted Budget to LACOE in a timely manner for review. LACOE approved the District's Fiscal Year 2012-13 District Final Adopted Budget. See "District Financial

The Fiscal Year 2012-13 District Final Adopted Budget projected a District General Fund beginning balance of \$758.4 million, revenues of \$5.8 billion, total estimated expenditures of \$6.0 billion and an ending balance of \$525.5 million. The General Fund beginning balance of \$758.4 million included \$65.4 million for the mandatory Reserve for Economic Uncertainties, which equals the State’s required Reserve for Economic Uncertainty of 1% of the District’s General Fund expenditures, \$10.4 million of non-spendable funds, \$193.8 million of restricted ending balances, \$417.5 million of assigned ending balances, and \$71.4 million of undesignated/assigned ending balances from Fiscal Year 2011-12. See “ - District Fiscal Policies” below.

The District’s projected funded revenue limit ADA is 547,710 for Fiscal Year 2012-13. Declining enrollment statutes enable the District to claim Fiscal Year 2012-13 revenue limit funding based on the ADA for Fiscal Year 2011-12. 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 2012-13 District Final Adopted Budget, the Base Revenue Limit is the largest unrestricted General Fund revenue source. The Fiscal Year 2012-13 District Final Adopted Budget assumed a 3.24% cost of living adjustment and a 22.272% deficit factor for the Base Revenue Limit. Accordingly, the effective COLA for Fiscal Year 2012-13 is 1.08% which the District will use to restore the Fiscal Year 2011-12 one-time, mid-year trigger reductions in Home-to-School and Special Education Transportation (0.65%) and revenue limit (0.198%). Subsequent to such restorations, the net COLA would be zero. After the cost of living adjustment, deficit factor and other adjustments by the State are applied, the District’s funded revenue limit is expected to generate approximately \$2.94 billion in Fiscal Year 2012-13. The Fiscal Year 2012-13 District Final Adopted Budget projects fund balances for the District’s General Fund of \$525.5 million as of June 30, 2013, which is approximately 9.05% of General Fund revenues.

The Fiscal Year 2012-13 District Final Adopted Budget included certain assumptions and policies, including among other things: (a) the release of the Fiscal Year 2011-12 Reserve For Revenue Uncertainty of \$243.1 million; (b) a Reserve for Revenue Uncertainty of \$333 million for the funds deferred to Fiscal Year 2013-14 from Fiscal Year 2012-13; (c) a 5.0% COLA on the State-funded portion of Special Education’s AB 602 funding included in Fiscal Year 2012-13 Senate Bill 87 funding of \$36 million and \$7.1 million from State and federal funds, respectively; (d) a projected enrollment decline of 16,528 from Fiscal Year 2011-12 for non-charter and affiliated charter schools enrollment and an enrollment increase of 8,465 for independent charter schools; (e) the release of approximately \$60 million in furlough savings from Fiscal Year 2011-12 to be allocated to the Child Development fund and the Adult Education program; (f) implementation of ten furlough days for members of UTLA, AALA, Unit A, Unit B, Unit C, Unit E, Unit H, Unit S and District-represented employees; (g) restoration of certain positions designated in the bargaining unit agreements with UTLA, AALA, Unit A, Unit B, Unit C, Unit E, Unit H, Unit S and District-represented employees; (h) funding for employee health and medical benefits at the per participant rate pursuant to the 2012-2014 Health and Welfare agreement; (i) funding for a \$33.75 million contribution to OPEB (defined herein) for Fiscal Year 2012-13 and \$47.5 million of prior year funds designated for OPEB; (j) ongoing and major maintenance resources totaling \$77.4 million; (k) a contribution of \$96.7 million to the Worker’s Compensation fund; (n) inclusion of total Workers’ Compensation actuarially determined funded liability of \$416.11 million in 2012-13; and (l) a commitment to continue the use of the Adult Education fund and to transfer the funds based on the furlough restoration plan as provided in the collective bargaining agreement. In addition, the Fiscal Year 2012-13 District Final Adopted Budget assumes the District will implement a number of the budgetary proposals set forth in the March 2012 Fiscal Stabilization Plan. Further, the Fiscal Year 2012-13 District Final Adopted Budget authorized the District to transfer amounts, as necessary, to implement technical adjustments related to development of the budget. In addition, the Fiscal Year 2012-13 District Final Adopted Budget authorized the District to appropriate new, unanticipated Fiscal Year 2011-12 revenues.

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 2008-09 through 2012-13. See “ - Significant Accounting Policies, System of Accounts and Audited Financial Statements” herein for audited financial results for Fiscal Years 2007-08 through 2011-12.

TABLE A-1

LOS ANGELES UNIFIED SCHOOL DISTRICT
District Budgets for Fiscal Years 2008-09 through 2012-13
for the District General Fund⁽¹⁾⁽²⁾⁽³⁾
(\$ in millions)

	Final Adopted Budget 2008-09	Final Adopted Budget 2009-10⁽⁴⁾	Final Revised Budget 2010-11⁽⁵⁾	Final Adopted Budget 2011-12	Final Adopted Budget 2012-13
Beginning Balance⁽⁴⁾	\$ 574.3	\$ 300.1	\$ 646.9	\$ 828.6	\$ 758.4
Revenue:					
State Apportionment	\$2,762.7	\$2,368.7	\$2,026.9	\$ 2,232.4	\$ 2,093.8
Property Taxes	780.4	785.3	846.0	775.5	818.3
Total Revenue Limit Revenues	\$3,543.1	\$3,154.0	\$2,872.9	\$3,007.9	\$2,912.1
Federal	830.8	1,355.1	1,251.9	935.2	733.8
Other State	2,169.0	1,872.4	2,108.4	2,036.8	2,002.0
Other Local	148.0	106.6	147.3	124.1	128.8
Other Sources	102.8	43.8	40.2	18.9	28.5
Total Revenue	\$6,792.0	\$6,532.0	\$6,420.7	\$6,123.0	\$5,805.3
Total Beginning Balance and Revenue	\$7,366.3	\$6,832.1	\$7,067.7	\$6,951.6	\$6,563.7
Expenditures:					
Certificated Salaries	\$3,203.7	\$2,939.2	\$2,779.9	\$2,689.3	\$2,498.7
Classified Salaries	998.1	888.2	839.4	794.8	779.9
Employee Benefits	1,301.5	1,411.7	1,397.7	1,412.8	1,459.2
Books and Supplies	467.7	514.7	598.1	365.4	389.4
Other Operating Expenses	817.2	709.8	792.1	810.8	748.7
Capital Outlay	41.1	37.4	39.7	43.9	39.5
Other Outgo/Other Uses	72.5	39.1	145.0	192.6	123.0
Total Expenditures	\$6,901.7	\$6,540.1	\$6,591.9	\$6,309.7	\$6,038.2
Ending Balance	\$ 464.6	\$ 292.0	\$ 475.8	\$ 641.9	\$ 525.5

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

Sources: Los Angeles Unified School District’s Final Adopted Budgets for Fiscal Years 2008-09, 2009-10, 2011-12 and 2012-13; Final Revised Budget for Fiscal Year 2010-11.

Funding from the Quality Education Investment Act of 2006. The District received approximately \$111.1 million in Fiscal Year 2011-12 under the Quality Education Investment Act of 2006 (“QEIA”), which was signed into law in 2006 to implement the terms of the *CTA, et al. v. Schwarzenegger, et al.* settlement and 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. In Fiscal Year 2011-12, QEIA funding for eligible students in grades K-3 is estimated to be \$500 per pupil, grades 4-8 is estimated to be \$900 per pupil and grades 9-12 is estimated to be \$1,000 per pupil. Due to the State’s determination that it overappropriated Proposition 98 funds in Fiscal Year 2011-12, the State Budget Act for Fiscal Year 2012-13 applies the estimated over-appropriation for QEIA payments for Fiscal Year 2012-13. In Fiscal Year 2012-13, QEIA funding for eligible students in grades K-3 is estimated to be \$500 per pupil, grades 4-8 is estimated to be \$900 per pupil and grades 9-12 is estimated to be \$1,000 per pupil. The Fiscal Year 2012-13 District Final Adopted Budget projects total funding from QEIA of approximately \$82.0 million in Fiscal Year 2012-13. See “State Funding of Education—State Budget” herein.

District Budget and Interim Financial Estimates. The following Table A-2 summarizes the originally budgeted revenues and expenditures and the projected year-end amounts, including the projected year-end General Fund Balance as reported in the Fiscal Year 2012-13 District Final Adopted Budget and the Fiscal Year 2012-13 First Interim Report (as defined herein). The District has timely prepared each of these estimates of its Fiscal Year 2012-13 financial results and provided this information to the District Board and LACOE. See “ – State Financial Accountability and Oversight Provisions – Interim Reporting Requirements – District First Interim Report for Fiscal Year 2012-13” herein.

TABLE A-2
LOS ANGELES UNIFIED SCHOOL DISTRICT
District General Fund
Summary of Balances, Revenues and Expenditures
Fiscal Year 2012-13
(\$ in millions)⁽¹⁾

	Fiscal Year 2012-13 District Final Adopted Budget	First Interim Report (December 2012)
Beginning Balance	\$ 758.4	\$ 824.6
Revenues/Other Sources	5,805.3	5,714.0
Expenditures/Other Uses	6,038.2	5,976.6
Operating Surplus (Deficit)	\$ (232.9)	\$ (262.6)
Ending Balance	\$ 525.5	\$ 562.0

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

Sources: Los Angeles Unified School District Fiscal Year 2012-13 District Final Adopted Budget and Fiscal Year 2012-13 First Interim Report.

State Financial Accountability and Oversight Provisions

Interim Reporting Requirements. State Assembly Bill 1200 (“A.B. 1200”), effective January 1, 1992, tightened the budget development process and interim financial reporting for public school districts, enhancing the authority of the offices of the county superintendents of schools and establishing guidelines for emergency State aid apportionments. State Assembly Bill 2756 (“A.B. 2756”), effective June 21, 2004, revised the existing provisions of A.B. 1200 and imposed additional financial accountability and oversight requirements on public school districts. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations

for the remainder of the then-current fiscal year and, based on current forecasts, for the two subsequent fiscal years. A positive certification is assigned to any school district that, based on then-current projections, will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that, based on then-current projections, will be unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district, based on then-current projections, which may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. Under the provisions of A.B. 2756, for school districts that are certified as qualified or negative, the county superintendent of schools is required to report to the State Superintendent of Public Instruction on the financial condition of the school district and his or her proposed remedial actions and to take all actions that are necessary to ensure that the school district meets its financial obligations. The county office of education reviews the interim reports and certifications made by school districts and may change certification to qualified or negative if necessary. If a school district has a qualified or negative certification report in any year, the school district may not issue non-voter-approved debt instruments in that fiscal year or in the next succeeding fiscal year, unless the county office of education, using criteria from the State Superintendent of Public Instruction, determines repayment is probable. LACOE has determined that the repayment of principal and interest on the Series B Notes described in the forepart of the Official Statement is probable.

District First Interim Report for Fiscal Year 2012-13. The District's Fiscal Year 2012-13 First Interim Report (the "Fiscal Year 2012-13 First Interim Report") was filed with LACOE by December 15, 2012, the deadline therefor. The District submitted its Fiscal Year 2012-13 First Interim Report with a self-certified qualified certification of its financial condition. The Fiscal Year 2012-13 First Interim Report stated that the District would be able to meet its financial obligations in Fiscal Year 2012-13 and projected that the District would need budget-balancing solutions and/or shared commitments from its collective bargaining units to close projected deficits of during Fiscal Years 2013-14 and 2014-15.

The District's Fiscal Year 2012-13 First Interim Report projected that the District's ending balance of \$562.0 million would consist of approximately \$10.2 million of nonspendable moneys, \$112.6 million of restricted balances, \$370.8 million of assigned balances, \$65.4 million of balances in the Reserve for Economic Uncertainties and \$1.9 million of unassigned/unappropriated balances. The Fiscal Year 2012-13 First Interim Report projected that the District would satisfy the minimum percentage of 1% required to be held in its Reserve for Economic Uncertainties in Fiscal Year 2012-13. However, absent corrective actions set forth in the December 2012 Fiscal Stabilization Plan (defined herein), the projected deficits of \$204.6 million in Fiscal Year 2013-14 and \$719.5 million in Fiscal Year 2014-15 would result in the Reserve for Economic Uncertainties being below the 1% minimum level.

In connection with the Fiscal Year 2012-13 First Interim Report, the District submitted a fiscal stabilization plan for Fiscal Year 2013-14 (the "December 2012 Fiscal Stabilization Plan") to LACOE. The December 2012 Fiscal Stabilization Plan addresses a projected budget deficit of \$406.6 million for Fiscal Year 2013-14 under two scenarios: (i) the first scenario (the "Governor's Promise") whereby a cost of living adjustment and other new ongoing revenues would be funded by the State and (ii) the second scenario (the "LACOE Required Plan") whereby the District would not assume a cost of living adjustment or new ongoing revenue. If the Governor's Promise is implemented, the District projects that it will receive between \$44 million and \$137 million of additional new revenues. Accordingly, the District would implement a limited reduction of District expenditures. Pursuant to the LACOE Required Plan, the District estimates that it would implement approximately \$204.6 million of expenditure reductions relating to central and school site resources. The District expects to submit a revised fiscal stabilization plan contemporaneously with its delivery of its Second Interim Financial Report to LACOE in March 2013.

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 - "Audited Financial Statements of the District for the Fiscal Year ended June 30, 2012" attached hereto. Note 1 to such audited financial statements sets forth significant accounting policies that the District follows.

In addition to the significant accounting policies set forth in the District's audited financial statements for the fiscal year ended June 30, 2012, included in Appendix B attached hereto, the District, beginning with its Final Adopted Budget for Fiscal Year 2011-12, began to follow Governmental Accounting Standards Board Statement No. 54 - "Fund Balance Reporting and Governmental Fund Type Definitions" ("GASB 54") which was developed in order for governments to classify amounts consistently regardless of the fund type or column in which they are presented. Pursuant to GASB 54, the fund balances will be designated as one of the following five categories: (i) nonspendable fund balance which includes amounts that are not in a spendable form or are required to be maintained intact, (ii) restricted fund balance which includes amounts constrained to specific purposes by their providers, through constitutional provisions, or by enabling legislation; (iii) committed fund balance which includes amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint; (iv) assigned fund balance which includes amounts a government intends to use for a specific purpose whereby the intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority; and (v) unassigned fund balance which includes amounts that are available for any purpose; these amounts are reported only in the General Fund.

The District is required to file its 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 Fiscal Years 2007-08, 2008-09, 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 Fiscal Years 2007-08, 2008-09, 2009-10, 2010-11 and 2011-12 in accordance with its continuing disclosure agreements. See "Legal Matters—Continuing Disclosure" in the forepart of this Official Statement.

Simpson & Simpson Certified Public Accountants, Los Angeles, California, served as independent auditor to the District for its audited financial statements for Fiscal Year 2011-12. See Appendix B – "Audited Financial Statements of the District for the Fiscal Year ended June 30, 2012" 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 2007-08 through 2011-12.

TABLE A-3

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenditures and District General Fund Balances⁽¹⁾⁽²⁾
Fiscal Years 2007-08 through 2011-12
(\$ in millions)

	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12
Beginning Balance	\$ 695.2	\$ 657.2	\$ 750.0	\$ 668.0	\$ 903.5
Revenues					
State Apportionment	\$2,817.7	\$2,517.5	\$2,120.9	\$2,146.9	\$2,067.0
Property Taxes	<u>806.4</u>	<u>927.4</u>	<u>856.4</u>	<u>909.5</u>	<u>901.2</u>
Total Revenue Limit Revenues	<u>\$3,624.1</u>	<u>\$3,444.9</u>	<u>\$2,977.2</u>	<u>\$3,056.3</u>	<u>\$2,968.2</u>
Federal	756.4	1,077.1	964.0	1,066.5	868.0
Other State	2,304.5	1,964.3	2,159.4	2,031.8	1,903.5
Other Local	123.7	163.4	108.1	173.9	142.9
Other Sources ⁽³⁾	<u>145.6</u>	<u>114.8</u>	<u>93.5</u>	<u>100.4</u>	<u>37.1</u>
Total Revenues	<u>\$6,954.3</u>	<u>\$6,764.5</u>	<u>\$6,302.1</u>	<u>\$6,428.9</u>	<u>\$5,882.5</u>
Total Beginning Balance and Revenues	\$7,649.5	\$7,421.7	\$7,052.1	\$7,096.9	\$6,786.0
Expenditures					
Certificated Salaries	\$3,314.6	\$3,231.9	\$2,807.9	\$2,816.3	\$2,681.6
Classified Salaries	1,054.2	997.7	908.1	855.8	819.2
Employee Benefits	1,318.0	1,284.5	1,407.4	1,338.8	1,365.8
Books and Supplies	435.3	296.6	260.1	349.3	231.1
Other Operating Expenses	764.9	744.4	760.7	683.8	701.4
Capital Outlay	37.0	27.5	18.2	71.6	43.6
Other Outgo/Other Uses ⁽⁴⁾	<u>68.2</u>	<u>89.0</u>	<u>226.7</u>	<u>77.7</u>	<u>155.5</u>
Total Expenditures	<u>\$6,992.2</u>	<u>\$6,671.8</u>	<u>\$6,389.1</u>	<u>\$6,193.4</u>	<u>\$5,845.5</u>
Ending Balance	\$ 657.2	\$ 750.0	\$ 662.9	\$ 903.5	\$ 824.8

⁽¹⁾ Totals may equal sum of component parts due to rounding.

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

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

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

Sources: Los Angeles Unified School District's audited financial statements for Fiscal Years 2007-08 through 2011-12.

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, 2012, the District employed approximately 43,244 teachers, including credentialed and non-credentialed teachers. The following Table A-4 sets forth 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**

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

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

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 (the “Joint Statement of Interest”) by and between the District and UTLA which was executed in December 2011. 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 connection with the current contract by and between the Associated Administrators of Los Angeles (“AALA”) and the District, AALA may reopen negotiations with respect to certain matters relating to salaries, furlough days or compensation and two additional articles thereof. The District has submitted initial proposals to reopen negotiations with AALA regarding compensation and evaluations.

In November 2011, the District reached a three-year agreement with all bargaining units regarding health and welfare benefits. The multi-year agreement defines the District’s contribution towards health and welfare benefits for active and retired employees. The agreement establishes the estimated contribution by the District of \$981.1 million for Fiscal Year 2011-12, a 0% increase from Fiscal Year 2010-11, \$1 billion for Fiscal Year 2012-13, a 4.7% increase from the prior fiscal year, and \$1.04 billion for Fiscal Year 2013-14, a 4.5% increase from the prior fiscal year. The 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.

In November 2012, in connection with the approval of Proposition 30 (defined herein), the District issued a letter to each bargaining unit stating that the District would rescind all furlough days for District employees subsequent to December 1, 2012. The District expects to fund the rescission of furlough days from available funds including, among other sources, District reserves. The District has entered into agreements to restore furlough days that it previously imposed for Fiscal Year 2012-13 with each of its bargaining units except bargaining units Unit B and Unit C, each of which is represented by Service

Employees International Union, Local 99. The District is currently negotiating with these bargaining units regarding the manner in which furlough days will be restored. The District does not currently expect to propose additional furlough days during Fiscal Year 2012-13.

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 “March 15 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 March 15 Notices for a portion of its certificated employees. In recent years when reduced State funding was likely, the District issued large numbers of March 15 Notices but elected to rescind a portion of the March 15 Notices subsequent to the release of the Governor’s May Revision to the proposed State Budget and the District’s analysis of the projections of revenues and expenditures contained therein.

A proposal to authorize March 15 Notices for certificated administrators and contract management employees was submitted to and adopted by the District Board on February 12, 2013. In addition, a proposal to authorize March 15 Notices for certificated employees in specified classes was submitted to the District Board at its February 12, 2013 meeting but was amended through Board action. The District estimates that the proposed March 15 Notices for the certificated employees in specified classes, had they been approved and implemented, would reduce the number of the District’s certificated employees by 201 positions and would reduce projected expenditures by approximately \$21 million. In lieu of the possible release of these certificated employees, the District Board directed staff to identify sources of funds to pay for the salaries and other costs of the certificated employees and identify cost reductions that the District may attain due to the expected attrition and retirement of the District’s current certificated employees for the District’s budget for Fiscal Year 2013-14.

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

On May 13, 2010, the presiding judge issued a preliminary injunction restraining the District from implementing any budget-based layoffs at the subject middle schools during the pendency of the action but no later than the end of the 2010-11 school year and to skip teachers then-currently assigned at the three middle schools during the then-current layoff proceedings. In October 2010, the District Board approved a tentative settlement agreement pursuant to which the District would no longer lay off teachers based solely on seniority. Pursuant to the tentative settlement agreement, layoffs based, in part, on seniority would be distributed evenly among schools within the District. UTLA opposed the tentative settlement agreement. The Los Angeles County Superior Court entered a final order in February 2011. UTLA prevailed on appeal on the grounds that the consent decree potentially abrogated the seniority rights of its members and claimed that it was entitled to a decision on the merits of the students’ claims as a matter of federal due process. In addition, UTLA claimed that the Los Angeles County Superior Court lacked authority under the California Code of Civil Procedure to enter the judgment. The District’s appeal to the Supreme Court of the State of California was denied in October 2012. Accordingly, the matter has been returned to the Los Angeles Superior Court for further proceedings. The District is unable to predict the outcome of the Superior Court’s

review on remand. The District conducted its Reduction in Force (“RIF”) notice procedure for Fiscal Year 2011-12 in accordance with the tentative settlement agreement.

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 allege 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 allege that the Challenged Statutes prevent administrators from making employment and dismissal decisions that benefit students due to, among other things, the cost to terminate ineffective teachers, the difficulty, complexity, and length of time associated with the removal process and the seniority basis of the layoff system. The plaintiffs have asked the reviewing court for a declaratory judgment that the Challenged Statutes violate the equal protection provisions of the California Constitution and to permanently enjoin their enforcement, application and implementation. Further, the plaintiffs have asked the reviewing court to permanently enjoin the defendants named therein from implementing at any time in the future, by law or by contract, any system of teacher employment, retention and dismissal that is substantially similar to the framework implemented by the Challenged Statutes. The District cannot predict whether the plaintiffs listed in the *Vergara* Complaint will be successful, and if so, how any final court decision with respect to the *Vergara* Complaint would affect the financial status of the District, and is dependent on, among other things, the remedy, if any, imposed by the court and the responses of the State Legislature and the Governor.

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 does 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. Under the court order, the District, UTLA and AALA must begin implementation of the statutory requirements identified by the Superior Court and the Stull Act Agreements immediately.

Retirement Systems

General. The District currently participates in CalSTRS (defined herein), CalPERS (defined herein) and PARS (defined herein). The amounts of the District’s contributions to STRS, CalPERS and PARS are subject to, among other things, the implementation of any layoff proposal with respect to the District’s workforce and modifications to or approvals of collective bargaining agreements. See Table A-5 “Annual Regular CalSTRS Contributions” and Table A-7 “Annual CalPERS Regular Contributions” and Table A-9

“Annual PARS Contribution” for the estimated contributions by the District for Fiscal Year 2012-13 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 2011-12 contained in Appendix B - “Audited Financial Statements of the District for the Fiscal Year ended June 30, 2012” 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 or the Financial Advisor, not guaranteed as to the accuracy or completeness of the information and is not to be construed as a representation by the District or the Financial Advisor. Furthermore, the summary data below should not be read as current or definitive, as recent gains or losses on investments made by the retirement systems generally may have changed the unfunded actuarial accrued liabilities stated below.

California State Teachers’ Retirement System. The California State Teachers’ Retirement System (“CalSTRS”) is a defined benefit plan that covers all full-time certificated District employees and some classified District employees, which are District employees employed in a position that does not require a teaching credential from the State. Employees and the District contribute 8.00% and 8.25%, respectively, of gross salary expenditures to CalSTRS. The District has not received any notice from CalSTRS of any plans to change the rates currently in effect or of any proposed changes in the State law with respect to the contribution rates.

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. The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make to CalSTRS. Accordingly, there can be no assurances that the District’s required contributions to CalSTRS will not significantly increase in the future above current levels. Pursuant to the CalSTRS’ comprehensive annual financial report for the Fiscal Year ended June 30, 2011, absent corrective action, the CalSTRS fund will be depleted in 2042, and the State will be obligated to pay the difference between the benefits paid and the contributions received.

The following Table A-5 sets forth the District’s regular annual contributions to CalSTRS for Fiscal Years 2007-08 through 2011-12 and the contributions as a percentage of the District’s Total Governmental Funds expenditures for Fiscal Years 2007-08 through 2011-12. The District has always paid all required CalSTRS annual contributions.

TABLE A-5

LOS ANGELES UNIFIED SCHOOL DISTRICT
Annual Regular CalSTRS Contributions
Fiscal Years 2007-08 through 2012-13
(\$ in millions)

Fiscal Year	District Contributions⁽¹⁾	District Contribution as Percentage of Total Governmental Funds Expenditures
2007-08	\$264.4	2.69%
2008-09	270.1	2.66
2009-10	233.1	2.50
2010-11	236.7	2.64
2011-12	223.0	2.64
2012-13 ⁽²⁾	220.3	N/A

⁽¹⁾ Excludes employee contributions paid by the District.

⁽²⁾ Budgeted.

Sources: Los Angeles Unified School District Comprehensive Annual Financial Reports for Fiscal Years 2007-08 through 2011-12; the District for Fiscal Year 2012-13.

The unfunded actuarial accrued liabilities and funded status of the CalSTRS pension fund as of June 30 of Fiscal Years June 30, 2007 through June 30, 2011 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.

TABLE A-6

Actuarial Value of State Teachers' Retirement Fund Defined Benefit Program
Valuation Dates June 30, 2007 through June 30, 2011
(\$ in billions)

Valuation Date (June 30)	Accrued Liability	Actuarial Value of Assets⁽¹⁾	Unfunded Liability	Funded Ratio (Actuarial Value)	Funded Ratio (Fair Market Value)
2007	\$167.129	\$146.419	\$20.710	89.0%	88.0%
2008	177.734	155.215	22.519	87.0	85.0
2009	185.683	145.142	40.541	78.0	58.0
2010	196.315	140.291	56.024	71.5	59.7
2011	208.405	143.930	64.475	69.1	67.2

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

Sources: California State Teachers' Retirement System Defined Benefit Program Actuarial Valuations as of June 30, 2007 through June 30, 2011.

The actuarial assumptions set forth in the California State Teachers' Retirement System Defined Benefit Program Actuarial Valuation as of June 30, 2011 (the "2011 CalSTRS Actuarial Valuation") use the "Entry Age Normal Cost Method" and, among other things, an assumed 7.50% investment rate of return, which reflects a decrease from the previously assumed investment rate of return of 7.75%, and 4.50% interest on accounts, which reflects a decrease from the previously assumed interest on accounts of 6.00%, projected 3.00% inflation and demographic assumptions relating to mortality rates, length of service, rates of disability, rates of withdrawal, probability of refund, and merit salary increases. In addition, the Teacher's Retirement Board changed the mortality assumption to reflect the fact that members are living longer and lowered the

assumption of wage growth to 3.75% from 4.00%. The actuarial assumptions and methods used in the 2011 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”). The amounts of 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.

CalSTRS’ Experience Analysis projects that bringing CalSTRS to full funding would require a payroll contribution of 16.23% of projected expenditures. However, the 2011 CalSTRS Actuarial Valuation projected that full funding would require an increase in employer rates to 13% of projected expenditures. The 2011 CalSTRS Actuarial Valuation projects that, absent any changes in contribution rates or liabilities, the fund will deplete its assets in approximately 30 years. Benefit provisions are established by State legislation in accordance with the State Teachers’ Retirement Law.

The market value of the CalSTRS pension fund as of June 30, 2010 and June 30, 2011 was \$129.8 billion and \$147.1 billion, respectively. CalSTRS produces a comprehensive annual financial report which includes financial statements and required supplementary information. Copies of the CalSTRS’ comprehensive annual financial report may be obtained from CalSTRS, P.O. Box 15275, Sacramento, California 95851. The information presented in these reports is not incorporated by reference in this Official Statement.

In February 2012, the CalSTRS staff members presented a draft report (the “2013 CalSTRS Funding Report”) to the Teachers’ Retirement Board with respect to the unfunded liability of CalSTRS defined benefit program (the “Defined Benefit Program”). The 2013 CalSTRS Funding Report indicated that the liabilities of the Defined Benefit Program exceed its assets by approximately \$64 billion as of June 30, 2011. In addition, the 2013 CalSTRS Funding Report projected that, absent corrective action, based on current economic and demographic assumptions, the Defined Benefit Program would deplete its assets by 2046. Due to the adoption of the PEPRA (defined herein), the 2013 CalSTRS Funding Report acknowledges that there would be a slight improvement in the funded status of the Defined Benefit Program. However, the 2013 CalSTRS Funding Report cautions that PEPRA may only delay the depletion of assets until 2047. See “ - California Public Employees’ Pension Reform Act of 2012” herein. The 2013 CalSTRS Funding Report notes 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 proposes 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 states 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, increase contributions to delay the full depletion of assets. Further, the 2013 CalSTRS Funding Report recommends the State Legislature determined the period of time in which the expect to achieve the funding objective, determine when contribution rate increases begin, establish the speed of contribution rate increases.

California Public Employees’ Retirement System. The California Public Employees’ Retirement System (“CalPERS”) is a defined benefit plan that covers classified personnel who work four or more hours per day. Benefit provisions are established by State legislation in accordance with the Public Employees’ Retirement Law. The District’s contribution to CalPERS is capped at 13.02% of gross salary expenditures. If the District’s contribution rate to CalPERS is less than 13.02% of gross salary expenditures for a given year, the State will reduce the District’s revenue limit for that year by the amount of the difference between the District’s contribution calculated based on a contribution rate of 13.02% of gross salary expenditures and the District’s actual contribution. Moreover, if the required contribution rate is greater than 13.02% for a given year, then the State will provide revenue limit allocations to the District for that year by the amount of the

difference between the District's actual contribution to CalPERS and the District's contribution calculated based on a contribution rate of 13.02% of gross salary expenditures. The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make to CalPERS. Accordingly, there can be no assurances that the District's required contributions to CalPERS will not significantly increase in the future above current levels.

Active plan members are required to contribute 7% (miscellaneous) or 9% (safety) of their monthly salary and the District is required to contribute based on an actuarially determined rate. The 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 2011-12 were 10.923% for miscellaneous and 34.056% for safety members. The required employer contribution rates for Fiscal Year 2012-13 are 11.417% for miscellaneous and 33.233% for safety members. 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.

The contribution requirements of the plan members are established by state statute. The District's contributions for all members for the Fiscal Years 2009-10 through 2011-12 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 2009-10 through 2011-12 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 2006-07 through 2011-12, the estimated contribution for Fiscal Year 2012-13 and the contributions as a percentage of the District's Total Governmental Funds expenditures for Fiscal Years 2007-08 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 2007-08 through 2012-13⁽¹⁾
(\$ in millions)

Fiscal Year	District Contributions⁽¹⁾	District Contribution as Percentage of Total Governmental Funds Expenditures
2007-08	\$160.6	1.63%
2008-09	163.6	1.61
2009-10	156.0	1.68
2010-11	142.6	1.59
2011-12	136.4	1.61
2012-13 ⁽²⁾	124.7	N/A

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

⁽²⁾ Estimated.

Sources: Los Angeles Unified School District Comprehensive Annual Financial Reports for Fiscal Years 2007-08 through 2011-12; the District for Fiscal Year 2012-13.

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 unfunded actuarial accrued liabilities and funded status of the schools portion of CalPERS as of June 30 of Fiscal Years June 30, 2007 through June 30, 2011 are set forth in the following Table A-8.

TABLE A-8
Actuarial Value of Schools Portion of CalPERS
Historical Funding Status
Valuation Dates June 30, 2007 through June 30, 2011
(\$ in millions)

Valuation Date (June 30)	Actuarial Accrued Liabilities	Market Value of Assets (MVA)	Funded Status (MVA)	Unfunded Liabilities/ (Surplus) (MVA)	Projected Payroll for Determining Contributions	Unfunded/ (Surplus) as a % of Payroll
2007	\$44,810.07	\$48,292.93	107.8%	\$(3,482.86)	\$10,249.83	(34.0)%
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

Source: CalPERS State & Schools Actuarial Valuation as of June 30, 2011.

The unfunded actuarial accrued liabilities and funded status of the District's Safety Plan, which is a component of CalPERS as of June 30 of Fiscal Years June 30, 2007 through June 30, 2011 are set forth in the following Table A-9.

TABLE A-9

**CalPERS Actuarial Value of LAUSD Safety Plan⁽¹⁾
Historical Funding Status
Valuation Dates June 30, 2007 through June 30, 2011**

Actuarial Valuation Date (June 30)	Accrued Liability (a)	Actuarial Value of Assets (AVA) (b)	Unfunded Liability (a) – (b)	Funded Ratios		Annual Covered Payroll (c)	UL as a % of Covered Payroll [(a)-(b)]/(c)
				(AVA) (b)/(a)	Market Value		
2007	\$201,054,171	\$166,133,585	\$34,920,586	82.60%	96.10%	\$19,912,587	175.40%
2008	219,065,924	181,001,512	38,064,412	82.60	84.40	22,832,168	166.70
2009	240,158,247	190,718,449	49,439,798	79.40	58.10	23,714,632	208.50
2010	249,235,744	201,793,549	47,442,195	81.00	63.80	23,550,230	201.50
2011	258,517,618	214,253,073	44,264,545	82.90	74.10	24,676,608	179.40

⁽¹⁾ 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.

Source: CalPERS Safety Plan of the Los Angeles Unified School District (Employer # 361) Annual Valuation Report as of June 30, 2011.

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

The actuarial funding method used in the CalPERS State & Schools Actuarial Valuation as of June 30, 2011 is the "Individual Entry Age Normal Cost Method". The CalPERS State & Schools Actuarial Valuation as of June 30, 2011 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 actuarial funding method used in the CalPERS Safety Plan of the Los Angeles Unified School District (Employer # 361) Annual Valuation Report as of June 30, 2011 is the "Individual Entry Age Normal Cost Method". The CalPERS Safety Plan of the Los Angeles Unified School District (Employer # 361) Annual Valuation Report as of June 30, 2011 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%.

In March 2012, the CalPERS Board of Administration voted to reduce the actuarial assumed rate of return/discount rate to 7.50% from 7.75%. In connection therewith, State and schools employer contributions

will increase by 1.2% to 1.6% for Miscellaneous plans and will increase by 2.2% to 2.4% for Safety plans beginning Fiscal Year 2012-13. CalPERS estimates that these modifications will increase expenditures by participating school districts. The District is evaluating the impact of the aforementioned rate increase upon its finances. The District has paid all required contributions in prior fiscal years and expects to continue to do so.

The market value of the CalPERS pension fund as of June 30, 2010 and June 30, 2011 was \$201.6 billion and \$241.7 billion, respectively. CalPERS issues a comprehensive annual financial report and actuarial valuations that include financial statements and required supplementary information. Copies of the CalPERS CAFR and actuarial valuations may be obtained from the CalPERS Financial Services Division, P.O. Box 942703, Sacramento, California 94229-2703. The information set forth therein is not incorporated by reference in this Official Statement.

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

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

The following Table A-10 sets forth the District’s annual contributions to PARS for Fiscal Years 2007-08 through 2011-12, the estimated annual contribution to PARS for Fiscal Year 2012-13 and the contributions as a percentage of the District’s Total Governmental Funds expenditures for Fiscal Years 2007-08 through 2012-13.

TABLE A-10
LOS ANGELES UNIFIED SCHOOL DISTRICT
Annual PARS Contribution
Fiscal Years 2007-08 through 2012-13
(\$ in millions)

Fiscal Year	District Contributions⁽¹⁾⁽²⁾	District Contribution as Percentage of Total Governmental Funds Expenditures
2007-08	\$8.8	0.09%
2008-09	6.9	0.07
2009-10	5.7	0.06
2010-11	5.2	0.06
2011-12	3.6	0.04
2012-13 ⁽³⁾	6.3	N/A

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

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

⁽³⁾ Estimated.

Sources: Los Angeles Unified School District Comprehensive Annual Financial Reports for Fiscal Years 2007-08 through 2011-12; the District for Fiscal Year 2012-13.

California Public Employees' Pension Reform Act of 2012. In September 2012, the Governor approved Assembly Bill 340, the California Public Employees' Pension Reform Act of 2012 ("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. The District is currently reviewing PEPRA. However, the impact of PEPRA upon the District is currently unknown and the District cannot predict the extent to which PEPRA will impact its contributions to CalPERS and STRS.

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, 2011, there are approximately 37,000 retirees who meet the eligibility requirements for these benefits. The District currently funds these benefits on a pay-as-you-go basis, paying an amount in each Fiscal Year equal to the benefits distributed or disbursed in that Fiscal Year. The following Table A-11 sets forth the District's funding of other postemployment benefits for Fiscal Years 2007-08 through 2011-12, the estimated contribution for Fiscal Year 2012-13 and the contributions as a percentage of the District's Total Governmental Funds expenditures for Fiscal Years 2007-08 through 2012-13.

TABLE A-11

LOS ANGELES UNIFIED SCHOOL DISTRICT
Expenditures for Other Postemployment Benefits
Fiscal Years 2007-08 through 2012-13
(\$ in millions)

Fiscal Year	Amount	Expenditure as Percentage of Total Governmental Funds Expenditures
2007-08	\$255.9	2.60%
2008-09	267.3	2.63
2009-10	237.3	2.55
2010-11	240.1	2.68
2011-12	228.7	2.71
2012-13 ⁽¹⁾	245.2	N/A

⁽³⁾ Estimated.

Sources: Los Angeles Unified School District Comprehensive Annual Financial Reports for Fiscal Years 2007-08 through 2011-12; the District for Fiscal Year 2012-13.

The Fiscal Year 2012-13 District Final Adopted Budget included funding of \$355.5 million for OPEB, which amount is \$55.6 million greater than the pay-as-you-go contribution for OPEB for Fiscal Year 2012-13. The District set aside approximately \$47.5 million in Fiscal Year 2011-12 and approximately \$62.3 million in Fiscal Year 2012-13 in its OPEB Fund and intends to use such amounts to reduce the unfunded actuarial accrued liability (“UAAL”) of its OPEB. The OPEB Fund is not an irrevocable trust as defined in GASB Statement No. 45. Accordingly, funds on deposit in to the OPEB Fund 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.

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

The District’s OPEB consists of post-employment benefits of health, prescription drug, dental, vision and life insurance coverage for retirees; long-term care coverage, life insurance and death benefits that are not offered as part of a pension plan; and long-term disability insurance for employees. As of the date hereof, the most recent actuarial report prepared for the District is its “GASB 43 and 45 Valuation Report as of June 30, 2009 and Annual Required Contribution for the Fiscal Year Ending June 30, 2010,” dated February 25, 2010 (the “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, 2009 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, 2009, the UAAL of the District's post-retirement health and welfare benefits program is approximately \$9.925 billion. Pursuant to Statement No. 45, OPEB expense in an amount equal to annual OPEB cost is recognized in government-wide financial statements on an accrual basis. Net OPEB obligations, if any, including amounts associated with under- or over-contributions from governmental funds, are to be displayed as liabilities (or assets) in government-wide financial statements.

The 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 "Health Care Reform Act of 2010") were signed into law in March 2010. The Health Care Reform Act of 2010 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 Health Care Reform 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 Health Care Reform Act of 2010 (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 - "Audited Financial Statements of the District for the Fiscal Year ended June 30, 2012" attached hereto.

In consideration of the Health Care Reform Act of 2010, the District's actuary states that the ARC would be \$1.050 billion as of June 30, 2011, which reflects an increase of approximately \$43.9 million compared to the ARC as if June 30, 2010 if the District pays the tax on "Cadillac healthcare plans" under the Health Care Reform Act of 2010 on behalf of its employees and retirees. The District has not determined whether it will pay such a tax and may elect to have eligible employees and retirees pay the tax themselves.

Table A-12 below reflects 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 2011-12.

TABLE A-12

LOS ANGELES UNIFIED SCHOOL DISTRICT
Annual Required Contributions, OPEB Costs and Net OPEB Obligations
Fiscal Years 2008-09 through 2011-12
(\$ in thousands)

Fiscal Year	Annual Required Contribution	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
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

Source: Los Angeles Unified School District Comprehensive Annual Financial Reports for Fiscal Years 2008-09 through 2011-12.

The District expects to continue to review the Postemployment Valuation in conjunction with the District's obligations under its postemployment benefit plan to determine, among other things, its course of action with respect to postemployment benefit contributions and what other postemployment benefit liability must be reported. In the opinion of District management, any further increase in the District's UAAL as described in the Postemployment Valuation will not adversely affect the District's ability to pay debt service on its general fund obligations, tax and revenue anticipation notes, including the Series B Notes described in

the forepart of this Official Statement, certificates of participation, or general obligation bonds, the last of which are payable from voter-approved *ad valorem* property taxes.

For additional information regarding the District's OPEB, see Appendix B - "Audited Financial Statements of the District for the Fiscal Year ended June 30, 2012" attached hereto.

Insurance

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

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

The District is self-insured for its Workers' Compensation Program. The lower amount of claims is the result of workers' compensation reforms implemented by the State as well as District activities to improve third party management of claims and reduce workers' compensation fraud. Separate funds are used to account for amounts set aside to pay claims incurred and related expenditures under the respective insurance programs. The following Table A-13 sets forth the workers' compensation liability, claims and changes in estimates and claims paid from Fiscal Years 2007-08 through 2011-12.

TABLE A-13

**LOS ANGELES UNIFIED SCHOOL DISTRICT
Workers' Compensation Claims Paid
Fiscal Years 2007-08 through 2011-12
(\$ in millions)**

Fiscal Year	Liability: Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claims Paid	Liability: End of Fiscal Year
2007-08	\$509.3	\$58.1	\$(87.9)	\$479.5
2008-09	479.5	72.2	(80.6)	471.2
2009-10	471.2	59.7	(78.5)	452.4
2010-11	452.4	66.5	(88.1)	430.8
2011-12	430.8	98.4	(95.3)	434.0

Source: Los Angeles Unified School District Comprehensive Annual Financial Report for Fiscal Years 2007-08 through 2011-12.

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. In March 2012, the District Board approved a settlement agreement with AIG which requires AIG to pay to the District \$78,750,000 over a period of ten years, commencing Fiscal Year 2011-12.

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 2011-12 contained in Appendix B - “Audited Financial Statements of the District for the Fiscal Year ended June 30, 2012” attached hereto.

Events Regarding Suspended and Former District Employees

The Los Angeles County Sheriff’s Department (the “Sheriff’s Department”) and the District are presently investigating claims of sexual misconduct alleged to have been committed by former District personnel. In response to such allegations, 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 District announced that an independent commission chaired by Carlos Moreno, retired Associate Justice of the Supreme Court of California, had been appointed to review the events that occurred at various school sites within the District and provide recommendations to the District.

Following these events, in February 2012, the State’s Commission on Teacher Credentialing (the “Credentialing Commission”) issued a letter to the District stating the District’s failure to timely notify the Credentialing Commission of the dismissal of credentialed employees while allegations of misconduct are pending poses a risk to student safety and may constitute professional misconduct by the Superintendent. Superintendent Deasy acknowledged that the District failed to timely inform the Credentialing Commission of the initial termination referenced above and directed District staff to investigate the cause of such failure. Further, Superintendent Deasy noted that such failure was contrary to District practice, but directed District staff to review other dismissals to ensure that the Credentialing Commission has received and continues to receive the required notice under State law.

The Joint Legislative Audit Committee of the California Legislature (the “Legislative Audit Committee”) has requested that the State Auditor conduct a performance audit of the District to review and

evaluate the District's processes for handling and documenting claims of abuse against students. The Legislative Audit Committee has asked the State Auditor to evaluate matters including, among other things, training, monitoring and oversight of employees relating to the prevention, identification and reporting of misconduct, removal of offending employees from school sites, tracking claims of misconduct, and the use of settlement agreements for claims or lawsuits filed alleging misconduct and the amounts of such settlement agreements, if any.

The District is currently investigating additional allegations of misconduct by current and former District personnel. In addition, the District and its officials are cooperating with the Sheriff's Department in connection with its investigations of former and current District employees. The District has been presented with 191 claims and has been named as a party in four complaints relating to the actions described above by current or former employees of the District. In February 2013, one of the complaints against the District was amended to include the Superintendent, four former Superintendents, members of the District Board, and the current and former principal at Miramonte Elementary School as defendants. The District anticipates that it will receive additional complaints seeking declaratory, injunctive, and monetary relief relating to such actions. The District cannot predict whether any plaintiffs listed in the aforementioned complaints will be successful, and if so, how any final court decision or settlement agreement with respect to any lawsuit may affect the financial status, insurance claims, 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 District is self-insured in an amount not to exceed \$5 million per occurrence with a \$45 million excess coverage limit. In the event any judgment or settlement agreement requires the District to pay damages to any claimant, the District would pay such amount from its General Fund and seek reimbursement pursuant to its insurance policies. See "District Financial Information - Insurance" herein. The District has included in its cash flow projections for Fiscal Year 2012-13 an assumption of the amount of such damages based upon a review of the claims it has received to date. However, the District cannot predict the amount of any damages or the extent to which any damages would decrease its General Fund cash flow during Fiscal Year 2012-13 or any subsequent fiscal year. See "THE SERIES B Notes - Cash Flow Projections and Assumptions" and " - Cash Flow Variance Summaries and Explanations" in the forepart of this Official Statement.

Cafeteria Fund Expenditures

In March 2011, the District signed a Memorandum of Understanding ("MOU") with the CDE to resolve allegations that certain expenditures relating to administrative support were inappropriately charged to the District's Cafeteria Fund (the "Cafeteria Fund") in Fiscal Years 2004-05 through 2007-08. The MOU sets forth a repayment plan for the District to repay \$109 million into the Cafeteria Fund over a period not to exceed 10 years for the transfers made in Fiscal Years 2004-05 through 2007-08. The District transferred approximately \$32 million to the Cafeteria Fund from the General Fund during Fiscal Year 2010-11 pursuant to the MOU. The District noted that it had previously paid a portion of the amounts owed to the Cafeteria Fund in connection with the ongoing General Fund subsidy of the Cafeteria Fund.

In addition, pursuant to the MOU the State Controller's Office (the "SCO") audited the Cafeteria Fund's expenditures for Fiscal Years 2008-09 and 2009-10 to determine whether additional amounts need to be repaid from the General Fund to the Cafeteria Fund. In May 2012, the SCO completed a draft of its audit of the Cafeteria Fund for Fiscal Years 2008-09 and 2009-10. The SCO stated in its draft audit report that the District had not substantiated \$46.9 million of labor-related activities and utility expenses that were charged to the Cafeteria Fund in Fiscal Years 2008-09 and 2009-10.

In February 2013, the District notified the CDE that it had repaid the full amounts owed to the Cafeteria Fund with previous transfers of funds to the Cafeteria Fund from the General Fund, which were credited toward the repayment obligation, and with transfers of cash from the General Fund to the Cafeteria Fund. However, there can be no assurances that the MOU will not be modified in the future or that any agreement by and between the District and the CDE will not require additional payments to the Cafeteria Fund from the General Fund.

District Fiscal Policies

Debt Management Policy. The District's debt management policy (the "Debt Management Policy") establishes formal guidelines for the issuance and management of various types of debt instruments 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 is required to be reviewed annually. The current Debt Management Policy was approved by the District Board on September 13, 2011. The Debt Management Policy sets forth an annual gross debt service cap of \$105 million attributable to COPs and establishes a target of 2.0% and a ceiling of 2.5% for the ratio of gross COPs debt service 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.

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 0.95% of budgeted District General Fund appropriations for Fiscal Year 2011-12, which is below the 2.0% to 2.5% range established by the Debt Management Policy.

The Debt Management Policy limits unhedged variable rate debt to 20% of outstanding COPs or \$100 million, whichever is less, and requires reporting of the debt ratios and benchmarks set forth in Tables A-14 and A-15 below in the annual Debt Report.

As of January 1, 2013, the District had outstanding lease obligations issued in the form of COPs in the aggregate principal amount of approximately \$395.5 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-14 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 2011-12 Debt Report.

TABLE A-14

**LOS ANGELES UNIFIED SCHOOL DISTRICT
Debt Management Policy – Debt Factors
(as of June 30, 2012)**

Debt Factor	Target⁽¹⁾	Ceiling⁽²⁾	Actual⁽²⁾	Over (Under) Policy Ceiling
Maximum COPs Gross Debt Service Limit (percentage)	2.0% of District General Fund Expenditures	2.5% of District General Fund Expenditures	0.95%	(1.55)%
Maximum COPs Gross Debt Service Limit ⁽³⁾	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)%

⁽¹⁾ “District General Fund Expenditures” includes said amounts based upon the District’s Fiscal Year 2011-12 Final Adopted Budget.

⁽²⁾ Actual results are based upon results for the Fiscal Year ended June 30, 2012, the most recently completed audited year.

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

Source: Los Angeles Unified School District.

The following Table A-15 sets forth the benchmark debt burden ratios that recognize the combined direct debt and overall debt of the District. Table A-15 also provides a summary of the District’s performance against policy benchmarks for the District’s general obligation bond and COPs debt and debt issued by overlapping agencies. These benchmarks pertain to large school districts nationwide whose ratings are in the double-A or higher rating category.

Due to the statistical dispersion of the underlying data for the benchmarks in the following Table A-15 and the large size of the District’s bonding program relative to other large school districts, the District’s debt burden ratios are not unexpectedly higher than most of the benchmark values. Even though some of the other large school districts have school funding mechanisms different than the District’s and may have budgets that are considerably smaller than the District’s, the District believes that the “large, highly-rated” school district cohort to be the most appropriate cohort group against which it should be compared.

TABLE A-15

LOS ANGELES UNIFIED SCHOOL DISTRICT
Debt Management Policy Benchmarks for District's Direct and Overall Debt
(As of June 30, 2012)⁽¹⁾

Debt Burden Ratio	Benchmark	Benchmark's Value	LAUSD Actual⁽¹⁾
Direct Debt to Assessed Value	Moody's Median for "Aa"-Rated School Districts With Student Population Above 200,000	1.10%	2.50%
	Standard & Poor's Mean for "AA"-Rated School Districts With Student Population Above 150,000	1.50%	
Overall Debt to Assessed Valuation	Moody's Median for "Aa"-Rated School Districts With Student Population Above 200,000	2.60%	4.11%
	Standard & Poor's Mean for "AA"-Rated School Districts With Student Population Above 150,000	3.20%	
Direct Debt Per Capita ⁽²⁾	Standard & Poor's Median for "AA"-Rated School Districts With Student Population Above 150,000	\$736	\$2,558
	Standard & Poor's Mean for "AA"-Rated School Districts With Student Population Above 150,000	\$847	
Overall Debt Per Capita ⁽²⁾	Standard & Poor's Median for "AA"-Rated School Districts With Student Population Above 150,000	\$1,665	\$4,208
	Standard & Poor's Mean for "AA"-Rated School Districts With Student Population Above 150,000	\$2,239	

⁽¹⁾ Benchmark Value information in Table A-15 is as set forth in the District's Debt Report for Fiscal Year 2011-12. The District's CAFRs report these calculations differently by adjusting for outstanding bond and COP unamortized premiums and discounts.

⁽²⁾ Per capita debt calculations are based upon the estimated District population of 4.6 million as of June 30, 2012.

Source: Los Angeles Unified School District.

Budget and Finance Policy. The District's Budget and Finance Policy establishes best practices for the District's budget process and establishes a reserve policy for District operations, liabilities and asset/equipment replacement. The operating reserves are used to set aside monies for current year obligations. These reserves include the Reserve for Anticipated Balances, the Reserve for Revolving Cash, Stores, and Prepaid Expenses, the Emergency Reserve, and the Reserve for Economic Uncertainties. The purpose of the liability reserves is to set aside monies for future obligations of the District. Liability reserves include the Liability Self Insurance Account Reserve, the Workers' Compensation Fund Unfunded Liability Reserve, and the Health & Welfare Fund Retirement Benefits for Employees Reserve. The Budget and Finance Policy also created the Special Reserve for Equipment Replacement.

Under State law, the District is required to maintain only one of the operating reserves, the Reserve for Economic Uncertainties. In the Fiscal Year 2012-13 First Interim Report, the Reserve for Economic Uncertainties is projected to be funded at the current legally mandated minimum of 1.0% of the District's General Fund expenditures, or approximately \$65.4 million. The District's other operating reserves may be funded and phased in annually based on the District Board's actions, although the Chief Financial Officer of the District has not recommended any such funding at present.

District Debt

General Obligation Bonds. Pursuant to Sections 15106 and 17422 of the State Education Code, the District's bonding capacity for general obligation bonds is 2.5% of taxable property valuation in the District. The taxable property valuation in the District for Fiscal Year 2012-13 is \$480.0 billion, which results in a total current bonding capacity of approximately \$12.0 billion. The District currently has approximately \$1.045 billion of unused bonding capacity for the issuance of additional general obligation bonds. The District may issue additional general obligation bonds or general obligation refunding bonds in the near future depending upon project needs and market conditions.

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 2011, the District received updated estimates of projected assessed valuation from a private econometrics firm. The econometrics model projected small annual increases in the District's assessed valuation base over the foreseeable future. See "- Assessed Valuation of Property within the District" herein. There remains approximately \$235 million of the Measure R Authorization, approximately \$443 million of the Measure Y Authorization and the entire \$7.0 billion of the Measure Q Authorization. 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.

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 Citizens' Bond Oversight Committee is composed of 16 members representing numerous community groups and operates to inform the public concerning the spending of Measure K, Measure R, Measure Y and Measure Q Authorization bond funds authorized by the Act. The Citizens' 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 January 1, 2013)**

Member	Community Group Represented
Stephen English, Chair	Office of the Controller, City of Los Angeles
John Naimo, Vice-Chair	Office of the Auditor-Controller, County of Los Angeles
Pamela Schmidt, Secretary	Early Education Coalition
Ilene Ashcraft, Executive Committee	Tenth District Parent Teacher Student Association
Maria Cabildo, Executive Committee	LAUSD Parent Representative
Paul Escala	California Charter Schools Association
Eva S. Hain	American Association of Retired Persons
John Hake	Associated General Contractors of California
Robbie Hunter	Los Angeles County Federation of Labor AFL-CIO
Joan Sullivan	Office of the Mayor, City of Los Angeles
Barry Waite	LAUSD Parent Representative
Wendy Watanabe	County of Los Angeles Auditor-Controller
Becki Nadyal	Office of the Mayor, City of Los Angeles
William Brewington	Thirty-First District Parent Teacher Student Association
Elizabeth E. Lugo	United Students
James Herr	L.A. Area Chamber of Commerce
Quynh Ngyuen	Parent Representative
Stuart Magruder	American Institute of Architects

Outstanding General Obligation Bonds. The following Tables A-16, A-17, A-18 and A-19 set forth the outstanding bonds issued under the Proposition BB, Measure K, Measure R and Measure Y Authorizations, respectively, as of January 1, 2013.

TABLE A-16
LOS ANGELES UNIFIED SCHOOL DISTRICT
Proposition BB (Election of 1997) Bonds
(\$ in thousands)

Bonds Issued	Aggregate Principal Amount	Outstanding Amount as of January 1, 2013	Date of Issue
Series A Bonds	\$ 356,000	\$ 49,500	July 22, 1997
Series B Bonds	350,000	--	August 25, 1998
Series C Bonds	300,000	--	August 10, 1999
Series D Bonds	386,655	--	August 3, 2000
Series E Bonds	500,000		April 11, 2002
2002 Refunding Bonds ⁽¹⁾	258,375	175,645	April 17, 2002
Series F Bonds	507,345	17,885	March 13, 2003
2004 Refunding Bonds ⁽¹⁾	219,125	216,900	December 21, 2004
2005 Refunding Bonds ⁽¹⁾	467,675	466,930	July 20, 2005
2006 Refunding Bonds, Series B ⁽¹⁾	254,544	247,322	November 15, 2006
2007 Refunding Bonds, Series A-2 ⁽¹⁾	136,055	136,055	January 31, 2007
2007 Refunding Bonds, Series B ⁽¹⁾	24,845	24,650	February 22, 2007
2009 Refunding Bonds, Series A ⁽¹⁾	51,090	13,010	October 15, 2009
2010 Refunding Bonds, Series A ⁽¹⁾	20,810	19,740	March 4, 2010
2011 Refunding Bonds, Series A-1 ⁽¹⁾	206,735	203,150	November 1, 2011
2012 Refunding Bonds, Series A ⁽¹⁾	970	970	May 8, 2012
TOTAL	\$4,070,224	\$1,597,297	

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

Source: Los Angeles Unified School District.

TABLE A-17

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

Bonds Issued	Aggregate Principal Amount	Outstanding Amount as of January 1, 2013	Date of Issue
Series A Bonds	\$2,100,000	\$ 45,075	March 5, 2003
2006 Refunding Bonds, Series A ⁽¹⁾	132,325	132,235	February 22, 2006
2006 Refunding Bonds, Series B ⁽¹⁾	320,361	309,722	November 15, 2006
2007 Refunding Bonds, Series A-1 ⁽¹⁾	1,153,195	1,130,055	January 31, 2007
Series B Bonds	500,000	435,015	February 22, 2007
Series C Bonds	150,000	130,845	August 16, 2007
Series D Bonds	250,000	228,410	February 19, 2009
Series KRY Bonds (2009) (Federally Taxable Build America Bonds) ⁽²⁾	200,000	200,000	October 15, 2009
2010 Refunding Bonds, Series A ⁽¹⁾	54,185	52,830	March 4, 2010
Series KRY Bonds (2010) (Tax-Exempt) ⁽³⁾	149,140	145,250	March 4, 2010
Series KY (2010) (Tax Exempt) ⁽⁴⁾	860	860	May 6, 2010
2011 Refunding Bonds, Series A-2 ⁽¹⁾	201,070	197,635	November 1, 2011
2012 Refunding Bonds, Series A ⁽¹⁾	59,190	59,190	May 8, 2012
TOTAL	\$5,270,326	\$3,067,213	

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

⁽²⁾ \$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.

⁽³⁾ \$149.14 million principal amount of the District's \$478.6 million Series KRY (2010)(Tax-Exempt) is allocable to the Measure K Authorization.

⁽⁴⁾ \$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-18

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

Bonds Issued	Aggregate Principal Amount	Outstanding Amount as of January 1, 2013	Date of Issue
Series C Bonds	\$ 50,000	\$ 35,355	September 23, 2004
Series E Bonds	400,000	218,770	August 10, 2005
Series F Bonds	500,000	421,605	February 16, 2006
Series G Bonds	400,000	323,950	August 17, 2006
Series H Bonds	550,000	462,715	August 16, 2007
Series I Bonds	550,000	505,425	February 19, 2009
2009 Refunding Bonds, Series A ⁽¹⁾	23,675	13,010	October 15, 2009
Series KRY Bonds (2009) (Federally Taxable Build America Bonds) ⁽²⁾	363,005	363,005	October 15, 2009
Series KRY Bonds (2009) (Tax-Exempt) ⁽³⁾	36,995	29,150	October 15, 2009
Series RY Bonds (2010) (Federally Taxable Build America Bonds) ⁽⁴⁾	477,630	477,630	March 4, 2010
Series KRY Bonds (2010) (Tax-Exempt) ⁽⁵⁾	157,165	157,165	March 4, 2010
2012 Refunding Bonds, Series A ⁽¹⁾	95,840	<u>95,840</u>	May 8, 2012
TOTAL	<u>\$3,604,310</u>	<u>\$3,103,620</u>	

⁽¹⁾ Refunding bonds do not count against the Measure R Authorization of \$3.87 billion.

⁽²⁾ \$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.

⁽³⁾ \$36.995 million principal amount of the District's \$205.8 million Series KRY (2009) (Tax-Exempt) is allocable to the Measure R Authorization.

⁽⁴⁾ \$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.

⁽⁵⁾ \$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-19

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

Bonds Issued	Aggregate Principal Amount	Outstanding Amount as of January 1, 2013	Date of Issue
Series A Bonds	\$ 56,785	\$ 16,025	February 22, 2006
Series B Bonds	80,200	18,875	February 22, 2006
Series C Bonds	210,000	168,345	February 22, 2006
Series D Bonds	47,400	15,395	February 22, 2006
Series E Bonds	300,000	263,430	August 16, 2007
Series F Bonds	150,000	137,425	February 19, 2009
Series G Bonds	5,615	5,615	October 15, 2009
Series KRY Bonds (2009) (Federally Taxable Build America Bonds) ⁽¹⁾	806,795	806,795	October 15, 2009
Series KRY Bonds (2009) (Tax-Exempt) ⁽²⁾	168,790	110,105	October 15, 2009
Series H Bonds (2009) (Qualified School Construction Bonds)	318,800	318,800	October 15, 2009
Series KRY Bonds (2010) (Tax-Exempt)	172,270	130,450	March 4, 2010
Series I Bonds (2010)(Federally Taxable)	3,795	3,795	March 4, 2010
Series RY Bonds (2010) (Federally Taxable Build America Bonds)	772,955	772,955	March 4, 2010
Series KY Bond (2010) (Tax-Exempt) ⁽⁵⁾	158,635	130,220	May 6, 2010
Series J (Qualified School Construction Bonds)	290,195	290,195	May 6, 2010
TOTAL	\$3,542,235	\$3,188,425	

⁽¹⁾ \$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.

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

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

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

⁽⁵⁾ \$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.

Certificates of Participation. As of January 1, 2013, the District had outstanding lease obligations issued in the form of COPs in the aggregate principal amount of approximately \$395.5 million, excluding COPs that are economically defeased. Outstanding lease obligations represent approximately \$525.1 million in total debt service, based upon the assumed receipt of a direct cash subsidy payment from the United States Department of the Treasury equal to 35% of the interest evidenced by the District's Certificates of Participation 2010 Series B-1 (Federally Taxable Direct Pay Build America Bonds) (Capital Projects I). The following Table A-20 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 January 1, 2013.

TABLE A-20

LOS ANGELES UNIFIED SCHOOL DISTRICT
Certificates of Participation Lease Obligations Debt Service Schedule⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾
(as of January 1, 2013)
(\$ in thousands)

Fiscal Year Ending (June 30)	Paid from General Fund	Paid from Cafeteria Fund⁽³⁾	Paid From Developer Fees⁽³⁾	Fiscal Year Total Debt Service
2013	\$ 6,908	\$ 393	\$ 1,108	\$ 8,409
2014	36,484	786	9,577	46,847
2015	40,514	4,963	9,574	55,051
2016	38,017	4,963	9,574	52,555
2017	37,396	4,963	9,575	51,934
2018	26,767	4,963	16,886	48,617
2019	24,732	4,963	--	29,695
2020	24,641	2,482	--	27,123
2021	24,547	--	--	24,547
2022	17,231	--	--	17,231
2023	17,150	--	--	17,150
2024	16,416	--	--	16,416
2025	15,828	--	--	15,828
2026	16,032	--	--	16,032
2027	16,010	--	--	16,010
2028	15,990	--	--	15,990
2029	15,954	--	--	15,954
2030	13,820	--	--	13,820
2031	13,789	--	--	13,789
2032	13,762	--	--	13,762
2033	2,088	--	--	2,088
2034	2,083	--	--	2,083
2035	2,084	--	--	2,084
2036	<u>2,079</u>	<u>--</u>	<u>--</u>	<u>2,079</u>
	<u>\$ 440,320</u>	<u>\$28,478</u>	<u>\$ 56,294</u>	<u>\$525,093</u>

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

⁽²⁾ The lease payments reflect the net obligations of the District, due to the defeasance of certain COPs.

⁽³⁾ In the event that insufficient developer fees or cafeteria funds are available to pay these respective lease obligations, the District General Fund is obligated to pay these obligations, subject to the terms of the applicable leases. However, such fees have been sufficient to date to pay these lease obligations. Debt service payments for the Fiscal Year 2017-18 will be paid in part from funds in a debt service reserve fund.

⁽⁴⁾ Assumes receipt of a direct cash subsidy payment from the United States Department of Treasury in an amount equal to 35% of the interest evidenced by the District's Certificates of Participation 2010 Series B-1 (Federally Taxable Direct Pay Build America Bonds)(Capital Projects I).

Source: Los Angeles Unified School District.

Other Long-Term Obligations. The following Table A-21 summarizes the District's other long-term obligations, which exclude outstanding general obligation bonds and COPs, as of June 30, 2012.

TABLE A-21

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

	Balance as of June 30, 2012
Self-Insurance Claims	\$ 507,738
Net Pension Obligation – OPEB ⁽¹⁾⁽²⁾	3,995,038
Liability for Employee Benefits	108,431
Revolving loan and other loans ⁽³⁾	792
Capital lease/obligations	2,185
Arbitrage payable	<u>1,080</u>
TOTAL	<u>\$4,615,264</u>

⁽¹⁾ Pursuant to Statement No. 45, OPEB expense in an amount equal to annual OPEB cost is recognized in government-wide financial statements on an accrual basis. Net OPEB obligations, if any, including amounts associated with under- or over-contributions from governmental funds, are to be displayed as liabilities (or assets) in government-wide financial statements. The Statement No. 45 reporting requirements for the District became effective during Fiscal Year 2007-08.

⁽²⁾ 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.

⁽³⁾ Includes the Children's Care Facilities Revolving Loan and California Energy Commission Loan.

Source: Los Angeles Unified School District Comprehensive Annual Financial Report for Fiscal Year 2011-12.

Tax and Revenue Anticipation Notes. The District has issued tax and revenue anticipation notes annually since Fiscal Year 1990-91 to fund shortfalls due to timing differences between receipts and disbursements. In July 2012, the District issued its \$190,000,000 principal amount 2012-2013 Tax and Revenue Anticipation Notes, Series A-1 (the "Series A-1 Notes"), the \$50,000,000 principal amount 2012-2013 Tax and Revenue Anticipation Notes, Series A-2 (the "Series A-2 Notes") and the \$360,000,000 principal amount 2012-2013 Tax and Revenue Anticipation Notes, Series A-3 (the "Series A-3 Notes" and, together with the Series A-1 Notes and the Series A-2 Notes, the "2012-13 Series A Notes"). The District has set aside and deposited in the Repayment Account an amount sufficient to fully and timely pay principal of and interest on the Series A Notes on February 28, 2013, the maturity date therefor.

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 taxable property valuation in the District for Fiscal Year 2012-13 is approximately \$480.0 billion, which results in a total bonding capacity of approximately \$12.0 billion for the District, of which approximately \$1.045 billion is unused.

The District may issue additional general obligation bonds or general obligation refunding bonds depending upon project needs and market conditions. 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. See “ - District Fiscal Policies - Debt Management Policy” herein.

Tax and Revenue Anticipation Notes. The District may issue tax and revenue anticipation notes in Fiscal Year 2013-14 (“2013-14 TRANs”), the principal amount of which, together with the interest thereon, will be payable from certain taxes, income, revenue, cash receipts and other moneys of the District, received by the District for the General Fund of the District during Fiscal Year 2013-14 or accrued during Fiscal Year 2013-14 and which are generally available for the payment of current expenses and other obligations of the District, as provided by California law. If issued, such 2013-14 TRANs would be general obligations of the District payable only out of the revenues pledged therefor and from any other moneys of the District lawfully available therefor.

Overlapping Debt Obligations

Set forth on Table A-22 on the following page is the Debt Report prepared by California Municipal Statistics Inc., which provides information with respect to direct and overlapping debt within the District as of January 1, 2013 (the “Debt Report”). The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representations in connection therewith. The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The first column in Table A-22 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-22) 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-22
LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Direct and Overlapping Bonded Debt
As of January 1, 2013

2012-13 Assessed Valuation: \$480,075,491,096

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 1/1/13</u>
Los Angeles County Flood Control District	45.249%	\$ 16,830,366
Metropolitan Water District	22.791	44,794,571
Los Angeles Community College District	80.533	2,794,297,794
Pasadena Area Community College District	0.001	1,042
Los Angeles Unified School District	100.000	10,945,695,000⁽¹⁾
City of Los Angeles	99.930	1,102,512,701
Other Cities	Various	39,596,818
Palos Verdes Library District	4.805	220,069
City Community Facilities Districts	100.000	132,435,000
City of Los Angeles Landscaping and Special Tax Assessment Districts	99.930	42,270,390
Other City and Special District 1915 Act Bonds	99.832 -100.000	23,325,288
Los Angeles County Regional Park & Open Space Assessment District	44.162	63,094,249
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		<u>\$15,205,073,288</u>
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Los Angeles County General Fund Obligations	44.099%	\$ 768,989,141
Los Angeles County Superintendent of Schools Certificates of Participation	44.099	4,576,259
Los Angeles Unified School District Certificates of Participation	100.000	395,461,030
City of Los Angeles General Fund and Judgment Obligations	99.930	1,879,218,626
Other City General Fund and Pension Obligations	Various	184,073,833
Los Angeles County Sanitation District Nos. 1,2,4,5,8,9,16 & 23 Authorities	Various	39,876,077
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		<u>\$3,272,194,966</u>
Less: Los Angeles County General Fund Obligations supported by landfill revenues		7,363,723
Los Angeles Unified School District Qualified Zone Academy Bonds:		
Amount set-aside in Building Fund to make payments on 2005 QZAB		542,407
Amount accumulated in Sinking Fund for repayment of 2005 QZAB		4,509,646
City self-supporting bonds		20,528,598
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		<u>\$3,239,250,592</u>
 <u>OVERLAPPING TAX INCREMENT DEBT:</u>		
City of Los Angeles Redevelopment Agency	100.000%	\$ 622,109,181
Other Redevelopment Agencies	various	407,977,980
TOTAL OVERLAPPING TAX INCREMENT DEBT		<u>\$1,030,087,161</u>
 GROSS COMBINED TOTAL DEBT		\$19,507,355,415 ⁽¹⁾
NET COMBINED TOTAL DEBT		\$19,474,411,041

⁽¹⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2012-13 Assessed Valuation:

Direct Debt (\$10,945,695,000)	2.38%
Total Overlapping Tax and Assessment Debt.....	3.17%
Gross Combined Direct Debt (\$11,341,156,030)	2.36%
Net Combined Direct Debt (\$11,336,103,977).....	2.36%
Gross Combined Total Debt.....	4.06%
Net Combined Total Debt.....	4.06%

Ratios to Redevelopment Incremental Valuation (\$42,944,468,566):

Total Overlapping Tax Increment Debt	2.40%
--------------------------------------	-------

Source: California Municipal Statistics, Inc.

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 2012 Assessment Roll reflects a 2.24% increase in assessed value in the County. Under State law, property is subject to annual reviews that are initiated by the related county's assessor relating to decline-in-value in addition to Proposition 8 Reassessment reviews initiated by property owners. See " - Legislation Implementing Article XIII A" herein. In calendar year 2012, the Officer of the Assessor of the County of Los Angeles received 40,000 assessment appeals, which was a increase from the 36,4000 assessment appeals received in calendar year 2010. Decline-in-value changes and other adjustments reduced the County's total assessed valuation by approximately \$10.46 billion for Fiscal Year 2011-12. The decline-in-value changes and other adjustments for 2011-12 for the County were offset by, among other things, increases of \$12.8 billion attributable to properties sold and transferred, \$15.1 billion attributable to Proposition 13 inflation adjustments and \$5.0 billion attributable to new construction. Foreclosures in the County declined by approximately 5.4% in 2011 relative to 2010, from 31,700 to 30,000.

The following Table A-23 sets forth the gross assessed valuation of taxable property within the boundaries of the District in Fiscal Years 2003-04 through 2012-13.

TABLE A-23
LOS ANGELES UNIFIED SCHOOL DISTRICT
Historical Gross Assessed Valuation of Taxable Property⁽¹⁾
Fiscal Years 2003-04 through 2012-13
(\$ in thousands)

Fiscal Year	Secured⁽²⁾	Unsecured	Total⁽²⁾	Change From Prior Year	Percent Change
2003-04	\$287,673,344	\$20,855,436	\$308,528,780	\$21,002,845	7.30%
2004-05	311,419,822	20,505,315	331,925,137	23,396,357	7.58
2005-06	343,302,944	20,566,535	363,869,479	31,944,342	9.62
2006-07	382,212,502	20,396,335	402,608,837	38,739,358	10.65
2007-08	419,052,509	21,861,881	440,914,390	38,305,553	9.51
2008-09	451,191,875	23,597,923	474,789,798	33,875,408	7.68
2009-10	451,127,882	23,849,408	474,977,290	187,493	0.04
2010-11	442,092,473	21,753,078	463,845,551	(11,131,739)	(2.34)
2011-12	447,830,204	21,265,021	469,095,225	5,249,674	1.13
2012-13	458,767,052	21,308,438	480,075,491	10,980,266	2.34

⁽¹⁾ Full cash value.

⁽²⁾ Includes utility valuations.

Sources: Los Angeles Unified School District Comprehensive Annual Financial Report for Fiscal Years 2002-03 through 2009-10;
Los Angeles County Auditor-Controller for Fiscal Years 2010-11, 2011-12 and 2012-13.

The following Table A-24 sets forth the assessed valuation by land use of property within the District in Fiscal Year 2012-13.

TABLE A-24
LOS ANGELES UNIFIED SCHOOL DISTRICT
Assessed Valuation and Parcels by Land Use
Fiscal Year 2012-13

	2012-13 Assessed Valuation⁽¹⁾	% of Total	No. of Parcels	% of Total
Non-Residential:				
Commercial/Office Building	\$ 79,534,017,810	17.34%	49,762	5.35%
Industrial	47,769,010,202	10.42	24,223	2.61
Recreational	1,975,354,974	0.43	911	0.10
Government/Social/Institutional	3,357,616,259	0.73	5,384	0.58
Miscellaneous	<u>347,297,096</u>	<u>0.08</u>	<u>812</u>	<u>0.09</u>
Subtotal Non-Residential	\$132,983,296,341	29.00%	81,092	8.72%
Residential:				
Single Family Residence	\$194,855,887,021	42.49%	555,393	59.73%
Condominium/Townhouse	41,742,180,747	9.10	129,974	13.98
Mobile Home Related	375,586,719	0.08	316	0.03
2-4 Residential Units	30,372,709,064	6.62	96,301	10.36
5+ Residential Units/Apartments	51,009,783,747	11.12	40,105	4.31
Miscellaneous Residential	<u>36,977,412</u>	<u>0.01</u>	<u>180</u>	<u>0.02</u>
Subtotal Residential	\$318,393,124,710	69.43%	822,269	88.44%
Vacant Parcels	\$ 7,208,689,527	1.57%	26,429	2.84%
Total	\$458,585,110,578	100.00%	929,790	100.00%

⁽¹⁾ Local Secured Assessed Valuation for Fiscal Year 2012-13, excluding tax-exempt property, local utility and non-unitary valuations.

Source: California Municipal Statistics, Inc.

The following Table A-25 sets forth the distribution of single-family homes within the District within various assessed valuation ranges in Fiscal Year 2012-13.

TABLE A-25
LOS ANGELES UNIFIED SCHOOL DISTRICT
Assessed Valuations of Single Family Homes Per Parcel
Fiscal Year 2012-13

	No. of Parcels	2011-12 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single-Family Residential	555,393	\$194,855,887,021	\$350,843	\$256,520

2011-12 Assessed Valuation	No. of Parcels ⁽¹⁾	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$49,999	5,019	0.904%	0.904%	\$75,806,976	0.039%	0.039%
\$50,000 - \$99,999	59,816	10.770	11.674	4,440,081,864	2.279	2.318
\$100,000 - \$149,999	57,070	10.276	21.949	7,237,959,820	3.715	6.032
\$150,000 - \$199,999	69,129	12.447	34.396	11,995,333,209	6.156	12.188
\$200,000 - \$249,999	79,281	14.275	48.671	17,676,808,884	9.072	21.260
\$250,000 - \$299,999	63,415	11.418	60.089	17,354,085,485	8.906	30.166
\$300,000 - \$349,999	44,200	7.958	68.047	14,342,192,800	7.360	37.526
\$350,000 - \$399,999	32,323	5.820	73.867	12,151,120,744	6.236	43.762
\$400,000 - \$449,999	25,440	4.581	78.448	10,808,998,080	5.547	49.309
\$450,000 - \$499,999	18,663	3.360	81.808	8,885,304,996	4.560	53.869
\$500,000 - \$549,999	16,141	2.906	84.714	8,484,694,201	4.354	58.224
\$550,000 - \$599,999	13,209	2.378	87.093	7,577,276,805	3.889	62.112
\$600,000 - \$649,999	10,741	1.934	89.027	6,720,504,067	3.449	65.561
\$650,000 - \$699,999	8,742	1.574	90.601	5,927,967,684	3.042	68.604
\$700,000 - \$749,999	7,333	1.320	91.921	5,350,413,455	2.746	71.349
\$750,000 - \$799,999	6,317	1.137	93.058	4,901,758,271	2.516	73.865
\$800,000 - \$849,999	5,329	0.960	94.018	4,403,405,990	2.260	76.125
\$850,000 - \$899,999	4,483	0.807	94.825	3,932,102,062	2.018	78.143
\$900,000 - \$949,999	4,512	0.812	95.637	4,171,091,328	2.141	80.283
\$950,000 - \$999,999	3,690	0.664	96.302	3,600,702,000	1.848	82.131
\$1,000,000 and greater	<u>20,540</u>	<u>3.698</u>	100.000	<u>34,818,278,300</u>	<u>17.869</u>	100.000
Total	<u>555,393</u>	<u>100.000%</u>		<u>\$194,855,887,021</u>	<u>100.000%</u>	

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

Source: California Municipal Statistics, Inc.

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

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

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

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

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

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

The County levies a 1% *ad valorem* property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of "situated" 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 A-26 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 2002-03 through 2012-13.

TABLE A-26
LOS ANGELES UNIFIED SCHOOL DISTRICT
Property Tax Rates⁽¹⁾
Fiscal Years 2002-03 through 2012-13

Fiscal Year	District Tax Rate for District's State School Loan Repayment	Tax Rate for District's General Obligation Bonds⁽²⁾	General <i>Ad Valorem</i> Tax Rate Levied on District Property Owners⁽³⁾	Total Overlapping Tax Rate Levied on District Property Owners	Total Tax Rate Levied on District Property Owners
2002-03	0.000107%	0.036866%	1.000000%	0.050926%	1.087899%
2003-04	0.000160	0.076985	1.000000	0.058128	1.135273
2004-05	0.000143	0.088696	1.000000	0.062701	1.151540
2005-06	0.000107	0.084239	1.000000	0.057333	1.141679
2006-07	0.000079	0.106735	1.000000	0.050769	1.157583
2007-08	0.000040	0.123302	1.000000	0.042551	1.165893
2008-09	0.000058	0.124724	1.000000	0.042841	1.167623
2009-10	--	0.151809	1.000000	0.045520	1.197329
2010-11	--	0.186954	1.000000	0.042595	1.229549
2011-12	--	0.168187	1.000000	N/A	N/A
2012-13	--	0.175606	1.000000	N/A	N/A

⁽¹⁾ Per \$100 of Assessed Valuation.

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

⁽³⁾ 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, 2012; Los Angeles County Auditor-Controller for the Fiscal Year ending June 30, 2013.

The following Table A-27 sets forth real property taxes in the District from Fiscal Years 2002-03 through 2011-12.

TABLE A-27
LOS ANGELES UNIFIED SCHOOL DISTRICT
Property Tax Levies and Collections
Fiscal Years 2002-03 through 2011-12
(\$ in thousands)

Fiscal Year	Total Tax Levy	ERAF Funds⁽¹⁾	Current Tax Collections
2002-03	\$ 656,436	\$536,530	\$1,190,192
2003-04	821,820	576,038	1,386,560
2004-05	929,248	171,052	1,091,325
2005-06	991,275	76,068	1,026,351
2006-07	1,173,752	--	1,134,757
2007-08	1,345,503	(42,753)	1,241,733
2008-09	1,481,739	(2,660)	1,372,078
2009-10	1,597,579	41,685	1,505,933
2010-11	1,711,575	29,419	1,602,345
2011-12	1,663,061	(3,533)	1,520,001

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

Source: Los Angeles Unified School District Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2012.

Largest Taxpayers in the District. The following Table A-28 sets forth the 20 largest secured taxpayers in the District for Fiscal Year 2012-13.

TABLE A-28
LOS ANGELES UNIFIED SCHOOL DISTRICT
Largest Local Secured Taxpayers
Fiscal Year 2012-13

	Property Owner	Primary Land Use	2012-13 Assessed Valuation	% of Total⁽²⁾
1.	Douglas Emmett Realty Funds	Office Building	\$2,324,435,947	0.51%
2.	Universal Studios LLC	Motion Picture Studio	1,404,382,814	0.31
3.	Anheuser Busch Inc.	Industrial	864,021,914	0.19
4.	One Hundred Towers LLC	Office Building	594,497,578	0.13
5.	Donald T. Sterling	Apartments	587,974,027	0.13
6.	LA Live Properties LLC	Commercial/Recreational	533,894,761	0.12
7.	Paramount Pictures Corp.	Motion Picture Studio	513,058,461	0.11
8.	Tishman Speyer Archstone Smith	Apartments	504,859,176	0.11
9.	Duesenberg Investment Company	Office Building	497,714,168	0.11
10.	BRE Properties Inc.	Apartments	470,359,967	0.10
11.	Century City Mall LLC	Shopping Center/Mall	468,776,965	0.10
12.	Taubman Beverly Center	Shopping Center/Mall	467,938,509	0.10
13.	Westfield Topanga Owner LP	Shopping Center/Mall	452,159,792	0.10
14.	Casden Park La Brea LLC	Apartments	447,005,219	0.10
15.	Twentieth Century Fox Film Corp.	Motion Picture Studio	386,443,590	0.08
16.	Trizec 333 LA LLC	Office Building	383,700,000	0.08
17.	Next Century Associates LLC	Hotel	372,922,426	0.08
18.	1999 Stars LLC	Office Building	357,311,297	0.08
19.	BP West Coast Products LLC	Industrial	351,348,186	0.08
20.	AP Properties Ltd.	Office Building	340,165,740	0.07
			<u>\$12,322,970,537</u>	<u>2.69%</u>

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

⁽²⁾ Percentages are based upon total Fiscal Year 2012-13 Local Secured Assessed Valuation of \$458,585,110,578, 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.

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

identified for participation in State intervention programs, which are designed to help the school improve its academic performance. Under federal NCLB Act requirements, the API is one of the factors for determining AYP.

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 745 for Fiscal Year 2011-12, which is an increase of 16 points from the District's API score for Fiscal Year 2010-11, although the District's mean API scores for elementary schools, middle schools and high schools are lower than the Statewide API target of 800. However, approximately one-third of the District's schools have obtained or surpassed the statewide target. The District attributes its improved API performance to the implementation of a focused academic curriculum with rigorous standards in the core subjects, including reading and mathematics.

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

In addition, the NCLB Act requires that each LEA identified for Program Improvement take a variety of actions, including but not limited to developing or revising an improvement plan, promptly implementing that plan and informing parents of the LEA's Program Improvement status. Failure to achieve AYP in three consecutive years will result in corrective action by the state education agency. As of April 2012, the State had identified more than 200 school districts, including the District, and county offices of education in California for Program Improvement Year 3 Corrective Action, Year 4 Corrective Action and Year 5 Corrective Action due to their respective failures to meet or exceed AYP goals for at least four consecutive years. Based upon the year or program improvement status, a local education agency may be required to incur additional expenditures relating to, among other things, pupil transportation to schools that have met AYP or the provision of supplemental educational services. Schools that are in Year 5 Corrective Action and beyond may close and reopen as charter schools, transfer management to private entities or the State, replace staff, contract with private management companies, or undergo major governance restructuring. See "District General Information - Public School Choice Program" herein.

More than 300 schools and independent charter schools within the District's boundaries have been identified for Program Improvement Year 3 Corrective Action, Year 4 Corrective Action and Year 5 Corrective Action due to their respective failures to meet or exceed AYP goals for at least four consecutive years. The District has adopted an LEA Program Improvement Plan designed to address these academic performance concerns and has received additional categorical funding from the State for this purpose. The State Board of Education may invoke additional sanctions for Program Improvement LEAs in corrective action at any time. The District continues to work with the State during the State's evaluation process. The District does not expect its Program Improvement status or the Program Improvement status of individual schools to jeopardize the availability of federal or State categorical funding.

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

In September 2011, the United States Secretary of Education announced a policy pursuant to which the federal government will provide to States and local education agencies, subject to an application and approval process, waivers to certain existing requirements set forth in 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 State’s application to the Department of Education seeking waivers to certain existing requirements set forth in the NCLB Act was denied in December 2012. The District cannot predict what actions the District 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.

Public School Choice Program

In August 2009, the District Board authorized the “Public School Choice Program” under which the District invited operational and instructional plans from school planning teams, local communities, pilot school operators, labor partners, charter schools and others to operate the District’s new schools and Program Improvement-3+ schools identified by the Superintendent and authorized under the NCLB Act. The application process requires approval of a plan by, among others, local review teams, and an advisory panel selected by the Superintendent. The District Board makes the final decision regarding each application. Schools that participate in the Public School Choice Program may be operated as traditional schools, pilot schools, iDesign schools, magnet schools, affiliated charter schools or independent charter schools.

In December 2011, the District and UTLA (defined herein) entered into an agreement pursuant to which proposals from non-District affiliated applicants to operate schools pursuant to the Public School Choice Program are suspended for Fiscal Years 2011-12 through 2013-14. In addition, during such period, the Public School Choice program will be limited to applicants who provide plans that rely on District employees to staff the school’s faculty positions. The agreement further provides that schools that continue to underperform or fail to meet designated benchmarks will continue to be subject to the interventions set forth in the NCLB Act, excluding the transfer of operational control to a non-District operator.

STATE FUNDING OF EDUCATION

General

Public school district revenues consist primarily of guaranteed State moneys, *ad valorem* property taxes and funds received from the State and federal government in the form of categorical aid, which are amounts restricted to specific categories of use, under various ongoing programs. All State apportionment of

revenue limit aid (“State Aid”) is subject to the appropriation of funds in the State’s annual budget. Decreases in State revenues may affect appropriations made by the State Legislature to the District. See “District Financial Information” herein.

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

School districts in the State have historically received most of their revenues under a formula known as the “revenue limit.” Each school district’s revenue limit, which is funded by State moneys and local *ad valorem* property taxes from the general 1% *ad valorem* property tax levy, is allocated based on the ADA of each school district for either the current or preceding school year. Each school district receives a portion of the local *ad valorem* property taxes that are collected from the general 1% *ad valorem* property tax levy within its district boundaries. Generally, State Aid to a school district will amount to the difference between the school district’s revenue limit and the school district’s local property tax allocation from the general 1% *ad valorem* property tax levy. During Fiscal Year 2011-12, approximately 50.46% 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.

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

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

ADA is reported by school districts each year in April, July and December. Revenue limit calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among school districts in the State of similar type (i.e., unified school districts, high school districts or elementary school districts) and size (e.g., large or small).

The calculation of the amount of State Aid a school district is entitled to receive each year is basically a five-step process. First, the prior year school district revenue limit per ADA is established, with recalculations as are necessary for adjustments for equalization or other factors. Second, the adjusted prior year revenue limit per ADA is inflated according to formulas based on the implicit price deflator for government goods and services and the statewide average revenue limit per ADA for school districts.

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

The following Table A-29 sets forth the District's revenue limit per unit of ADA from Fiscal Years 2003-04 through 2011-12 and projected revenue limit per unit of ADA for Fiscal Year 2012-13.

TABLE A-29
LOS ANGELES UNIFIED SCHOOL DISTRICT
K-12 Base Revenue Limit Per Unit of Average Daily Attendance
Fiscal Years 2003-04 through 2012-13

Fiscal Year	K-12 Base Revenue Limit ⁽¹⁾
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 ⁽²⁾

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

⁽²⁾ Estimated.

Source: Los Angeles Unified School District Comprehensive Annual Financial Report for Fiscal Years 2003-04 through 2011-12 and Fiscal Year 2012-13 First Interim Financial Report.

The following Table A-30 sets forth the deficit factor and COLA from Fiscal Years 2002-03 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%.

TABLE A-30

LOS ANGELES UNIFIED SCHOOL DISTRICT
Deficit Factor and Cost of Living Adjustment
Fiscal Years 2002-03 through 2011-12

Fiscal Year	Deficit Factor	Cost of Living Adjustment
2002-03	0.000%	2.00%
2003-04	3.002	1.86
2004-05	2.143	2.41
2005-06	0.892	4.23
2006-07	0.000	5.92
2007-08	0.000	4.53
2008-09	7.844	5.66
2009-10	18.355	4.25 ⁽¹⁾
2010-11	17.963	(0.39)
2011-12	20.602 ⁽²⁾	2.24
2012-13	22.272	2.24

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

⁽²⁾ 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.

As of June 30, 2012, the District projected enrollment declines of 5.43% for Fiscal Year 2012-13, 3.89% for Fiscal Year 2013-14 and 3.66% for Fiscal Year 2014-15 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-31 sets forth the District's annual ADA record for Fiscal Year 2003-04 through 2012-13.

TABLE A-31

LOS ANGELES UNIFIED SCHOOL DISTRICT
Annual Average Daily Attendance
Fiscal Years 2003-04 through 2012-13

Fiscal Year	K-12⁽¹⁾⁽²⁾	Affiliated Charter Schools⁽³⁾⁽⁴⁾	Total
2003-04	666,169	5,143	671,312
2004-05	654,308	5,990	660,298
2005-06	633,013	5,958	638,971
2006-07	614,487	5,936	620,423
2007-08	599,799	6,482	606,281
2008-09	588,372	6,655	595,027
2009-10	570,057	6,906	576,963
2010-11	557,584	7,866	565,450
2011-12	534,093	13,499	547,592
2012-13 ⁽⁵⁾	504,862	28,665	533,527

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

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

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

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

(5) Estimated.

Source: Los Angeles Unified School District Comprehensive Annual Financial Report for Fiscal Years 2003-04 through 2011-12; Fiscal Year 2012-13 First Interim Financial Report.

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 A-27 herein 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" herein.

Proposition 1A (defined herein) generally prohibited the State from shifting to schools or community colleges any share of *ad valorem* property tax revenues allocated from the 1% levy to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Proposition 1A provided, however, that beginning in Fiscal Year 2008-09, the State could shift to schools and community colleges up to 8% of local government property tax revenues from the general 1% *ad valorem* property tax levy, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe State financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. Notwithstanding the aforementioned shifts in property tax revenues in prior years, certain levels of funding are guaranteed as described in "- Proposition 98" below. *Ad valorem* property taxes levied to pay debt service on the District's general obligation bonds, are not subject to the shifts described above for *ad valorem* property taxes provided from the 1% levy. Further, the State's ability to initiate future exchanges and shifts of funds will be limited by Proposition 22. See "California Constitutional and Statutory Provisions relating to *Ad Valorem* Property Taxes, District Revenues and Appropriations—Proposition 1A" and

“- Proposition 22” and “State Funding of Education - Litigation Regarding Redevelopment Agency Revenues and Education Expenditures” 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, 2012, there were 19 affiliated charter schools operated by the District and 179 fiscally independent charter schools within the District’s boundaries. In Fiscal Years 2010-11 and 2011-12, the revenue limit ADA for the District’s affiliated charter schools was estimated to be 7,866 and 13,499, respectively.

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

In November 2010, the District Board approved the “Quality Schools Compact,” which commits the District and leaders of charter schools to improve the way that they work together over the next five years in order to increase the numbers of students attending traditional schools and charter schools. Pursuant to the Quality Schools Compact, the District has agreed to, among other things, work with charter schools to increase funding for all students attending public schools. The Quality Schools Compact approves a policy whereby traditional schools and charter schools will collaborate to procure products and services. In addition, the District and interested charter schools will consider options that allow traditional schools and charter schools to meet short-term working capital needs through, among other things, the issuance of tax and revenue anticipation notes with due consideration given to the cost to the District. The District does not presently expect to issue tax and revenue anticipation notes on behalf of any fiscally independent charter school in Fiscal Year 2012-13.

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 proposes to fully fund the Proposition 98 minimum guarantee.

Assembly Bill No. 6 ("ABx8 6"), which was adopted in March 2010, authorized the State to eliminate the sales tax on gasoline and replace it with an excise tax. The elimination of the sale tax on gasoline would reduce the State General Fund. Under current law, any reduction in the State General Fund could reduce the minimum guarantee under Proposition 98. Pursuant to ABx8 6, the State Director of Finance is directed to adjust the percentage of State General Fund revenues appropriated for school districts and community college districts such that the provisions of ABx8 6 will have no net fiscal impact upon the amounts that are otherwise required to be applied by the State for the support of school districts and community college districts pursuant to Proposition 98. However, there can be no assurances that any action taken by the State Director of Finance will not adversely affect Proposition 98 revenues. See " - State Budget—State Budget for Fiscal Year 2012-13", " - Proposed State Budget for Fiscal Year 2012-13" 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.

On September 28, 2011, the District and four other petitioners filed a complaint for declaratory and injunctive relief, entitled *California School Boards Association, et al. v. State of California, et al.* (the "Proposition 98 Complaint") in the Superior Court of the State of California located in the County of San Francisco. The Proposition 98 Complaint alleged, among other things, that the 2011-12 State Budget Act violated the State's constitutional obligation to fund public education. Pursuant to the 2011-12 State Budget Act, the State diverted a portion of the State's Sales and Use tax revenues from the State General Fund to counties and cities and thereby excluded such revenues from the calculation of the required Proposition 98 minimum funding guarantee. See "State Funding of Education - State Budget - Fiscal Year 2011-12 State Budget" herein. The petitioners alleged that the State improperly lowered the Proposition 98 minimum funding guarantee by redefining these revenues, which were expected to total approximately \$5.1 billion in Fiscal Year 2011-12 as "not General Fund revenues". Accordingly, the aggregate amount of General Fund revenues used to calculate the minimum guarantee under Test 1 of Proposition 98 was reduced. Due to this action, among other things, the petitioners alleged that the minimum funding requirement set forth in the 2011-12 State Budget Act was at least \$2.1 billion less than the amount required by Proposition 98. See "California Constitutional and Statutory Provisions relating to *Ad Valorem* Property Taxes, District Revenues and Appropriations - Proposition 98" herein. The 2011-12 State Budget Act provided that the modified calculation may be terminated if voters approve certain ballot measures at or prior to the statewide election in November 2012. In the alternative, the State could adopt a five year repayment plan. The petitioners alleged that neither option would satisfy the minimum guarantee under Proposition 98 and requested a judicial declaration directing the State to recalculate the minimum guarantee under Proposition 98 and implement such recalculation in a manner to ensure that school and community college districts do not receive less than the constitutionally required minimum level of funding.

In June 2012, the Superior Court for the County of San Francisco ruled that the State can reduce funding to education by diverting State revenues into different funds rather than the State's General Fund without violating the minimum funding requirement of Proposition 98. In July 2012, California School Boards Association's Education Legal Alliance, the Association of California School Administrators, the San Francisco Unified School District, the Turlock Unified School District, and the District filed an appeal challenging the Superior Court's ruling that asserted that the State Constitution and ballot language do not guarantee a certain level of base funding for schools under Proposition 98. The District cannot predict whether any of the parties listed in the Proposition 98 Complaint will prevail on appeal, and if so, how any final court decision with respect to the Proposition 98 Complaint would affect the financial status of the District, as the nature of any court's remedy and the responses of the State Legislature, the State Attorney General and the Governor are unknown.

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

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

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 2012-13 State Budget Act. On June 28, 2012, the Governor signed the State Budget Act for Fiscal Year 2012-13 (the "2012-13 State Budget Act") which approved legislation to eliminate a previously projected deficit of \$16.6 billion through June 30, 2013. The 2012-13 State Budget Act estimated revenues and expenditures assuming California Proposition 30 ("Proposition 30") was approved by voters in the State, among other assumptions. In the event Proposition 30 were not approved, the 2012-13 State Budget proposed \$5.95 billion in trigger cuts that would go into effect on January 1, 2013.

Proposition 30 was approved by voters in the State on November 6, 2012. The 2012-13 State Budget Act further projected that under current projections and assuming voter approval of the Proposition 30, the State's budget for Fiscal Year 2012-13 will be balanced in an ongoing manner. Based on the assumptions and projections contained therein, the 2012-13 State Budget Act estimated Fiscal Year 2012-13 revenues and transfers of \$95.89 billion, total expenditures of \$91.34 billion and a year-end surplus of \$1.67 billion (net of the negative \$2.88 billion prior-year State General Fund balance) in the State General Fund. The 2012-13 State Budget Act allocates \$719 million of the projected surplus to the reserve for the liquidation of encumbrances and \$948 million of the projected surplus to the special fund for economic uncertainties.

Features of the 2012-13 State Budget Act affecting school districts in general include, but are not limited to, the following:

1. The 2012-13 State Budget Act proposed to fully fund the Proposition 98 at \$53.6 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 fully funded Proposition 98 base of \$53.6 billion was partially funded through certain methods: (A) The 2012-13 State Budget Act decreases Proposition 98 General Fund spending by approximately \$630 million due to (1) elimination of the adjustment provided to hold schools harmless from the elimination of the sales tax on gasoline in Fiscal Year 2010-11 and (2) the use of a consistent current value methodology to rebench the Proposition 98 minimum guarantee for the exclusion of childcare programs, the inclusion of special education mental health services and new and existing property tax shifts. The 2012-13 State Budget Act also reduced appropriations for several programs in the aggregate amount of \$220.1 million and allocates one-time Proposition 98 General Fund revenues to fund the programs. (B) The 2012-13 State Budget Act decreased General Fund spending for QEIA by approximately \$450 million in Fiscal Year 2012-13. The State applied an overappropriation of Proposition 98 funds in Fiscal Year 2011-12 to prepay the \$450 million required payment for Fiscal Year 2012-13. In addition, the 2012-13 State Budget Act proposed to allocate \$181 million and \$40.8 million to the required QEIA payments for Fiscal Year 2013-14 and Fiscal Year 2014-15, respectively, from the Fiscal Year 2011-12 overappropriation of funds.

3. The 2012-13 State Budget Act included a \$2.1 billion increase in Proposition 98 General Fund to reduce Cross-Fiscal Year Deferrals (as defined in the forepart of this Official Statement) for K-12 school districts to \$7.4 billion from \$9.5 billion. Although the 2012-13 State Budget Act increased funds for State Aid payments to schools in Fiscal Year 2012-13, the State imposed a new \$6.9 billion Intra-Fiscal Year Deferral in connection with Proposition 30 that is expected to be repaid to schools in June 2013.

4. The 2012-13 State Budget Act increased the voluntary block grant program for mandates to \$166.6 million which reflects an increase of \$86.2 million compared to Fiscal Year 2011-12. Under the block grant program, participating school districts and county offices of education would receive \$28 per student. If a school district or county office of education chose not to participate in the program, the State's existing reimbursement process for claims would remain available.

5. In *California Redevelopment Association et al. v. Matosantos et al.*, the California Supreme Court upheld Assembly Bill 26 of the 2010 11 First Extraordinary Session, which led to the dissolution of all redevelopment agencies within the State on February 1, 2012. The 2012-13 State Budget Act continued the State's framework pursuant to which assets previously held by redevelopment agencies would be used to cities, counties and special districts to fund core public services and to school districts to offset State General Fund costs. The 2012-13 State Budget Act projected that there would be approximately \$1.5 billion in savings to the State General Fund as a result of such transfers. Further, the projected increase in local revenue would reduce Proposition 98 expenditures by the same amount. See "State Funding of Education - Litigation Regarding Redevelopment Agency Revenues and Education Expenditures" herein.

Fiscal Year 2013-14 Proposed State Budget. On January 10, 2013, Governor Edmund G. Brown released his 2013-14 Proposed Budget (the "Fiscal Year 2013-14 Proposed State Budget"), which projects Fiscal Year 2012-13 revenues and transfers of \$95.39 billion, total expenditures of \$92.99 billion and a year-end surplus of \$785 million (net of the \$1.62 billion deficit from Fiscal Year 2011-12), of which \$618 million would be reserved for the liquidation of encumbrances and \$167 million would be deposited in a reserve for economic uncertainties. The Fiscal Year 2013-14 Proposed State Budget projects Fiscal Year 2013-14 revenues and transfers of \$98.50 billion, total expenditures of \$97.65 billion and a year-end surplus

of \$1.64 billion (inclusive of the projected \$785 million State General Fund balance for Fiscal Year 2012-13), of which \$618 million would be reserved for the liquidation of encumbrances and \$1.02 billion would be deposited in a reserve for economic uncertainties. The Fiscal Year 2013-14 Proposed State Budget states that the State's budget remains balanced by a small margin and cautions that the occurrence of certain events, including among other things, shifts of costs to the State from the federal government, the uncertainty of the economic recovery in the State and the country, actions taken by the federal government and the judicial system and rising health care costs pose significant risks to the State's budget projections.

Certain of the features of the Fiscal Year 2013-14 Proposed State Budget which could affect schools in the State include the following:

1. The Fiscal Year 2013-14 Proposed State Budget proposes Proposition 98 funding of \$56.2 billion in Fiscal Year 2013-14, which represents an increase of approximately \$2.7 billion from the revised funding levels for Fiscal Year 2012-13 and includes amounts from the Education Protection Account established pursuant to Proposition 30. Accordingly, the Governor projects that Proposition 98 per pupil spending will increase from \$7,967 in Fiscal Year 2012-13 to \$8,304 in Fiscal Year 2013-14. The Fiscal Year 2013-14 Proposed State Budget estimates that revenues attributable to Proposition 30 will provide an increase of approximately \$526 million to the Proposition 98 minimum guarantee for Fiscal Year 2013-14.

2. The Fiscal Year 2013-14 Proposed State Budget states that the revised Proposition 98 minimum guarantee for Fiscal Year 2012-13 will be \$162.8 million below the level appropriated from the General Fund. Accordingly, the Fiscal Year 2013-14 Proposed State Budget proposes to use this \$162.8 million to retire future funding obligations under the terms of the *CTA v. Schwarzenegger* settlement agreement.

3. The State appropriated approximately \$2.2 billion in Fiscal Year 2012-13 to repay a portion of the outstanding Cross-Fiscal Year Deferrals (as defined in the forepart of this Official Statement). The Fiscal Year 2013-14 Proposed State Budget includes an increase of approximately \$1.9 billion of Proposition 98 appropriations to reduce Cross-Fiscal Year Deferrals outstanding. The Fiscal Year 2013-14 Proposed State Budget estimates that the total outstanding deferral debt for K-12 school districts will be reduced to \$6.3 billion by June 30, 2014 if the proposed repayment of Cross-Fiscal Year deferrals is approved. See "The Series B Notes - Cash Flow Projections and Assumptions - State Cash Management Plan" in the forepart of this Official Statement.

4. The Fiscal Year 2013-14 Proposed State Budget includes the Governor's school district funding formula proposal (the "Local Control Funding Formula"). The Local Control Funding Formula would, if approved and implemented, consolidate K-12 revenue limits and almost all of the State's categorical programs into one funding formula with limited programmatic spending requirements. The Local Control Funding Formula would, if approved, distribute resources to schools through a base revenue limit funding grant per unit of average daily attendance with additional supplemental funding. Pursuant to the Local Control Funding Formula, when the proportion of English language learners and economically disadvantaged students of a school district exceeds 50% of such district's student population, the school district will receive an additional concentration grant equal to 35% of the base grant for each English language learner and economically disadvantaged student above the 50% threshold. If the Local Control Funding Formula is implemented, the District would qualify for the supplemental grant based upon the demographics of its current student population. The District is currently evaluating the impact of the Local Control Funding Formula.

5. The Fiscal Year 2013-14 Proposed State Budget proposes school district accountability measures, pursuant to which the State would require each school district to adopt a student achievement plan (each, a "District Plan for Student Achievement") in connection with such school district's annual budget and spending plan. If the accountability proposals are approved, the content of each District Plan for Student

Achievement would be primarily left to the discretion of the school district. However, the State would require each District Plan for Student Achievement to address the manner in which State funds are used to improve basic conditions for student achievement, programs or instruction that benefit low-income students and English language learners, the implementation of content standards and progress toward college and career readiness.

6. The Fiscal Year 2013-14 Proposed State Budget proposes to increase the flexibility granted to school districts with respect to funds on hand by eliminating the minimum contribution requirement for routine maintenance and the required local district set-aside for deferred maintenance contributions. In addition, if approved, the State would permit school districts to use the proceeds from the sale of any real or personal surplus property for any one-time general fund expenditures. Further, the Fiscal Year 2013-14 Proposed State Budget, if approved, would authorize school districts to reduce the school year by up to five days or the equivalent number of minutes without incurring penalties and to reduce the required level of budgetary reserves.

7. The 2012-13 State Budget Act created an alternative method for school and community college districts to receive compensation for performing State-mandated activities by creating a K-12 block grant. The Fiscal Year 2013-14 Proposed State Budget proposes to increase the K-12 block grant by approximately \$100 million to fund the block grants for the graduation requirement program and the behavioral intervention plan.

8. The Fiscal Year 2013-14 Proposed State Budget proposes to allocate \$400.5 million of Proposition 39 funding in Fiscal Year 2013-14 to a special fund for schools and community college districts to support energy efficiency measures. Such measures would include, among other things, construction or modernization of buildings, purchasing energy efficiency equipment and installation of solar panels and geothermal pumps. The Governor has stated that the transfers to the special fund will be considered an allocation towards the Proposition 98 minimum guarantee.

9. The Fiscal Year 2013-14 Proposed State Budget proposes to include the COLA for school district revenue limits in the Local Control Funding Formula. The Fiscal Year 2013-14 Proposed State Budget proposes to allocate \$62.8 million for a 1.65% cost-of-living adjustment for certain categorical programs that would not be included within the Local Control Funding Formula, if approved. Such programs would include Special Education, Child Nutrition, American Indian Education Centers, and the American Indian Early Childhood Education Program.

LAO Analysis of the 2010-11 Proposed State Budget. On January 14, 2013, the LAO released a report entitled “The 2013-14 Budget: Overview of the Governor’s Budget” (the “2013 LAO Budget Overview”), which provides an analysis by the LAO of the Fiscal Year 2013-14 Proposed State Budget. The 2013 LAO Budget Overview is available on the LAO website at www.lao.ca.gov. Information on the website is not incorporated herein by reference. The 2013 LAO Budget Overview states that the Fiscal Year 2013-14 Proposed State Budget reflects a significant improvement in the State’s finances due to, among other things, the economic recovery, prior budgetary restraint, and voters’ approval of temporary tax increases. However, the LAO cautions that there are still considerable risks to revenue estimates. In addition, the LAO estimates that the State will not have sizable reserves by the end of Fiscal Year 2016-17 or begun to address huge unfunded liabilities associated with the teachers’ retirement system and State retiree health benefits.

According to the LAO, the State’s underlying expenditures and revenues are generally balanced and, with the exception of education funding, the programs and services funded from the State’s General Fund would operate at the same level in Fiscal Year 2013-14 as compared to Fiscal Year 2012-13. The LAO cautions that the State’s budget will continue to face risks including, among other things, uncertainty at the federal level over “fiscal cliff” issues related to the debt limit and sequestration and volatility in the State’s

revenue structure. In addition, the LAO recommends that the Governor conduct initial analysis of the economic impact of the proposed the Local Control Funding Formula and the State's options to implement Medi-Cal expansion in connection with the federal Affordable Care Act. The LAO states that as they will have a significant impact upon the State's budget in Fiscal Year 2013-14 and subsequent years.

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

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

State Funding of Schools without a State Budget

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

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

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

Constitutionally Required Funding of Education

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

Article XIII A of the State Constitution

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

Legislation Implementing Article XIII A

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

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

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

Article XIII B of the State Constitution

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

The District Board adopted the annual appropriation limit for Fiscal Year 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 XIIC and Article XIID 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 XIIC and XIID to the State Constitution (“Article XIIC” and “Article XIID”), 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 XIID deals with assessments and property related fees and charges. Article XIID explicitly provides that nothing in Article XIIC or XIID shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however, it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by the District.

Proposition 98

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

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

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

The Fiscal Year 2012-13 State Budget increased Proposition 98 expenditures for Fiscal Year 2012-13 to \$53.6 billion (inclusive of local property tax revenues and the approval of Proposition 30), which reflects an increase of \$6.7 billion compared to the projected Proposition 98 expenditures for Fiscal Year 2011-12. The Fiscal Year 2013-14 Proposed State Budget proposes to fund the Proposition 98 minimum guarantee in full in the amount of \$56.2 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 Revised 2009-10 State Budget Act enacted a shift of approximately \$1.9 billion of city, county, and special district property taxes pursuant to Proposition 1A and used such funds to offset State General Fund spending for education and other programs. The State is required to repay this obligation by June 15, 2013. The State’s ability to initiate future exchanges and shifts of funds will be limited by Proposition 22. See “ - Proposition 22” below.

Proposition 22

Proposition 22 (“Proposition 22”), which was approved by California voters in November 2010, prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services and prohibits fuel tax revenues from being loaned for cash-flow or budget balancing purposes to the State General Fund or any other State fund. Due to the prohibition with respect to State’s ability to take, reallocate, and borrow money raised by local governments for local purposes, Proposition 22 supersedes certain provisions of Proposition 1A of 2004. See “ - Proposition 1A” herein. In addition, Proposition 22 generally 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. See “District Financial Information - Litigation Regarding Redevelopment Agency Revenues and Education Expenditures” herein.

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 2012-13.

State School Facilities Bonds

Proposition 47 and Proposition 1A of 1998. The Class Size Reduction Kindergarten - University Public Education Facilities Bond Act of 2002 appeared on the November 5, 2002 ballot as Proposition 47 and was approved by State voters (“Proposition 47”). This measure authorizes the sale and issuance of \$13.05 billion in general obligation bonds by the State for funding construction and renovation of K-12 school facilities (\$11.4 billion) and higher education facilities (\$1.65 billion). Proposition 47 includes \$6.35 billion for acquisition of land and new construction of K-12 school facilities. Of this amount, \$2.9 billion will be set aside to fund backlog projects for which school districts submitted applications to the State on or prior to February 1, 2002. The balance of \$3.45 billion would be used to fund projects for which school districts submitted applications to the State after February 1, 2002. K-12 school districts will be required to pay 50% of the costs for acquisition of land and new construction with local revenues. In addition, Proposition 47 provided that up to \$100 million of the \$3.45 billion would be allocated for charter school facilities. Proposition 47 provides up to \$3.3 billion for reconstruction or modernization of existing K-12 school facilities. Of this amount, \$1.9 billion will be set aside to fund backlog projects for which school districts submitted applications to the State on or prior to February 1, 2002 and the balance of \$1.4 billion would be used to fund projects for which school districts submitted applications to the State after February 1, 2002. K-12 school districts will be required to pay 40% of the costs for reconstruction or

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

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

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

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

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

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

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

Future Initiatives

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

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 Series B Notes are general obligations of the District, but are not general obligations of the City or the County.

Population

The following Table A-32 sets forth the estimates of the population of the City, the County and the State in calendar years 2008 through 2012.

**TABLE A-32
POPULATION ESTIMATES
2008 through 2012**

Year (as of January 1)	City of Los Angeles	County of Los Angeles	State of California
2008	3,774,497	9,785,474	36,704,375
2009	3,781,952	9,801,096	36,966,713
2010	3,794,586	9,822,121	37,223,900
2011	3,806,411	9,847,712	37,427,946
2012	3,825,297	9,884,632	37,678,563

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

Income

The following Table A-33 summarizes the median household income for the City, the County, the State and the United States for calendar years 2007 through 2011.

**TABLE A-33
Median Household Income⁽¹⁾
2007 through 2011**

Year	City of Los Angeles	County of Los Angeles	State of California	United States
2007	\$47,781	\$53,573	\$59,948	\$50,740
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

⁽¹⁾ Estimated. In inflation-adjusted dollars.

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

Set forth in Table A-34 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 2011.

TABLE A-34

**Income Groupings 2011⁽¹⁾
(Percent of Households)**

Income Per Household	City of Los Angeles	County of Los Angeles	State of California	United States
\$24,999 & Under	29.21%	24.78%	22.17%	25.06%
\$25,000-49,999	23.58	23.00	22.13	21.82
\$50,000 & Over	47.21	52.22	55.70	50.51

⁽¹⁾ Estimated. In inflation-adjusted dollars.

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

Employment

The District is within the Los Angeles-Long Beach Primary Metropolitan Statistical Area Labor Market (Los Angeles County). Table A-35 below summarizes wage and salary employment in the County from calendar years 2007 through 2011.

TABLE A-35

Labor Force and Employment in Los Angeles County⁽¹⁾

	2007	2008	2009	2010	2011
Civilian Labor Force ⁽²⁾	4,872,500	4,934,800	4,904,300	4,910,500	4,924,400
Employment	4,625,600	4,565,500	4,335,200	4,291,400	4,318,900
Unemployment	246,900	369,300	569,000	619,100	605,500
Unemployment Rate	5.1%	7.5%	11.6%	12.6%	12.3%
Wage and Salary Employment ⁽³⁾					
Farm	7,500	6,900	6,200	6,200	5,500
Mining and Logging	4,400	4,400	4,100	4,100	4,000
Construction	157,600	145,200	117,300	104,500	103,500
Manufacturing	449,200	434,500	389,200	373,200	365,400
Trade, Transportation and Utilities	818,500	803,300	742,700	739,800	748,000
Information	209,800	210,300	191,200	191,500	195,600
Financial Activities	243,800	233,300	216,000	209,500	209,400
Professional and Business Services	605,400	582,600	529,800	527,500	540,400
Educational and Health Services	492,700	505,800	514,600	522,000	534,800
Leisure and Hospitality	397,900	401,600	385,600	384,800	392,800
Other Services	147,100	146,100	137,900	136,700	135,000
Government	<u>595,700</u>	<u>603,700</u>	<u>595,800</u>	<u>579,600</u>	<u>565,200</u>
Total ⁽¹⁾	<u>4,129,600</u>	<u>4,077,600</u>	<u>3,830,300</u>	<u>3,779,300</u>	<u>3,799,600</u>

⁽¹⁾ Totals may not equal sum of component parts due to rounding. All information updated per March 2010 Benchmark.

⁽²⁾ Based on place of residence.

⁽³⁾ The State Employment Development Department has reported a seasonally adjusted unemployment rate within the County of 10.2% for December 2012.

⁽⁴⁾ Based on place of work.

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

Commercial Activity

Table A-36 below sets forth taxable sales in the County for calendar years 2006 through 2008. In 2007, the California State Board of Equalization began a process of converting business codes of sales and use tax permit holders to North American Industry Classification System (“NAICS”) codes. The California State Board of Equalization completed the process of converting business codes of sales and use tax permit holders to NAICS codes for 2009 data. As a result of the coding change process, industry data for 2006, 2007 and 2008 is not comparable with data from 2009 and 2010 as set forth in Table A-37. Table A-37 reflects implementation of the NAICS codes and new industry categories.

TABLE A-36
County of Los Angeles
Taxable Transactions⁽¹⁾⁽²⁾
Calendar Years 2006 through 2008
(\$ in thousands)

Type of Business	2006 Annual	2007 Annual	2008 Annual
Apparel Stores	\$ 5,526,656	\$ 5,829,390	\$ 6,290,994
General Merchandise	13,729,150	13,825,538	12,861,677
Specialty Stores ⁽³⁾	14,332,982	--	--
Food Stores	4,680,320	4,911,939	4,921,329
Eating and Drinking Establishments	13,751,189	14,473,199	14,607,067
Home Furnishings/Appliances	4,307,020	4,287,090	4,482,776
Building Materials	7,871,880	7,494,731	6,388,930
Automotive ⁽⁴⁾	29,161,994	17,156,218	13,282,539
Service Stations ⁽⁴⁾	--	12,230,800	13,437,380
Other Retail Stores ⁽³⁾	2,193,002	15,886,806	13,537,617
Business and Personal Services	5,390,537	5,408,543	5,196,651
All Other Outlets	35,217,822	36,316,164	36,874,784
TOTAL ALL OUTLETS	\$136,162,552	\$137,820,418	\$131,881,744

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

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

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

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

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

Table A-37 below sets forth taxable sales in the County for the calendar years 2009 and 2010 and the first, second and third quarters of 2011.

TABLE A-37

**County of Los Angeles
Taxable Transactions⁽¹⁾
Calendar Years 2009 and 2010 and the First, Second and Third Quarters of 2011
(\$ in thousands)**

Type of Business	2009 Annual	2010 Annual	2011 First, Second & Third Quarters
Motor Vehicle and Parts Dealers	\$ 10,801,444	\$ 11,285,457	\$ 9,462,254
Furniture and Home Furnishings Stores	2,058,460	2,158,334	1,696,370
Electronics and Appliance Stores	3,406,513	3,454,412	2,428,404
Building Materials and Garden Equipment and Supplies	5,754,600	6,129,586	4,627,988
Food and Beverage Stores	5,410,953	5,405,254	4,138,732
Health and Personal Care Stores	2,735,112	2,773,004	2,178,667
Gasoline Stations	9,629,797	11,012,642	10,102,030
Clothing and Clothing Accessories Stores	7,145,713	7,607,711	5,827,164
Sporting Goods, Hobby, Book & Music Stores	2,434,950	2,448,246	1,783,406
General Merchandise Stores	10,059,028	10,369,383	7,448,042
Miscellaneous Store Retailers	4,319,761	4,449,560	3,383,750
Nonstore Retailers	810,972	790,565	,647,322
Food Services and Drinking Places	<u>13,876,812</u>	<u>14,291,264</u>	<u>11,410,392</u>
Total Retail and Food Services	\$ <u>78,444,115</u>	\$ <u>82,175,416</u>	\$ <u>65,134,523</u>
All Other Outlets	\$ <u>34,300,613</u>	\$ <u>34,766,918</u>	\$ <u>27,420,015</u>
TOTAL ALL OUTLETS	\$ <u>112,744,727</u>	\$ <u>116,942,334</u>	\$ <u>92,554,538</u>

⁽¹⁾ 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-38.

TABLE A-38
County of Los Angeles
Major Non-Governmental Employers⁽¹⁾

Employer	Product/Service	Employees
Kaiser Permanente	Non-profit health plan	36,508
Northrop Grumman Corp.	Defense contractor	18,000
University of Southern California	Private university	16,623
Target Corp.	Retailer	14,250
Ralphs/Food 4 Less (A Division of Kroger Co.)	Retail grocer	13,200 ⁽²⁾
Cedars-Sinai Medical Center	Medical center	12,000
Bank of America Corp.	Banking and financial services	12,000 ⁽²⁾
Providence Health & Services Southern California	Health care	11,403
Boeing Co.	Integrated aerospace and defense systems	11,249
Walt Disney Co.	Entertainment	10,500 ⁽²⁾
Home Depot	Home improvement specialty retailer	10,250
Wells Fargo	Diversified financial services	9,520
Edison International	Electric utility	8,979
AT&T Inc.	Telecommunications	8,900
California Institute of Technology	Private university; operator of Jet Propulsion Laboratory	8,900
ABM Industries Inc.	Facility services, energy solutions, commercial cleaning, maintenance and repair	8,300
Raytheon Co.	Aerospace and defense contractor	8,200
Warner Bros. Entertainment Inc.	Entertainment	8,000 ⁽³⁾
Vons	Retail grocer	7,747
FedEx Corp.	Shipping and logistics	7,500 ⁽²⁾
Dignity Health ⁽⁴⁾	Hospitals	7,300 ⁽²⁾
JPMorgan Chase	Banking and financial services	6,600
Amgen Inc.	Biotechnology	6,000
Sony Pictures Entertainment	Entertainment	6,000 ⁽⁵⁾
Costco Wholesale	Membership chain of warehouse stores	5,667

⁽¹⁾ Several additional companies may have qualified for this list. However, such companies failed to submit information or do not provide employment data on a regional or local basis.

⁽²⁾ Estimated as of September 2012.

⁽³⁾ Information provided by the City of Burbank.

⁽⁴⁾ Dignity Health was formerly Catholic Healthcare West.

⁽⁵⁾ Information provided by Culver City.

Source: Los Angeles Business Journal.

Construction

The following Table A-39 sets forth the valuation of permits for new residential buildings and the number of new single-family and multi-family dwelling units in the City for the years 2007 through 2010 and for the period from January 2011 through August 2011.

TABLE A-39

**City of Los Angeles
Permit Valuations and Units of Construction
2007 to 2011⁽¹⁾
(\$ in thousands)**

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

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

⁽²⁾ Data for calendar year 2011 reflects information from January 2011 through August 2011.

Source: Construction Industry Research Board.

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.

“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.

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

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

“NPO” means net pension obligation.

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

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

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

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

“UAAL” means unfunded actuarial accrued liability.

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

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

SELECTED INFORMATION FROM AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2012

[THIS PAGE INTENTIONALLY LEFT BLANK]



Los Angeles Unified School District

COMPREHENSIVE ANNUAL FINANCIAL REPORT



For Fiscal Year Ended June 30, 2012

2011-2012

Los Angeles, CA

[THIS PAGE INTENTIONALLY LEFT BLANK]

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

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2012**

MR. JOHN E. DEASY
SUPERINTENDENT OF SCHOOLS

MS. MEGAN K. REILLY
CHIEF FINANCIAL OFFICER

MR. V. LUIS BUENDIA
INTERIM CONTROLLER
(EFFECTIVE FEBRUARY 22, 2012)

MS. YUMI TAKAHASHI
CONTROLLER
(JULY 1, 2011 – FEBRUARY 21, 2012)



**PREPARED BY
ACCOUNTING AND DISBURSEMENTS DIVISION**

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

[THIS PAGE INTENTIONALLY LEFT BLANK]

LOS ANGELES UNIFIED SCHOOL DISTRICT

Comprehensive Annual Financial Report

Year Ended June 30, 2012

Table of Contents

INTRODUCTORY SECTION	Page
Letter of Transmittal	i
Certificate of Achievement for Excellence in Financial Reporting	vi
Board of Education and Principal School District Officials	vii
Organizational Structure	viii
 FINANCIAL SECTION	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
 Basic Financial Statements:	
 Government-wide Financial Statements:	
Statement of Net Assets	14
Statement of Activities	15
 Fund Financial Statements:	
Balance Sheet – Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	20
Statement of Net Assets – Proprietary Funds – Governmental Activities – Internal Service Funds	21
Statement of Revenues, Expenses and Changes in Fund Net Asset – Proprietary Funds – Governmental Activities – Internal Service Funds	22
Statement of Cash Flows – Proprietary Funds – Governmental Activities – Internal Service Funds	23
Statement of Changes in Assets and Liabilities – Fiduciary Funds – Agency Funds	24
 Notes to Basic Financial Statements	25
 Required Supplementary Information	63
 Supplementary Information:	
 Combining and Individual Fund Schedules and Statements:	
District Bonds Fund – Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual.....	64
Bond and Interest Redemption Fund – Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual.....	65

LOS ANGELES UNIFIED SCHOOL DISTRICT

Comprehensive Annual Financial Report

Year Ended June 30, 2012

Table of Contents

Supplementary Information (Continued)	Page
Nonmajor Governmental Funds :	
Special Revenue Funds/Debt Service Funds/Capital Projects Funds:	
Nonmajor Governmental Funds – Combining Balance Sheet	68
Nonmajor Governmental Funds – Combining Statement of Revenues, Expenditures and Changes in Fund Balances	74
Special Revenue Funds – Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	80
Debt Service Funds – Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	84
Capital Projects Funds – Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	86
Internal Service Funds:	
Internal Service Funds – Combining Statement of Net Assets	95
Internal Service Funds – Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	96
Internal Service Funds – Combining Statement of Cash Flows	97
Fiduciary Funds:	
Fiduciary Funds – Agency Funds – Combining Statement of Changes in Assets and Liabilities	99
Capital Assets Used in the Operation of Governmental Funds:	
Capital Assets Used in the Operation of Governmental Funds – Comparative Schedule by Source	101
Capital Assets Used in the Operation of Governmental Funds – Schedule of Changes in Capital Assets by Source	102
Long-Term Obligations:	
Schedule of Changes in Long-Term Obligations	104
Schedule of Certificates of Participation	106
STATISTICAL SECTION (Unaudited)	
Schedules of Financial Trends Information	
Statement of Net Assets – Last Ten Fiscal Years	114
Changes in Net Assets – Last Ten Fiscal Years	116
Governmental Activities Tax Revenues by Source – Last Ten Fiscal Years	118
Fund Balances of Governmental Funds – Last Ten Fiscal Years	120
Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years	122

LOS ANGELES UNIFIED SCHOOL DISTRICT

Comprehensive Annual Financial Report

Year Ended June 30, 2012

Table of Contents

STATISTICAL SECTION (Unaudited) (Continued)	Page
Schedules of Financial Trends Information (Continued)	
Governmental Fund Types – Expenditures and Other Uses by State Defined Object – Last Ten Fiscal Years	124
Governmental Fund Types – Expenditures and Other Uses by Goal and Function – Last Ten Fiscal Years	126
Governmental Fund Types – Revenues by Source (SACS Report Categories) – Last Ten Fiscal Years	128
Schedules of Revenue Capacity Information	
Assessed Value of Taxable Property – Last Ten Fiscal Years	129
Property Tax Rates – All Direct and Overlapping Governments – Last Ten Fiscal Years	130
Largest Local Secured Taxpayers – Current Year and Nine Years Ago.....	132
Property Tax Levies and Collections – Last Ten Fiscal Years	133
Revenue Limit per Unit of Average Daily Attendance – Last Ten Fiscal Years	134
Governmental Fund Types – Schedule of Revenues and Other Sources, Expenditures and Other Uses by State Defined Object – Last Ten Fiscal Years	136
Schedules of Debt Capacity Information	
Ratio of Annual Debt Service for General Bonded Debt and Certificates of Participation (COPs) to Total General Governmental Expenditures – Last Ten Fiscal Years	146
Ratio of Net Debt to Assessed Value and Net Debt Per Capita – Last Ten Fiscal Year	147
Schedule of Direct and Overlapping Bonded Debt	148
Legal Debt Margin Information – Last Ten Fiscal Years	149
Schedules of Demographic and Economic Information	
Demographic Statistics – Last Ten Fiscal Years	150
Principal Employers – Current Year and Nine Years Ago	151
Schedules of Operating Information	
Average Daily Attendance/Hours of Attendance (Annual Report) – Last Ten Fiscal Years	152
Full-Time Equivalent District Employees by Function – Last Ten Fiscal Years.....	154
Capital Assets by Function – Last Ten Fiscal Years.....	156
Miscellaneous Statistical Data – Last Six Fiscal Years.....	158
STATE AND FEDERAL COMPLIANCE INFORMATION SECTION	
General Fund:	
Schedule of Principal Apportionment Revenue from the State School Fund	161
Schedule of Appropriations, Expenditures and Other Uses, and Unexpended Balances by District Defined Program	162
Expenditures and Other Uses by Goal and Function	163
Schedule of Current Expense of Education	164
Schedule of Special Purpose Revenues, Expenditures and Restricted Balances	165
Adult Education Fund:	
Schedule of Revenues and Other Sources, Expenditures and Other Uses by Function, and Changes in Fund Balance	166

LOS ANGELES UNIFIED SCHOOL DISTRICT

Comprehensive Annual Financial Report

Year Ended June 30, 2012

Table of Contents

STATE AND FEDERAL COMPLIANCE INFORMATION SECTION	Page
(Continued)	
Child Development Fund:	
Schedule of Revenues and Other Sources, Expenditures and Other Uses by Function, and Changes in Fund Balance	167
All Funds:	
Schedule of Fund Equity	168
Schedule of Revenues and Other Financing Sources	172
Organization Structure	190
Schedule of Average Daily Attendance/Hours of Attendance	191
Schedule of Average Daily Attendance – Alexander (Dr. Theodore, Jr.) Science Center School	192
Schedule of Average Daily Attendance – Beckford Charter for Enriched Studies	193
Schedule of Average Daily Attendance – Calabash Charter Academy	194
Schedule of Average Daily Attendance – Canyon Charter School	195
Schedule of Average Daily Attendance – Carpenter Community Charter School	196
Schedule of Average Daily Attendance – Colfax Charter Elementary School	197
Schedule of Average Daily Attendance – Community Magnet Charter Elementary School	198
Schedule of Average Daily Attendance – Hale Charter Academy	199
Schedule of Average Daily Attendance – Kenter Canyon Charter School	200
Schedule of Average Daily Attendance – Marquez Charter School	201
Schedule of Average Daily Attendance – Open Magnet Charter School	202
Schedule of Average Daily Attendance – Palisades Charter Elementary	203
Schedule of Average Daily Attendance – Pomelo Community Charter School	204
Schedule of Average Daily Attendance – Revere (Paul) Charter Middle School	205
Schedule of Average Daily Attendance – Riverside Drive Charter School	206
Schedule of Average Daily Attendance – Sherman Oaks Elementary Charter School	207
Schedule of Average Daily Attendance – Topanga Learn-Charter Elementary	208
Schedule of Average Daily Attendance – Welby Way Charter Elementary & Gifted High Ability Magnet Center	209
Schedule of Average Daily Attendance – Westwood Charter School	210
Schedule of Instructional Time Offered	211
Schedule of Financial Trends and Analysis	212
Schedule to Reconcile the Annual Financial Budget Report (SACS) with Audited Financial Statements	213
Charter Schools	214
Notes to State Compliance Information	218
Schedule of Expenditures of Federal Awards	219
Notes to Schedule of Expenditures of Federal Awards	224
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	225
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	227
Auditor's Report on State Compliance	230
Schedule of Findings and Questioned Costs	233
Independent Auditor's Management Letter	295
Status of Prior Year Findings and Recommendations	305

INTRODUCTORY SECTION

[THIS PAGE INTENTIONALLY LEFT BLANK]

MEMBERS OF THE BOARD

MONICA GARCIA, PRESIDENT
TAMAR GALATZAN
BENNETT KAYSER
MARGUERITE POINDEXTER LAMOTTE
NURY MARTINEZ
RICHARD A. VLADOVIC, Ed.D.
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
Interim Controller

December 14, 2012

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, 2012, 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 2011-12 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, 2012, the District is operating 446 elementary schools, 84 middle/junior high schools, 94 senior high schools, 56 options schools, 18 multi level schools, 16 special education schools, 28 magnet schools and 146 magnet centers, 24 community adult schools, 5 regional occupational centers, 5 skills centers, 1 regional occupational program center, 107 early education centers, 4 infant centers, and 20 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, 2012, the District employed 40,313 certificated, 27,776 classified, and 13,289 unclassified employees. Enrollment as of October 2011 was 581,445 students in K-12 schools, 119,763 students in adult schools and centers, and 14,242 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

According to U.S. Bureau of Labor Statistics, the unemployment rates for both the nation and California has generally remained relatively unchanged from January 2012 to August 2012, with rates hovering around 8% and just under 11%, respectively. For the month of October 2012, California’s unemployment rate is the third highest in the nation with Nevada ranking first at 11.5% and Rhode Island second at 10.4%.

Month (2012)	U.S.	California
January	8.3%	10.9%
February	8.3%	10.9%
March	8.2%	11.0%
April	8.1%	10.9%
May	8.2%	10.8%
June	8.2%	10.7%
July	8.3%	10.7%
August	8.1%	10.6%
September	7.8%	10.2%
October	7.9%	10.1 (P)

P – Preliminary estimate

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

Currently, economists are watching economic conditions in Europe and China because our economy is tied to these countries. Any new jobs created in California could be offset by job losses if there is a significant crisis in one or more of these countries.

Below is a quote from Goldman Sachs on global economy for the second half of 2012.

“Looking into the second half of 2012, we still think the global economy is going to present quite a mixed picture. [We expect] still very slow growth in the United States, and probably ongoing recession in the European periphery, with a somewhat better picture in the core [European] economies... And maybe some improvement at the margin in the emerging world, after a generally disappointing first half of the year.”

*Jan Hatzius, Chief Economist
Global Investment Research
Goldman Sachs*

According to the UCLA Anderson Forecast released on September 20, 2012, the national economy is expected to grow more slowly than California's. One reason given for the sluggish economic growth was that consumers in California and nationwide were still weighed down by debt, restricting their spending. The bright spot according to the forecast is the strength in residential and nonresidential construction, which is expected to boost GDP growth to more than 3% in 2014. In addition, they also warn that if the Congress and the President fail to agree to an end of year compromise on taxes and spending, the economy could fall off the “fiscal cliff”, leading to a downturn in 2013.

For Los Angeles Unified School District, the outcome of the November 2012 election was significant since the Governor's State Budget assumed the passage of Proposition 30 initiative. As a result of Proposition 30 passage, the District has avoided significant mid-year reductions and is now implementing a 180-day instructional calendar and rescinding all furlough days for fiscal year 2012-13.

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 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 reservations or designations of fund balance for subsequent year expenditures.

Financial Results

In 2011-12, the Statement of Changes in Net Assets shows that the District's Net Assets decreased \$673.3 million during the year. The Unrestricted Net Assets, which are negative, declined from (\$2,472.9 million) to (\$3,211.8 million). The negative Unrestricted Net Assets are 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 \$3,995.0 million, an increase of \$819 million from 2010-11. The latest actuarial report estimates the 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 2011-12, the fund balance of the General Fund decreased \$78.7 million from \$903.5 million to \$824.8 million. This decrease was primarily due to State mid-year trigger cuts plus higher encroachments from other funds.

Audit Results

The District received an Unqualified financial audit, which means that there were no significant findings during the audit of the financial statements. For the federal compliance audit, 23 programs received an Unqualified audit and 2 programs were Qualified. The District received an Unqualified state compliance audit.

The District is pleased that the number of findings declined from 26 in 2010-11 to 18 in 2011-12. In addition, the amount of the questioned costs declined 43%, from \$0.8 million in 2010-11 to \$0.5 million in 2011-12. 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, 2011. 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.

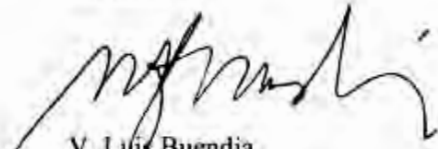
Acknowledgments

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
Interim Controller



Megan K. Reilly
Chief Financial Officer

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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Davidson

President

Jeffrey R. Enen

Executive Director

BOARD OF EDUCATION

Mónica García
President

Marguerite Poindexter LaMotte

Bennett Kayser

Tamar Galatzan

Nury Martinez

Steve Zimmer

Richard Vladovic

PRINCIPAL SCHOOL DISTRICT OFFICIALS

John E. Deasy
Superintendent of Schools

Megan K. Reilly
Chief Financial Officer

V. Luis Buendia
Interim Controller
(Effective February 22, 2012)

Yumi Takahashi
Controller
(July 1, 2011 – February 21, 2012)

EDUCATIONAL SERVICE CENTERS

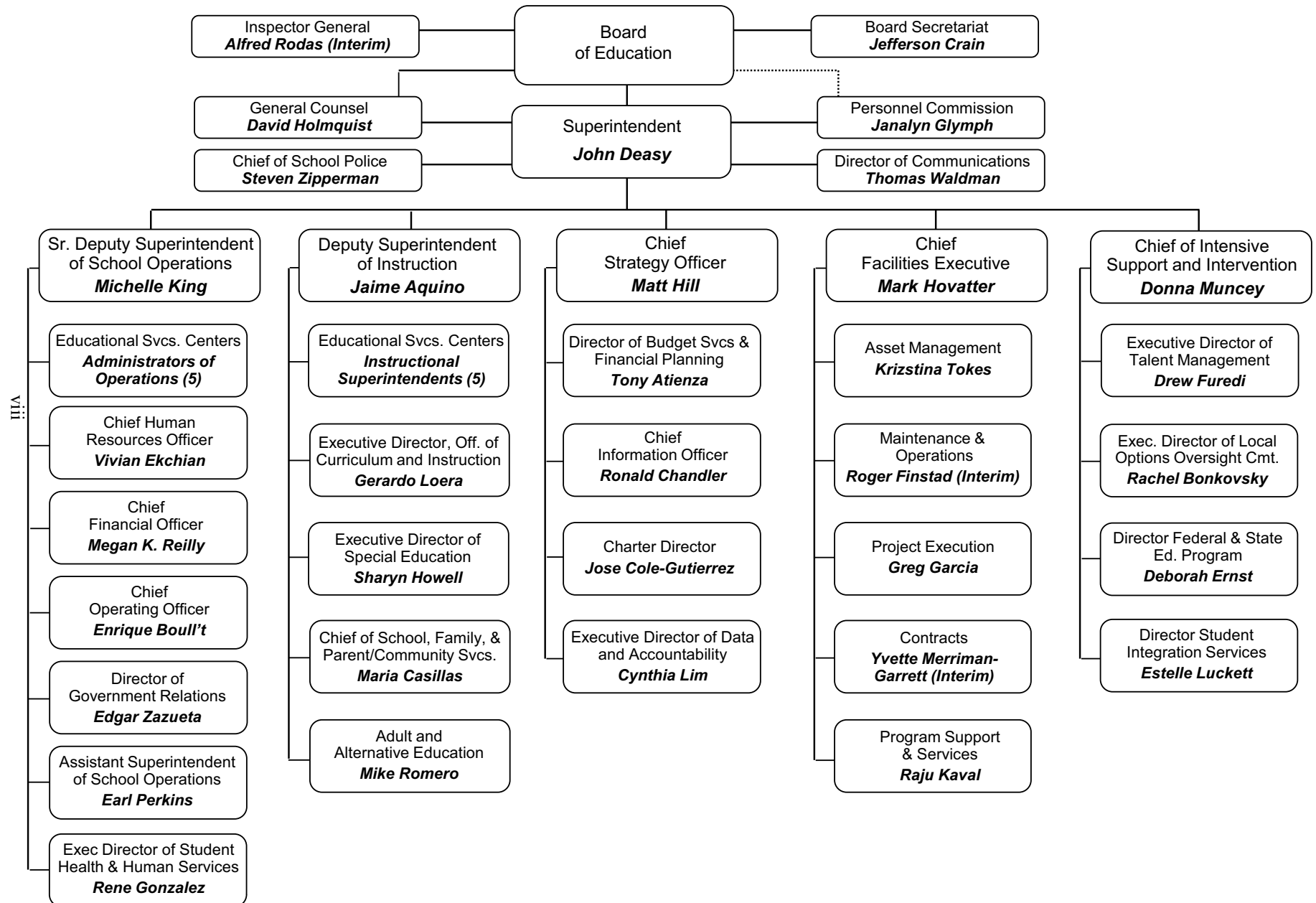
	Instructional Area Superintendents:	Administrator of Operations:	Administrator of Parent & Community Engagement:
North:	Linda Del Cueto	Juan A. Flecha	Marilu Pigliapoco
South:	Dr. Robert Bravo	Dr. James Noble	Rene Robinson
East:	Roberto A. Martinez	Rowena Lagrosa	Dr. Fatima Castaneda-Gutierrez
West:	Cheryl Hildreth	Jan Davis	Sara Lasnover
ISIC:	Tommy Chang	Daryl Narimatsu	Alvaro Alvarenga

LOCAL DISTRICT (LD) SUPERINTENDENTS

(June 30, 2012)

Linda Del Cueto – LD 1	Roberto A. Martinez – LD 5
Alma Pena-Sanchez – LD 2	Rowena Lagrosa – LD 6
Brenda Manuel – LD 3 (Interim)	George McKenna – LD 7
Dale Vigil – LD 4 (Interim)	Michael Romero – LD 8

**Los Angeles Unified School District
Organization of Central Support System
(Effective July 1, 2012)**



FINANCIAL SECTION

[THIS PAGE INTENTIONALLY LEFT BLANK]



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

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

www.simpsonandsimpsoncpas.com

Independent Auditor's Report

The Honorable Board of Education
Los Angeles Unified School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Los Angeles Unified School District** (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Los Angeles Unified School District, as of June 30, 2012, 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 conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2012, 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* and should be considered in assessing the results of our audit.



Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13, and the required supplementary information on page 63 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The introductory section, the supplementary information, the statistical section, and the state and federal compliance information section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The supplementary information section on pages 64 to 111, the schedule of expenditures of federal awards on pages 219 to 224, the information on pages 191 to 213 and page 218 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole. The introductory section, the statistical section and the information on pages 161 to 190 and 214 to 217 of the state and federal compliance section 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.

A handwritten signature in dark ink, appearing to read 'Singman & Singman', written in a cursive, flowing style.

Los Angeles, California
December 14, 2012

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2012

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, 2012. 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 \$3.8 billion (net assets). This amount is net of a \$3.2 billion deficit in unrestricted net assets resulting from the recognition of unfunded liabilities for other postemployment benefits (OPEB).
- The District's total net assets decreased by \$673.3 million from prior year total, primarily due to lower revenues.
- As of the close of the 2012 fiscal year, the District's governmental funds reported combined ending fund balances of \$4.4 billion, a decrease of \$1.0 billion from June 30, 2011.
- At the end of the current fiscal year, committed, assigned and unassigned fund balances for the General Fund, including reserve for economic uncertainties, was \$627.0 million, or 10.7% of total General Fund expenditures.
- The District's total long-term obligations increased by \$434.6 million (2.7%) during the current fiscal year. The increase resulted primarily from additional net OPEB obligation offset by the decreased 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 assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

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

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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2012

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.

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.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2012

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 25-61 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 64-99 of this report.

Government-wide Financial Analysis

As noted earlier, net assets over time may serve as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$3.8 billion at the close of the most recent year.

By far the largest portion of the District's net assets (\$5.7 billion) reflects its investments in capital assets (e.g., land, buildings, and equipment), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investments in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's restricted net assets (\$1.3 billion) represent resources that are subject to external restrictions on how they may be used. The remaining negative balance in unrestricted net assets (-\$3.2 billion) resulted primarily from the recognition of \$4.0 billion of net OPEB obligation.

At the end of the 2012 fiscal year, the District is able to report positive balances in all categories of net assets except for unrestricted net assets.

The \$609.9 million increase in capital assets primarily relates to the continuing school construction and modernization projects throughout the District.

Long-term liabilities increased by \$434.6 million primarily due to additional net OPEB obligation offset by the decrease in certificate of participations and general obligation bonds payable.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2012

Summary Statement of Net Assets (in thousands)

As of June 30, 2012 and 2011:

	Governmental Activities	
	2012	2011
Current Assets	\$ 6,809,562	\$ 7,342,384
Capital Assets, net	15,237,113	14,627,248
Total Assets	22,046,675	21,969,632
Current Liabilities	1,616,724	1,300,967
Long-term Liabilities	16,630,225	16,195,638
Total Liabilities	18,246,949	17,496,605
Net Assets:		
Invested in capital assets, net of related debt	5,698,608	5,450,860
Restricted for:		
Debt service	416,294	442,118
Program activities	896,626	1,052,904
Unrestricted	(3,211,802)	(2,472,855)
Total Net Assets	\$ 3,799,726	\$ 4,473,027

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2012

Summary Statement of Changes in Net Assets (in thousands)

As of June 30, 2012 and 2011:

	Governmental Activities	
	2012	2011
Revenues:		
Program Revenues:		
Charges for services	\$ 99,508	\$ 88,626
Operating grants and contributions	3,016,200	3,269,560
Capital grants and contributions	95,183	780,344
Total Program Revenues	<u>3,210,891</u>	<u>4,138,530</u>
General Revenues:		
Property taxes levied for general purposes	901,213	909,484
Property taxes levied for debt service	850,359	935,428
Property taxes levied for community redevelopment	9,789	5,320
State aid – formula grants	2,066,980	2,146,870
Grants, entitlements, and contributions not restricted to specific programs	434,512	402,110
Unrestricted investment earnings	21,175	66,795
Miscellaneous	41,342	76,852
Total General Revenues	<u>4,325,370</u>	<u>4,542,859</u>
Total Revenues	<u>7,536,261</u>	<u>8,681,389</u>
Expenses:		
Instruction	3,773,834	3,986,263
Support services:		
Support services – students	316,131	320,787
Support services – instructional staff	403,585	432,202
Support services – general administration	43,048	43,448
Support services – school administration	393,922	426,288
Support services – business	173,516	145,401
Operation and maintenance of plant services	567,829	581,731
Student transportation services	158,202	151,286
Data processing services	61,072	54,205
Operation of noninstructional services	430,137	404,211
Facilities acquisition and construction services	87,588	175,584
Other uses	1,203	181
Interest expense	578,279	623,044
Depreciation – unallocated	401,920	315,745
Unfunded OPEB expense – unallocated	819,296	781,931
Total Expenses	<u>8,209,562</u>	<u>8,442,307</u>
Changes in Net Assets	<u>(673,301)</u>	<u>239,082</u>
Net assets – beginning	<u>4,473,027</u>	<u>4,233,945</u>
Net assets – ending	<u>\$ 3,799,726</u>	<u>\$ 4,473,027</u>

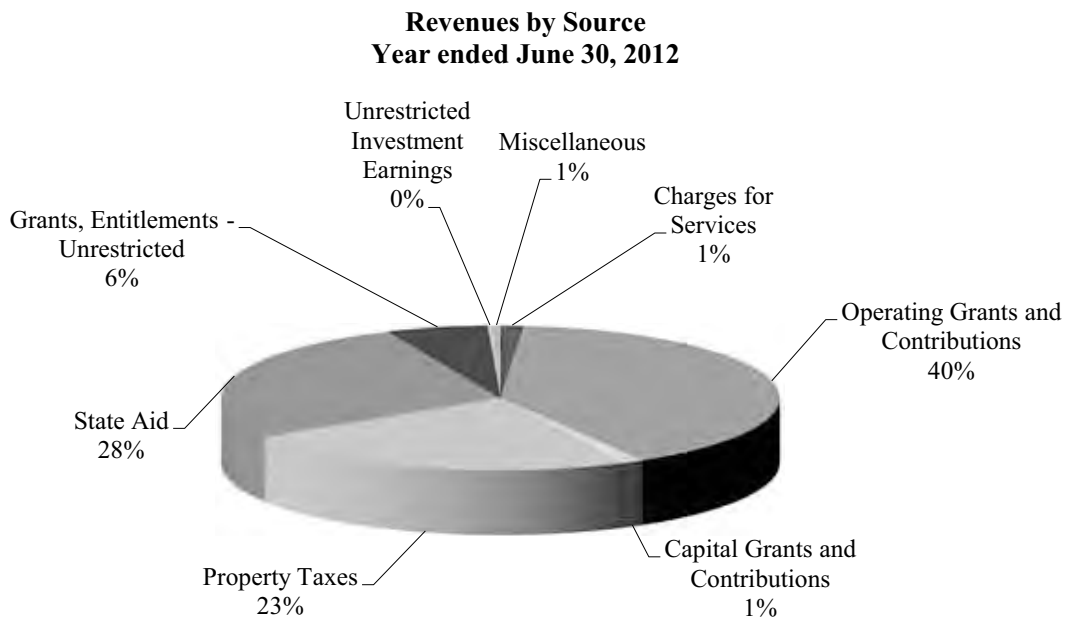
LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2012

The District's net assets decreased by \$673.3 million in the current fiscal year. The major components of this decrease are in capital grants and contributions (\$685.2 million) due to decreased funding from the State bond funds.

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



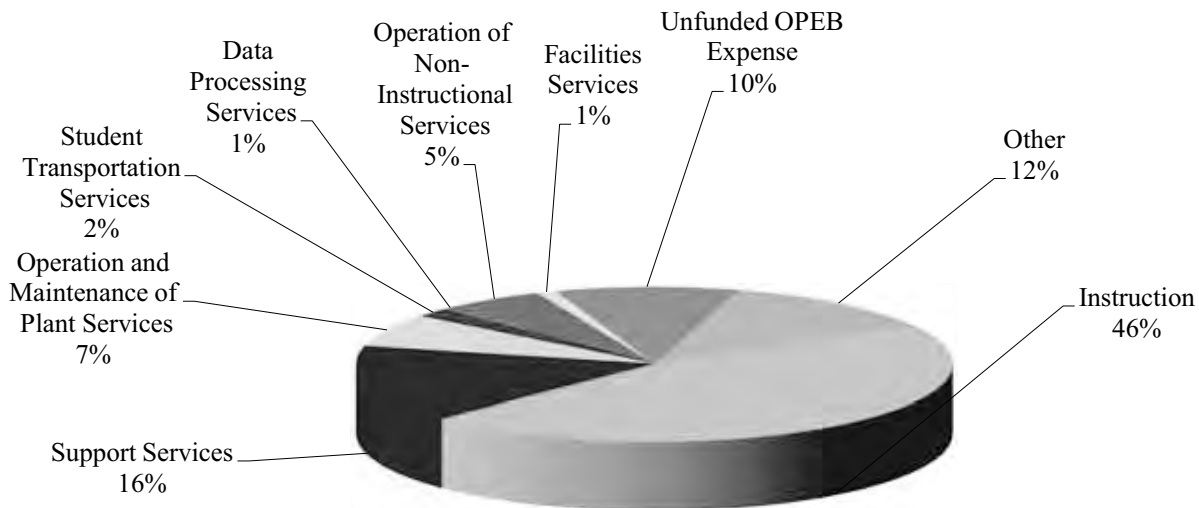
LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2012

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

Expenses
Year ended June 30, 2012



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 \$4.4 billion, a decrease of \$1.0 billion in comparison with the prior year. Approximately 15.7% (\$0.7 billion) of this total combined ending fund balance constitutes unrestricted fund balance, which is available for spending at the District's discretion. The remaining 84.3% are either restricted or nonspendable and are not available for new spending: restricted balances (\$3.7 billion), nonspendable inventories (\$21.6 million), and nonspendable revolving cash (\$6.6 million).

The General Fund is the primary operating fund of the District. At the end of the 2012 fiscal year, the unrestricted fund balance of the General Fund was \$627.0 million, while the total fund balance is \$824.8 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 10.7% of the total General Fund expenditures, while the total fund balance represents 14.1% of that same amount.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2012

The fund balance of the District's General Fund decreased by \$78.7 million during the current fiscal year primarily from lower revenues. Revenue limit sources, federal revenues, and other state revenues are all lower compared to last fiscal year.

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, 2012:						
Nonspendable						
Revolving cash and imprest funds	\$ 3,800	\$ —	\$ 66	\$ —	\$ —	\$ 66
Inventories	—	—	13,057	—	—	13,057
Restricted	2,102,830	681,562	5,802	59,708	666,557	732,067
Committed	—	—	9,972	—	—	9,972
Assigned	—	—	60	—	55,660	55,720
Total	2,106,630	681,562	28,957	59,708	722,217	810,882
Fund balance, July 1, 2011	2,820,328	724,608	20,335	82,138	874,720	977,193
Increase (decrease) in fund balance	\$ (713,698)	\$ (43,046)	\$ 8,622	\$ (22,430)	\$ (152,503)	\$ (166,311)

Majority of the fund balances decreased during the current year: for the District Bonds, due to spending for school construction and renovation; for the Bond and Interest Redemption, primarily from lower property taxes levied to pay principal and interest on bond issues; for the Debt Service, mainly due to 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 higher inventory ending balance for the Cafeteria Fund.

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

At the end of the year, the District's proprietary funds have unrestricted net assets of \$303.8 million. The net increase of \$53.3 million in the current year can be attributed to lower premiums and claims expense due to changes in health and medical plans.

General Fund Budgetary Highlights

In this difficult economic downturn and with the State's implementation of deferred funding on several of the District's revenue, sufficient cash flow and positive ending balance are probably the most important parts of a school district's financial structure. 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.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2012

Modified Final Budget vs. Original Final Budget

The District's Original Final Budget is based on assumptions from the State's May Revision Budget while the Modified Final Budget is based not only on the State's May Revision Budget but also on all other known State budgetary changes and changes to the District's priority of program implementations and/or planned expenditures. Differences between the 2011-12 General Fund Original Final Budget adopted by the Board of Education on June 2011 and the Modified Final Budget, resulted in a lower budgeted ending balance by \$27.7 million - from \$641.9 million to \$614.2 million. Adjustments to the Original Final Budget were an increase in beginning balance by \$74.9 million, a decrease in budgeted revenues and other financing sources by \$123.3 million, and a decrease in budgeted expenditures and other financing uses by \$20.7 million.

The increase in the beginning balance was to reflect the actual ending balance as of June 30, 2011 as opposed to the estimated June 30, 2011 ending balance during the estimated actual reporting period. On the other hand, the decrease in budgeted revenues was mainly due to a change in fund where Adult Education entitlement was to be recognized, i.e., from the General Fund to Adult Education Fund per instructions from California Department of Education. Lastly, budgeted expenditures largely decreased due to a better estimation of grants during the Modified Final Budget based on grant award notifications received.

Actual vs. Modified Final Budget

The beginning balance remained the same on both the actual and the Modified Final Budget. The unfavorable variance of \$106.7 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. Second, revenue limit decreased due to a change in the deficit rate from 19.754% at Modified Final Budget to 20.602% at actual. The higher deficit rate in the revenue limit reflected one-time mid-year trigger reductions in Home-to-School Transportation (0.65%) and revenue limit (0.198%). Without the one-time revenue limit reduction, Home-to-School Transportation would have been cut in half. Federal revenue decreased as well due to lesser actual receipts of entitlements in Federal IDEA, Medi-Cal Administrative Activity, and School Mental Health-Medical Rehabilitation.

The favorable variance of \$317.3 million in expenditures and other financing uses between the actual and the Modified Final Budget was due to lower than anticipated expenditures. The four furlough days largely contributed to the lower salary and employee benefit expenditures by approximately \$70.1 million. In addition, there were lower expenditures in the Services and Other Operating Expenditures by \$117.9 million.

Capital Assets and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2012 amounts to \$15.2 billion (net of accumulated depreciation), a 4.2% increase from the prior year. The investment

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2012

in capital assets includes sites, improvement of sites, buildings and improvements, equipment and construction in progress, net of any related accumulated depreciation.

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

- Continuing construction of additional school buildings as well as school modernization projects throughout the District. Construction in progress as of the close of the fiscal year was \$3.4 billion.
- Various building additions and modernizations were completed at a cost of \$1.2 billion.
- A total of 8 new schools were completed in the 2011-12 fiscal year.

Capital Assets (net of accumulated depreciation)

As of June 30, 2012 and 2011 (in thousands):

	Governmental Activities	
	2012	2011
Sites	\$ 3,144,862	\$ 3,136,630
Improvement of sites	193,736	206,963
Buildings and improvements	8,140,910	7,512,289
Equipment	220,671	199,663
Construction in progress	3,536,934	3,571,703
Total	<u>\$ 15,237,113</u>	<u>\$ 14,627,248</u>

Additional information on the District's capital assets can be found in Note 7 on pages 40-41 of this report.

Long-term obligations. At the end of the current fiscal year, the District had total long-term obligations of \$16.6 billion. Of this amount, \$11.5 billion comprises debt to be repaid by voter-approved property taxes and not by the General Fund of the District.

Outstanding Obligations

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

	Governmental Activities	
	2012	2011
General Obligation Bonds	\$ 11,507,002	\$ 11,810,881
Certificates of Participation (COPs)	442,884	494,840
Capital Lease Obligations	2,185	2,359
Children's Center Facilities Revolving Loan	792	792
California Energy Commission Loan	—	217
Liability for Compensated Absences	65,075	70,381
Liability for Other Employee Benefits	108,431	131,651
Self-insurance Claims	507,738	503,305
Other Postemployment Benefits (OPEB)	3,995,038	3,175,742
Arbitrage Payable	1,080	5,470
Total	<u>\$ 16,630,225</u>	<u>\$ 16,195,638</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2012

The District's total long-term obligations increased by \$434.6 million (2.7%) during the current fiscal year. The key factor in this increase was the recognition of additional net OPEB obligation 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 current underlying ratings on its nonabatable leases (COPs) are "Aa3" and "A+" from Moody's and S&P, respectively; for abatable leases (COPs), the underlying ratings are "A1" and "A+" from Moody's and S&P, respectively. The District purchased municipal bond insurance and/or reserve surety bond policies at the time of issuance for some of its COPs and bonds. Moody's, S&P and Fitch assigned insured ratings of "Aaa", "AAA" and "AAA", respectively, on said COPs and bonds at the time of issuance. Subsequent to February 1, 2008, the rating agencies downgraded the ratings of certain bond insurers, including all of those who had issued bond insurance policies and/or surety bonds on District issues.

State statutes limit the issuance of general obligation bond debt by a unified school district if the outstanding general obligation bonds are more than 2.5% of its total taxable property. The debt limitation for the District as of June 30, 2012 is \$11.7 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 50-56 of this report.

Requests for Information

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

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Net Assets
June 30, 2012
(in thousands)

	Governmental Activities
Assets:	
Cash and cash equivalents	\$ 4,453,774
Investments	561,917
Property taxes receivable	106,219
Accounts receivable, net	1,584,436
Accrued interest receivable	8,236
Prepaid expense	12,091
Deferred charges	61,306
Inventories	21,583
Capital assets:	
Sites	3,144,862
Improvement of sites	528,869
Buildings and improvements	11,063,328
Equipment	1,260,357
Construction in progress	3,536,933
Less accumulated depreciation	(4,297,236)
Total Capital Assets, Net of Depreciation	<u>15,237,113</u>
Total Assets	<u>22,046,675</u>
Liabilities:	
Vouchers and accounts payable	393,208
Contracts payable	64,787
Accrued payroll	191,418
Accrued interest	289,821
Other payables	99,991
Unearned revenue	15,717
Tax and revenue anticipation notes and related interest payable	561,782
Long-term liabilities:	
Portion due within one year	509,065
Portion due after one year	16,121,160
Total Liabilities	<u>18,246,949</u>
Net Assets:	
Invested in capital assets, net of related debt	5,698,608
Restricted for:	
Debt service	416,294
Program activities	896,626
Unrestricted	(3,211,802)
Total Net Assets	<u><u>\$ 3,799,726</u></u>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Activities
Year Ended June 30, 2012
(in thousands)

Functions/programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 3,773,834	\$ 19,819	\$ 1,339,908	\$ —	\$ (2,414,107)
Support services – students	316,131	—	264,016	—	(52,115)
Support services – instructional staff	403,585	117	344,793	—	(58,675)
Support services – general administration	43,048	—	3,893	—	(39,155)
Support services – school administration	393,922	—	120,610	—	(273,312)
Support services – business	173,516	9,198	94,492	—	(69,826)
Operation and maintenance of plant services	567,829	21,657	113,407	187	(432,578)
Student transportation services	158,202	—	264,619	—	106,417
Data processing services	61,072	—	4,886	—	(56,186)
Operation of non-instructional services	430,137	7,511	337,493	—	(85,133)
Facilities acquisition and construction services*	87,588	41,206	127,188	94,996	175,802
Other Uses	1,203	—	—	—	(1,203)
Interest expense	578,279	—	895	—	(577,384)
Depreciation – unallocated**	401,920	—	—	—	(401,920)
Unfunded OPEB expense – unallocated	819,296	—	—	—	(819,296)
Total Governmental Activities	<u>\$ 8,209,562</u>	<u>\$ 99,508</u>	<u>\$ 3,016,200</u>	<u>\$ 95,183</u>	<u>(4,998,671)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					901,213
Property taxes, levied for debt service					850,359
Property taxes, levied for community redevelopment					9,789
State aid – formula grants					2,066,980
Grants, entitlements, and contributions not restricted to specific programs					434,512
Unrestricted investment earnings					21,175
Miscellaneous					41,342
Total General Revenues					<u>4,325,370</u>
Change in Net Assets					(673,301)
Net Assets – Beginning of Year					<u>4,473,027</u>
Net Assets – End of Year					<u>\$ 3,799,726</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, 2012
(in thousands)

	General	District Bonds	Bond Interest and Redemption	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash in county treasury, in banks, and on hand	\$ 113,777	\$ 2,235,291	\$ 689,862	\$ 783,479	\$ 3,822,409
Cash held by trustee	52,059	—	—	58,797	110,856
Investments	561,917	—	—	—	561,917
Taxes receivable	—	—	106,219	—	106,219
Accounts receivable – net	1,464,799	5,063	—	45,089	1,514,951
Accrued interest receivable	1,344	4,456	—	1,515	7,315
Inventories	8,526	—	—	13,057	21,583
Total Assets	\$ 2,202,422	\$ 2,244,810	\$ 796,081	\$ 901,937	\$ 6,145,250
Liabilities and Fund Balances:					
Vouchers and accounts payable	\$ 227,690	\$ 79,259	\$ —	\$ 34,192	\$ 341,141
Contracts payable	356	58,913	—	5,518	64,787
Accrued payroll	192,540	8	—	—	192,548
Other payables	80,334	—	—	18,038	98,372
Due to other funds	300,000	—	—	32,500	332,500
Deferred revenue	14,910	—	114,519	807	130,236
Tax and revenue anticipation notes and related interest payable	561,782	—	—	—	561,782
Total Liabilities	1,377,612	138,180	114,519	91,055	1,721,366
Fund Balances:					
Nonspendable	11,231	3,800	—	13,123	28,154
Restricted	186,563	2,102,830	681,562	—	2,970,955
Restricted, reported in:					
Special revenue funds	—	—	—	5,802	5,802
Debt service funds	—	—	—	59,708	59,708
Capital projects funds	—	—	—	666,557	666,557
Committed, reported in:					
Special revenue funds	—	—	—	9,972	9,972
Assigned	465,272	—	—	—	465,272
Assigned, reported in:					
Special revenue funds	—	—	—	60	60
Capital projects funds	—	—	—	55,660	55,660
Unassigned					
Reserved for economic uncertainties	65,376	—	—	—	65,376
Unassigned	96,368	—	—	—	96,368
Total Fund Balances	824,810	2,106,630	681,562	810,882	4,423,884
Total Liabilities and Fund Balances	\$ 2,202,422	\$ 2,244,810	\$ 796,081	\$ 901,937	\$ 6,145,250

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2012
(in thousands)

Total Fund Balances – Governmental Funds	\$ 4,423,884
--	--------------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$19,534,349 and the accumulated depreciation is \$4,297,236.	15,237,113
--	------------

Property taxes receivable will be collected this year, but are not available soon enough to pay the current period's expenditures and therefore are deferred in the funds.	106,219
--	---------

Receivables that will be collected in the following year and thereafter that are not available soon enough to pay the current period's expenditures.	39,164
--	--------

Federal subsidies tied to debt service expenditures are recognized in the governmental funds only when the corresponding expenditure is recognized.	36,877
---	--------

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.	303,755
--	---------

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.	(16,408,592)
---	--------------

Other assets – deferred charges are not reflected in the fund financials.	61,306
---	--------

Total Net Assets – Governmental Activities	<u>\$ 3,799,726</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, 2012
(in thousands)

	<u>General</u>	<u>District Bonds</u>	<u>Bond Interest and Redemption</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Revenue limit sources	\$ 2,968,193	\$ —	\$ —	\$ —	\$ 2,968,193
Federal revenues	867,952	—	36,876	274,440	1,179,268
Other state revenues	1,903,472	—	5,271	313,264	2,222,007
Other local revenues	142,899	44,092	776,507	120,750	1,084,248
Total Revenues	<u>5,882,516</u>	<u>44,092</u>	<u>818,654</u>	<u>708,454</u>	<u>7,453,716</u>
Expenditures:					
Current:					
Certificated salaries	2,681,632	—	—	117,853	2,799,485
Classified salaries	819,247	54,977	—	151,455	1,025,679
Employee benefits	1,365,836	25,396	—	155,557	1,546,789
Books and supplies	231,114	10,999	—	150,041	392,154
Services and other operating expenditures	701,435	13,036	—	15,432	729,903
Capital outlay	43,581	798,644	—	179,620	1,021,845
Debt service – principal	1,327	—	285,200	53,262	339,789
Debt service – refunding bond issuance cost	—	—	1,608	—	1,608
Debt service – bond, COPs, and capital leases interest	113	—	576,500	16,329	592,942
Other outgo	1,203	—	—	—	1,203
Total Expenditures	<u>5,845,488</u>	<u>903,052</u>	<u>863,308</u>	<u>839,549</u>	<u>8,451,397</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>37,028</u>	<u>(858,960)</u>	<u>(44,654)</u>	<u>(131,095)</u>	<u>(997,681)</u>
Other Financing Sources (Uses):					
Transfers in	5,494	668,192	—	200,813	874,499
Transfers – support costs	27,427	—	—	(27,427)	—
Transfers out	(152,821)	(522,930)	—	(209,874)	(885,625)
Premium on refunding bonds issued	—	—	77,207	—	77,207
Issuance of refunding bonds	—	—	563,805	—	563,805
Payment to refunded bond escrow agent	—	—	(639,404)	—	(639,404)
Issuance of refunding COPs	—	—	—	160,190	160,190
Payment to refunded COPs escrow agent	—	—	—	(175,887)	(175,887)
Premium on refunding COPs issued	—	—	—	16,648	16,648
Insurance proceeds – fire damage	3,221	—	—	—	3,221
Capital leases	930	—	—	—	930
Land and building sale	—	—	—	321	321
Total Other Financing Sources (Uses)	<u>(115,749)</u>	<u>145,262</u>	<u>1,608</u>	<u>(35,216)</u>	<u>(4,095)</u>
Net Changes in Fund Balances	<u>(78,721)</u>	<u>(713,698)</u>	<u>(43,046)</u>	<u>(166,311)</u>	<u>(1,001,776)</u>
Fund Balances, July 1, 2011	<u>903,531</u>	<u>2,820,328</u>	<u>724,608</u>	<u>977,193</u>	<u>5,425,660</u>
Fund balances, June 30, 2012	<u>\$ 824,810</u>	<u>\$ 2,106,630</u>	<u>\$ 681,562</u>	<u>\$ 810,882</u>	<u>\$ 4,423,884</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, 2012
(in thousands)

Total Net Changes in Fund Balances – Governmental Funds	\$ (1,001,776)
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.	609,865
Some of the capital assets acquired this year were financed with capital leases. The amount financed is reported in the governmental funds as a source of financing. On the other hand, the proceeds are not revenues in the statement of activities, but rather, constitute long-term liabilities in the statement of net assets	(930)
Proceeds of new debt and repayment of debt principal are reported as other financing sources and uses in the governmental funds, but constitute additions and reductions to liabilities in the statement of net assets.	376,050
Premiums, discounts, refunding charges and issuance costs are reported as other financing sources and uses in the governmental funds, but presented as liabilities or deferred charges, net of amortization in the statement of net assets.	(41,168)
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.	14,094
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).	28,133
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.	28,007
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.	4,390
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.	(819,296)
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.	53,289
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	39,164
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.	36,877
Changes in Net Assets of Governmental Activities	<u><u>\$ (673,301)</u></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, 2012
(in thousands)

	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
	Original	Final		
Revenues:				
Revenue limit sources	\$ 3,007,910	\$ 2,993,159	\$ 2,968,193	\$ (24,966)
Federal revenues	935,171	937,253	867,952	(69,301)
Other state revenues	2,036,838	1,901,327	1,903,472	2,145
Other local revenues	124,142	138,381	142,899	4,518
Total Revenues	6,104,061	5,970,120	5,882,516	(87,604)
Expenditures:				
Current:				
Certificated salaries	2,689,305	2,757,315	2,681,632	75,683
Classified salaries	794,818	830,636	819,247	11,389
Employee benefits	1,412,839	1,411,920	1,365,836	46,084
Books and supplies	365,440	265,109	231,114	33,995
Services and other operating expenditures	810,795	819,364	701,435	117,929
Capital outlay	43,882	71,810	43,581	28,229
Debt service – principal	4,546	4,548	1,327	3,221
Debt service – bond, COPs, and capital leases interest	385	385	113	272
Other outgo	650	1,651	1,203	448
Total Expenditures	6,122,660	6,162,738	5,845,488	317,250
Excess (Deficiency) of Revenues Over (Under) Expenditures	(18,599)	(192,618)	37,028	229,646
Other Financing Sources (Uses):				
Transfers in	—	9,367	5,494	(3,873)
Transfers – support costs	26,603	27,905	27,427	(478)
Transfers out	(213,619)	(152,852)	(152,821)	31
Insurance proceeds – fire damage	17,846	17,846	3,221	(14,625)
Capital leases	1,064	1,064	930	(134)
Total Other Financing Sources (Uses)	(168,106)	(96,670)	(115,749)	(19,079)
Net Changes in Fund Balances	(186,705)	(289,288)	(78,721)	210,567
Fund Balances, July 1, 2011	828,645	903,531	903,531	—
Fund Balances, June 30, 2012	\$ 641,940	\$ 614,243	\$ 824,810	\$ 210,567

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Net Assets
Proprietary Funds
Governmental Activities – Internal Service Funds
June 30, 2012
(in thousands)

Assets:	
Cash in county treasury, in banks, and on hand	\$ 520,507
Accounts receivable – net	1,744
Accrued interest and dividends receivable	921
Prepaid expense	12,091
Due from other funds	332,500
	<hr/>
Total Assets	867,763
	<hr/>
Liabilities:	
Current:	
Vouchers and accounts payable	54,206
Accrued payroll	446
Other payables	1,619
Estimated liability for self-insurance claims	108,545
	<hr/>
Total Current Liabilities	164,816
	<hr/>
Noncurrent:	
Estimated liability for self-insurance claims	399,192
	<hr/>
Total Liabilities	564,008
	<hr/>
Total Net Assets – Unrestricted	\$ 303,755
	<hr/> <hr/>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Governmental Activities – Internal Service Funds
Year Ended June 30, 2012
(in thousands)

Operating Revenues:	
In-district premiums	\$ 1,037,077
Others	<u>268</u>
Total Operating Revenues	<u>1,037,345</u>
Operating Expenses:	
Certificated salaries	152
Classified salaries	5,238
Employee benefits	2,868
Supplies	197
Premiums and claims expenses	978,643
Claims administration	12,925
Other contracted services	<u>2,039</u>
Total Operating Expenses	<u>1,002,062</u>
Operating Income	<u>35,283</u>
Nonoperating Revenues (Expenses):	
Interest income	6,903
Miscellaneous expense	<u>(23)</u>
Total Nonoperating Revenues	<u>6,880</u>
Income before Transfers	42,163
Transfers in	<u>11,126</u>
Change in Net Assets	53,289
Total Net Assets, July 1, 2011	<u>250,466</u>
Total Net Assets, June 30, 2012	<u><u>\$ 303,755</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, 2012
(in thousands)

Cash Flows from Operating Activities:	
Cash payments to employees for services	\$ (8,429)
Cash payments for goods and services	(1,019,153)
Receipts from assessment to other funds	1,037,056
Other operating revenue	<u>1,261</u>
Net Cash Provided by Operating Activities	<u>10,735</u>
Cash Flows from (to) Non-Capital Financing Activities	
Transfer from other funds	11,126
Loan to other funds	<u>(332,500)</u>
Net Cash Used by Non-Capital Financing Activities	<u>(321,374)</u>
Cash Flows from Investing Activities:	
Earnings on investments	<u>8,870</u>
Net Cash Provided by Investing Activities	<u>8,870</u>
Net Decrease in Cash and Cash Equivalents	(301,769)
Cash and Cash Equivalents, July 1	<u>822,276</u>
Cash and Cash Equivalents, June 30	<u><u>\$ 520,507</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 35,283
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in operating assets and liabilities:	
Decrease in accounts receivable	972
Decrease in prepaid expense	387
Decrease in vouchers and accounts payable	(30,676)
Decrease in accrued payroll	(165)
Increase in other payables	502
Decrease in estimated liability for self-insurance claims – current	(38,124)
Increase in estimated liability for self-insurance claims – noncurrent	<u>42,556</u>
Total Adjustments	<u>(24,548)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 10,735</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, 2012
(in thousands)

Assets	
Cash in county treasury, in banks, and on hand	\$ 41,377
Total Assets	<u>\$ 41,377</u>
Liabilities	
Other payables	\$ 41,377
Total Liabilities	<u>\$ 41,377</u>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2012

(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, 2012

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

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements on pages 16 and 18. Nonmajor funds are aggregated in a single column.

(c) *Measurement Focus and Basis of Accounting*

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

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

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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2012

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

(d) Financial Statement Presentation

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

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

(e) Fund Accounting

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

Major Governmental Funds

The District has the following major governmental funds for the fiscal year 2011-12:

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, 2012

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. The Deferred Maintenance fund was closed out at the end of the prior fiscal year and all remaining balance were transferred to the General Fund since the District does not expect to continue to receive revenue sources restricted or committed to the purposes of the fund.

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 2011-12.

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 2011-12.

Proprietary Funds

The District has the following Proprietary Funds:

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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2012

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

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

Fiduciary Funds

The District has the following Fiduciary Funds:

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

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

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

(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.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2012

During the year, several supplementary appropriations were necessary. The original and final revised budgets are presented in the financial statements. Budgets for all governmental fund types are adopted on a basis consistent with generally accepted accounting principles. Budgets are adopted for the General, Special Revenue, Debt Service, Capital Projects, and Internal Service Funds.

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

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

(g) *Cash and Investments*

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

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

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

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

Occasionally, a fund will not have sufficient cash to meet its financial obligations, and a cash transfer will be required to enable that fund to pay its outstanding invoices and other obligations. These temporary borrowings between funds are classified as "due from other funds" or "due to other

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2012

funds” on the governmental funds balance sheet. Interfund balances within governmental activities are eliminated on the government-wide statement of net assets.

(i) Inventories

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

(j) Capital Assets

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

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

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

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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2012

(k) *Contracts Payable*

Contracts payable includes only the portion applicable to work completed and unpaid as of June 30, 2012.

(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 assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective-interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt using straight-line method. Gains and losses on refunding related to bonds redeemed by proceeds from the issuance of new bonds are amortized to debt expense using the effective-interest method over the shorter of the life of the new bonds or the remaining term of the bonds refunded.

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

(n) *Revenue Limit Sources/Property Taxes*

The revenue limit is the basic financial support for District activities. The District's revenue limit is received from a combination of local property taxes and state apportionments. For the fiscal year

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2012

2011-12, the District received local property taxes amounting to \$901.2 million and State aid amounting to \$2,067.0 million.

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

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

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

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

(o) Estimates

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

(2) Tax and Revenue Anticipation Notes

Tax and Revenue Anticipation Notes (TRANs) are short-term debt instruments used to finance temporary cash flow deficits in anticipation of receiving taxes and other revenues.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2012

On July 1, 2011, the District issued a total of \$550.0 million of 2011-12 TRANs with an overall true interest cost of 0.28% and total premium of \$10.5 million. A portion of the interest in the amount of \$10.9 million was paid on June 29, 2012 and the remainder of interest and all of the principal were paid on the due date of August 1, 2012.

TRANs – Short-Term Notes Payable

	(in thousands)		
	Principal	Interest	Total
Beginning balance, July 1, 2011	\$ —	\$ —	\$ —
Additions	550,000	21,194	571,194
Deductions	—	(9,412)	(9,412)
Ending balance, June 30, 2012	<u>\$ 550,000</u>	<u>\$ 11,782</u>	<u>\$ 561,782</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 Assets*

The accompanying governmental fund balance sheet includes reconciliation between *total fund balances – governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.” The details of the \$16,408,592 difference are as follows (in thousands):

Bonds payable and related accrued interest	\$ (11,507,002)
Certificates of participation (COPs)	(442,884)
Capital lease obligations	(2,185)
Children center facilities revolving loan	(792)
Liability for compensated absences	(63,498)
Retirement bonus	(80,759)
Early retirement incentive	(25,533)
Other Post Employment Benefits (OPEB)	(3,995,038)
Arbitrage payable	(1,080)
Accrued interest	<u>(289,821)</u>
Net adjustment to reduce <i>total fund balances – governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$ (16,408,592)</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2012

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

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *total net changes in fund balances – governmental funds* and *changes in net assets of governmental activities* as reported in the accompanying government-wide statement of activities. One element of that reconciliation explains that “Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.” The details of this \$609,865 difference are as follows (in thousands):

Capital related expenditures	\$ 1,035,746
Depreciation expense	(425,875)
Loss on disposal of capital assets	<u>(6)</u>
Net adjustment to increase net changes in <i>total fund balances – governmental funds</i> to arrive at <i>changes in net assets – governmental activities</i>	<u><u>\$ 609,865</u></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 assets.” The details of this \$376,050 difference are as follows (in thousands):

Debt issued or incurred:	
General obligation bonds	\$ (563,805)
Certificates of participation	(160,190)
Principal repayments:	
General obligation bonds	285,200
Certificates of participation	53,267
Refunding COPs	175,887
Refunding general obligations bonds	584,370
Capital leases	1,104
California Energy Commission loan	<u>217</u>
Net adjustment to increase net changes in <i>total fund balances – governmental funds</i> to arrive at <i>changes in net assets – governmental activities</i>	<u><u>\$ 376,050</u></u>

(4) Budgetary Appropriation Amendments

During the fiscal year, modifications were necessary to reduce appropriations for expenditures and other financing uses for the General Fund by \$22.0 million.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2012

(5) Cash and Investments

Cash and investments as of June 30, 2012 are classified in the accompanying basic financial statements as follows (in thousands):

Statement of net assets:	
Cash and investments	\$ 4,904,833
Cash and investments held by trustee	<u>110,856</u>
Subtotal	5,015,689
Fiduciary funds:	
Cash and investments	<u>41,377</u>
Total cash and investments	<u><u>\$ 5,057,066</u></u>

Cash and investments as of June 30, 2012 consist of the following (in thousands):

Cash on hand (cafeteria change funds)	\$ 2
Deposits with financial institutions and LA County Pool (a)	4,495,147
Investments (b)	<u>561,917</u>
Total cash and investments	<u><u>\$ 5,057,066</u></u>

- (a) Deposits with financial institutions include cash in the Los Angeles County Pooled Surplus Investment Fund (\$4,353,024), cash held by fiscal agents or trustees (\$110,856), and cash deposited with various other financial institutions, including imprest funds in schools and offices (\$31,269).

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 (\$561,917).

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2012

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

	Authorized Investment Type	Maximum Maturity	Maximum Total Par Value	Maximum Par Value per Issuer
A.	Obligations of the U.S. government, its agencies and instrumentalities.	None	None	None
B.	Approved Municipal Obligations	5 to 30 years	10% of PSI portfolio	None
C.	Asset-Backed Securities with highest ratings	5 years	20% of PSI portfolio	with credit rating limits
D.	Bankers' Acceptances Domestic and Foreign	180 days	40% of PSI portfolio	with credit rating limits
E.	Negotiable Certificates of Deposits – Domestic & Euro	1 to 3 years	30% of PSI portfolio	with credit rating limits
	Negotiable Certificates of Deposits – Euro	1 year	10% of PSI portfolio	with credit rating limits
F.	Corporate and Depository Notes	3 years	30% of PSI portfolio	with credit rating limits
G.	Floating Rate Notes	7 years	10% of PSI portfolio	with credit rating limits
H.	Commercial Paper 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	
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, 2012

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

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

Interest-rate risk is the risk involved with fluctuations of interest rates that may adversely affect the fair value of the investments. The County's investment guidelines target the weighted average maturity of its portfolio to less than 18 months. As of June 30, 2012, 59.82% of district funds in the County PSI Fund does not exceed one year. In addition, variable-rate notes that comprised 4.0% 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, 2012, 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, 2012

(6) Receivables/Payables

Receivables by Fund at June 30, 2012 consist of the following (in thousands):

	General	District Bonds	Bond Interest and Redemption	Other Governmental	Internal Service Funds	Total
Taxes	\$ —	\$ —	\$ 106,219	\$ —	\$ —	\$ 106,219
Accrued grants and entitlements	1,410,233	—	—	41,100	—	1,451,333
Other	54,566	5,063	—	3,989	1,744	65,362
Interest and dividends	1,344	4,456	—	1,515	921	8,236
Total Receivables	<u>\$ 1,466,143</u>	<u>\$ 9,519</u>	<u>\$ 106,219</u>	<u>\$ 46,604</u>	<u>\$ 2,665</u>	<u>\$ 1,631,150</u>

Payables by Fund at June 30, 2012 consist of the following (in thousands):

	General	District Bonds	Other Governmental	Internal Service Funds	Total
Vouchers and accounts	\$ 227,690	\$ 79,259	\$ 34,192	\$ 54,206	\$ 395,347
Contracts	356	58,913	5,518	—	64,787
Accrued payroll	192,540	8	—	446	192,994
Other	80,334	—	18,038	1,619	99,991
Total payables	<u>\$ 500,920</u>	<u>\$ 138,180</u>	<u>\$ 57,748</u>	<u>\$ 56,271</u>	<u>\$ 753,119</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2012

(7) Capital Assets

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

	<u>Balance, June 30, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, June 30, 2012</u>
Governmental activities:				
Capital assets, not being depreciated:				
Sites	\$ 3,136,630	\$ 8,232	\$ —	\$ 3,144,862
Construction in progress	<u>3,571,703</u>	<u>1,001,446</u>	<u>(1,036,215)</u>	<u>3,536,934</u>
Total capital assets, not being depreciated	<u>6,708,333</u>	<u>1,009,678</u>	<u>(1,036,215)</u>	<u>6,681,796</u>
Capital assets, being depreciated:				
Improvement of sites	528,607	263	—	528,870
Buildings and improvements	10,069,170	994,157	—	11,063,327
Equipment	<u>1,228,062</u>	<u>67,863</u>	<u>(35,569)</u>	<u>1,260,356</u>
Total capital assets, being depreciated	<u>11,825,839</u>	<u>1,062,283</u>	<u>(35,569)</u>	<u>12,852,553</u>
Less accumulated depreciation for:				
Improvement of sites	(321,644)	(13,490)	—	(335,134)
Buildings and improvements	(2,556,881)	(365,536)	—	(2,922,417)
Equipment	<u>(1,028,399)</u>	<u>(46,849)</u>	<u>35,563</u>	<u>(1,039,685)</u>
Total accumulated depreciation	<u>(3,906,924)</u>	<u>(425,875)</u>	<u>35,563</u>	<u>(4,297,236)</u>
Total capital assets, being depreciated, net	<u>7,918,915</u>	<u>636,408</u>	<u>(6)</u>	<u>8,555,317</u>
Governmental activities capital assets, net	<u>\$ 14,627,248</u>	<u>\$ 1,646,086</u>	<u>\$ (1,036,221)</u>	<u>\$ 15,237,113</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2012

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

Governmental activities:	
Instruction	\$ 3,329
Support services – students	387
Support services – instructional staff	1,603
Support services – general administration	205
Support services – school administration	2,307
Support services – business	1,641
Operation and maintenance of plant services	5,084
Student transportation services	7,345
Data processing services	906
Operation of noninstructional services	1,149
Depreciation – unallocated	401,919
Total depreciation expense – governmental activities	<u>\$ 425,875</u>

(8) Retirement, Termination and Other Postemployment Benefit Plans

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

Retirement Plans

Qualified District employees are covered under either multiple-employer defined benefit retirement plans maintained by agencies of the State of California, or a multiple-employer defined contribution retirement benefit plan administered under a Trust. The retirement plans maintained by the State are 1) the California Public Employees' Retirement System (CalPERS), 2) the State Teachers' Retirement System (STRS), and 3) the Public Agency Retirement (PARS) which is administered under a Trust. In general, certificated employees are members of STRS and classified employees are members of CalPERS. Part-time, seasonal, temporary and other employees who are not members of CalPERS or STRS are members of PARS.

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

Plan Description

The District contributes to a cost-sharing multiple-employer plan for Miscellaneous, and an agent multiple-employer plan for Safety, to the Public Employees' Retirement Fund (PERF), defined benefit pension plans administered by CalPERS. The plans provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Fiscal Services Division, P.O. Box 942703, Sacramento, CA 94229-2703, or by calling (888) CalPERS (225-7377).

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2012

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 2011-12 were 10.923% for miscellaneous and 34.056% for safety members. The District paid the employee's contribution of 9% for most of the safety members, and certain percentages for employees covered under other collective bargaining units. The 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, 2012, 2011, and 2010 (in thousands).

Schedule of Employer Contributions:

	2012		2011	2010
	Safety	Miscellaneous	Safety and Miscellaneous	Safety and Miscellaneous
District contributions:				
Regular	\$ 8,553	\$ 103,458	\$ 112,871	\$ 113,584
Annual Savings Recapture – AB 702 Credits	(5,200)	11,823	9,772	19,357
Total district contributions	3,353	115,281	122,643	132,941
Employee contributions:				
Paid by Employees	567	50,807	52,420	53,932
Paid by District	1,728	16,073	19,966	23,040
Total employee contributions	2,295	66,880	72,386	76,972
Total CalPERS contributions	\$ 5,648	\$ 182,161	\$ 195,029	\$ 209,913
Percentage of required contributions made	100%	100%	100%	100%

The District's contributions for all members for the fiscal years ended June 30, 2012, 2011, and 2010 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, 2012, 2011, and 2010.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2012

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

Valuation Date	June 30, 2009
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	30 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, 2011, the most recent actuarial valuation date, the actuarial value of plan assets was \$214,253,073 and the actuarial accrued liability for benefits was \$258,517,618. The unfunded actuarial liability was \$44,264,545. The actuarial value of assets as a percentage of the actuarial accrued liability was 82.9% (funded ratio). The covered payroll (annual payroll of active employees covered by the plan) was \$24,676,608, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 179.4%.

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 63 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, 2012

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

Plan Description

The District contributes to the STRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan and a tax-deferred supplemental program established and administered by the State Teachers' Retirement Law (Section 22000 et seq.) of the California Education Code. The Teachers' Retirement Fund (TRF) is a defined benefit pension plan under the STRS. At June 30, 2011, there were 1,669 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. STRS issues a separate comprehensive annual financial report that includes a ten-year trend information showing the progress in accumulating sufficient assets to pay benefits when due. Copies of the STRS annual financial report may be obtained from California State Teachers' Retirement System, P.O. Box 15275, Sacramento, CA 95851-0275.

Funding Policy

Active plan members are required to contribute 8% of their salary (6% to the Defined Benefit (DB) Program and 2% to the Defined Benefit Supplement (DBS) Program). The District is required to contribute based on an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011-12 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. Required contributions to STRS for fiscal years ended June 30, 2012, 2011, and 2010 (in thousands) are as follows:

	Percentage of applicable member earnings	2012	2011	2010
District contributions	8.25%	\$ 224,963	\$ 236,730	\$ 233,091
Employee contributions (including adjustments)	8.00%	218,026	233,207	239,431
Total STRS contributions	16.25%	\$ 442,989	\$ 469,937	\$ 472,522
Percentage of required contributions made		100%	100%	100%

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2012

The District's contributions for all members for the fiscal years ended June 30, 2012, 2011, and 2010 were in accordance with the required contribution rates calculated by the STRS actuary for each year.

Beginning July 1, 2003, the State's contribution to the system is 2.017% of the previous calendar year's teachers' payroll. Subsequent to achieving a fully funded System, the State expects to contribute only the amount necessary to help fund the normal cost of the current benefit program unless a subsequent unfunded obligation occurs.

(c) *Public Agency Retirement System (PARS)*

Plan Description

The Omnibus Budget Reconciliation Act of 1990 requires state and local public agencies to provide a retirement plan for all employees not covered under existing employer pension plans and/or Social Security. These employees are primarily part-time, seasonal, and temporary employees (PSTs). This Act also requires that contributions for PSTs be vested immediately and permits any split of the minimum contributions between employee and employer.

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

Funding Policy

The minimum total contribution is 7.5% of employees' salaries, of which the District and the employees contribute 3.75% each. The District paid the employee's contribution for certain collective bargaining units. Employees are vested 100% in both employer and employee contributions from the date of membership. When separated from employment, all employees can choose to receive their funds in lump sum or leave it on deposit until the mandatory age of 70 ½ when they must get a distribution.

District employees covered under PARS total 51,931 as of June 30, 2012. District and employee contributions to the plan for the last three fiscal years are as follows: 2011-12 – \$9,001,987, 2010-11 – \$10,486,286, and 2009-10 – \$11,476,230.

The District's contributions for all members for the fiscal years ended June 30, 2012, 2011, and 2010 were in accordance with the required contributions.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2012

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 \$27.8 million as of June 30, 2012.

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 is estimated at \$3.6 million.

Postemployment Benefits – Health and Welfare for Retirees

Plan Description

The District administers a single-employer defined benefit healthcare plan. The plan provides other post-employment (health care) benefits, in accordance with collective bargaining unit agreements and Board rules. Certificated and classified employees who retire from the District receiving a STRS/CalPERS retirement allowance (for either age or disability) are eligible to continue coverage under the District-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, 2012

- f. Those hired on or after April 1, 2009 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 STRS/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, 2012, approximately 37,000 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 2012, the District contributed \$228.7 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" was signed into law in March 2010. This 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, 2012

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	158,787
Adjustment to annual required contribution	<u>(196,749)</u>
Annual OPEB cost (expense)	1,047,987
Contributions made	<u>(228,691)</u>
Increase in net OPEB obligation	819,296
Net OPEB obligation – beginning of year	<u>3,175,742</u>
Net OPEB obligation – end of year	<u><u>\$ 3,995,038</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 2012, 2011, and 2010 were as follows (in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$ 1,047,987	22 %	\$ 3,995,038
6/30/2011	1,022,031	23	3,175,742
6/30/2010	977,150	24	2,393,811

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, 2012

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 \$40 million coverage above a \$5 million self-insurance retention. No settlements exceeded insurance coverage in the last four fiscal years ended June 30, 2012.

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

The District has also purchased 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, 2012

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, 2012, the amount of the total claims liabilities recorded for health and welfare, liability self-insurance, and workers' compensation was \$507.7 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 Health and Welfare Benefits Fund lowered its estimated liability due to shorter lag times before payment of claims. Medical inflation contributed to an increase in workers' compensation claims liability. Changes in the reported liabilities since July 1, 2010 (in thousands) are summarized as follows:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
2011-2012				
Health and welfare benefits	\$ 37,764	\$ 206,838	\$ (220,356)	\$ 24,246
Workers' compensation	430,840	98,418	(95,269)	433,989
Liability self-insurance	34,702	24,829	(10,027)	49,504
Total	<u>\$ 503,306</u>	<u>\$ 330,085</u>	<u>\$ (325,652)</u>	<u>\$ 507,739</u>
2010-2011				
Health and welfare benefits	\$ 37,827	\$ 231,339	\$ (231,402)	\$ 37,764
Workers' compensation	452,398	66,514	(88,073)	430,839
Liability self-insurance	38,119	6,657	(10,074)	34,702
Total	<u>\$ 528,344</u>	<u>\$ 304,510</u>	<u>\$ (329,549)</u>	<u>\$ 503,305</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, 2012 are as follows:

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2012

COPs Issue	Sale Date	Original Principal Amount (in thousands)	Outstanding June 30, 2012 (in thousands)	Interest Rates to Maturity	Final Maturity
2003 Series B	2003	\$ 31,620	\$ 24,575	3.0 - 5.0%	2028
2004 Series A	2004	50,700	6,740	4.0 - 5.0	2014
Series 2005 (QZAB)	2005	10,000	10,000	0.0	2020
2007 Series A	2007	99,660	58,422	5.0	2017
2009 Series A	2009	40,728	25,554	3.92	2019
2010 Series A	2010	69,685	55,735	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	57,020	3.0 - 5.75	2020
2012 Series A	2012	87,845	87,845	2.0 - 5.0	2031
2012 Series B	2012	72,345	72,345	2.0 - 5.0	2031
			<u>\$ 419,851</u> *		

* The total amount shown above excludes net unamortized premium of \$23,034.

On June 12, 2012, the District issued Refunding COPs 2012 Series A and B (Headquarters Building Projects) in the aggregate principal amount of \$160.19 million. Interest is payable semiannually ranging from 2.00% to 5.00% for Series A and Series B. Principal payments are due annually through 2031 for both series. The proceeds were used to refinance the COPs 2001 Series B, the COPs 2002 Series C, and the 2008 Series A and Series B Variable Rate Refunding Certificates. The refunding resulted in a reduction of debt service payments of \$14 million over 19 years and an economic gain of \$11.1 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, 2012, \$59.6 million of defeased COPs were still outstanding.

In prior years, the District defeased certain sinking fund payments for its 2000 Certificates of Participation (Qualified Zone Academy Bonds) and its 2005 Certificates of Participation (Qualified Zone Academy Bonds) by placing general fund monies, payments from charter schools that received proceeds of the 2000 Certificates of Participation (Qualified Zone Academy Bonds), proceeds of general obligation bonds, interest earnings on all said deposits and interest earnings on forward delivery agreements into the respective sinking fund accounts held by the respective trustees to provide for the payment of the 2000 Certificates of Participation (Qualified Zone Academy Bonds) and the 2005 Certificates of Participation (Qualified Zone Academy Bonds) at maturity. While the District's financial statements indicate that the full principal amount of the 2005 Certificates of Participation (Qualified Zone Academy Bonds) are

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2012

outstanding as of June 30, 2012, a total of \$3.92 million of accumulated sinking fund payments have been made, which amount reflects the portion of the certificates of participation that are considered economically defeased.

Other Leasing Arrangements

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

The District's operating leases consist of various leased facilities and office equipment (primarily copiers). The leased facilities have varying terms ranging from less than a year to 80 years. Some leases are month to month and a few are year to year. The leases expire over the next 71 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 3 years.

The total expenditure for all operating leases amounted to \$17.6 million in 2011-12. The future minimum commitments for noncancelable operating lease of the District as of June 30, 2012 are as follows (in thousands):

	Amount (in thousands)
Fiscal year ending:	
2013	\$ 11,107
2014	6,947
2015	6,321
2016	4,888
2017	3,944
2018-2022	17,267
2023-2027	12,044
2028-2032	13,459
2033-2037	15,937
2038-2042	16,800
2043-2047	9,689
2048-2052	10,697
2053-2057	11,811
2058-2062	13,040
2063-2067	14,397
2068-2072	15,896
2073-2077	17,550
2078-2082	19,377
2083	4,111
	<u>\$ 225,282</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2012

(11) Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2012 (in thousands):

	Balance, July 1, 2011	Additions	Deductions	Balance, June 30, 2012	Due Within One Year	Interest Expense
General Obligation Bonds*	\$ 11,810,881	\$ 651,579	\$ 955,458	\$ 11,507,002	\$ 355,792	\$ 548,786
Certificates of Participation (Note 10)**	494,840	176,853	228,809	442,884	27,494	16,036
Capital Lease Obligations	2,359	930	1,104	2,185	880	113
Children Center Facilities Revolving Loan	792	—	—	792	—	—
California Energy Commission Loan	217	—	217	—	—	—
Liability for Compensated Absences	70,381	64,286	69,592	65,075	1,130	—
Liability for Other Employee Benefits	131,651	—	23,220	108,431	14,954	—
Self-Insurance Claims (Note 9)	503,305	330,085	325,652	507,738	108,545	—
Other Postemployment Benefits (OPEB)	3,175,742	1,047,987	228,691	3,995,038	—	—
Arbitrage Payable	5,470	647	5,037	1,080	270	—
Total	<u>\$ 16,195,638</u>	<u>\$ 2,272,367</u>	<u>\$ 1,837,780</u>	<u>\$ 16,630,225</u>	<u>\$ 509,065</u>	<u>\$ 564,935</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
2013	\$ 333,930	\$ 21,862	\$ 568,059	\$ 25,570	\$ 2,804	\$ 16,515	\$ -	\$ -	\$ 359,500	\$ 24,666	\$ 584,574
2014	327,270	23,667	551,369	30,716	2,852	16,874	79	—	358,065	26,519	568,243
2015	332,225	22,446	536,007	38,510	2,828	17,015	79	—	370,814	25,274	553,022
2016	338,870	21,757	519,918	37,546	2,563	15,306	79	—	376,495	24,320	535,224
2017	341,215	20,300	503,377	38,563	2,192	13,498	79	—	379,857	22,492	516,875
2018-2022	2,019,320	67,455	2,234,875	123,541	6,181	45,098	397	—	2,143,258	73,636	2,279,973
2023-2027	3,142,730	23,154	1,686,637	56,600	2,713	27,395	79	—	3,199,409	25,867	1,714,032
2028-2032	2,566,455	14,387	930,175	63,480	928	11,461	—	—	2,629,935	15,315	941,636
2033-2036	1,888,470	1,490	179,545	7,510	(27)	1,266	—	—	1,895,980	1,463	180,811
	<u>\$ 11,290,485</u>	<u>\$ 216,518</u>	<u>\$ 7,709,962</u>	<u>\$ 422,036</u>	<u>\$ 23,034</u>	<u>\$ 164,428</u>	<u>\$ 792</u>	<u>\$ -</u>	<u>\$ 11,713,313</u>	<u>\$ 239,552</u>	<u>\$ 7,874,390</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2012

The General Obligation Bonds balance of \$11.5 billion, which includes unamortized bond premiums (net of unamortized discount and refunding charges) of \$216.5 million, consists of:

Bond Issue	Sale Date	Original Principal Amount (in thousands)	Outstanding June 30, 2012 (in thousands)	Interest Rates to Maturity	Final Maturity
Proposition BB, Series A	1997	\$ 356,000	\$ 64,120	6.0%	2015
Proposition BB, Series E	2002	500,000	15,665	4.4 - 5.5	2012
Proposition BB, Series F	2003	507,345	35,000	3.5 - 4.5	2013
Measure K, Series A	2003	2,100,000	82,930	3.8 - 5.25	2013
Measure K, Series B	2007	500,000	449,130	4.0 - 5.0	2031
Measure K, Series C	2007	150,000	134,765	4.5 - 5.0	2032
Measure K, Series D	2009	250,000	234,740	2.5 - 5.25	2034
Measure R, Series C	2004	50,000	36,905	3.6 - 5.0	2029
Measure R, Series E	2005	400,000	229,210	3.75 - 5.75	2030
Measure R, Series F	2006	500,000	436,035	3.5 - 5.0	2030
Measure R, Series G	2006	400,000	334,290	4.0 - 5.0	2031
Measure R, Series H	2007	550,000	476,705	3.75 - 5.0	2032
Measure R, Series I	2009	550,000	518,525	3.0 - 5.25	2034
Measure Y, Series A	2006	56,785	23,750	3.5 - 5.0	2022
Measure Y, Series B	2006	80,200	31,615	3.5 - 5.0	2028
Measure Y, Series C	2006	210,000	177,500	5.0	2030
Measure Y, Series D (taxable)	2006	47,400	22,345	6.0	2014
Measure Y, Series E	2007	300,000	271,065	4.5 - 5.0	2032
Measure Y, Series F	2009	150,000	141,145	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	170,930	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	159,495	1.1 - 5.0	2018
2002 GO Refunding Bonds	2002	258,375	210,440	4.25 - 5.75	2017
2004 GO Refunding Bonds, Series A-1	2004	90,740	90,165	3.3 - 5.0	2018
2004 GO Refunding Bonds, Series A-2	2004	128,385	127,080	3.3 - 5.0	2022
2005 GO Refunding Bonds, Series A-1	2005	346,750	346,750	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	558,340	4.0 - 5.0	2027
2007 GO Refunding Bonds, Series A-1	2007	1,153,195	1,133,525	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	55,570	3.0 - 5.0	2019
2010 GO Refunding Bonds, Series A	2010	74,995	73,335	3.0 - 5.0	2015
2011 GO Refunding Bonds, Series A-1	2011	206,735	206,735	2.0 - 5.0	2024
2011 GO Refunding Bonds, Series A-2	2011	201,070	201,070	2.0 - 5.0	2023
2012 GO Refunding Bonds, Series A	2012	156,000	156,000	2.0 - 5.0	2028
			<u>\$ 11,290,485</u>	*	

* The total amount shown above excludes net unamortized premium of \$216,518.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2012

The District had two issuances of GO Refunding bonds during 2011-12:

1. 2011 Refunding Series "A-1" and "A-2" issued in November 2011 for \$407.81 million aggregate principal amount. The refunding resulted in a reduction to debt service payments of \$37.95 million over 13 years and an economic gain of \$31.83 million; and
2. 2012 Refunding Series "A" issued in May 2012 for \$156.00 million aggregate principal amount. The refunding resulted in a reduction to debt service payments of \$12.87 million over 16 years and an economic gain of \$10.51 million.

In prior years, the District defeased certain principal amounts of its general obligation bonds by placing proceeds of refunding bonds in an irrevocable escrow fund to provide for all future debt service payments on the refunded and defeased bonds. Accordingly, the escrow account assets and the liability for the defeased general obligation bonds are not included in the District's financial statements. At June 30, 2012, \$2.763 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 years. Annual repayment will begin when the full amount of the loan is received.

The California Energy Commission has agreed to provide the District with State funding of up to \$8 million (at a 3.95% annual interest rate) of which \$1.32 million was received in fiscal year 2004-05 and \$0.06 million, in fiscal year 2005-06. The principal and interest will be repaid in its entirety through energy cost avoidance that the District intends to achieve from its energy project. The project involves use of energy efficient equipment, certain building shell components and improved methods of lighting and lighting controls. As of June 30, 2012, the loan has been fully paid.

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 the past, approximately 81% has been paid by the General Fund, 6% by the Child Development Fund, 6% by the Cafeteria Fund, 5% by the District Bonds Fund, and 2% 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.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2012

The General Fund assumes 100% of liability self-insurance claims. For workers' compensation and health benefit claims, including retiree health benefits, the General Fund currently bears approximately 88% of the cost, while the Cafeteria Fund carries 5%; no other individual fund is charged more than 5% of the total amount.

(12) Interfund Transactions

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

Interfund receivables/payables are eliminated on the government-wide statement of net assets but are reported on the fund financial statements. These consist of borrowings between funds to cover temporary cash insufficiencies and permit payment of obligations. Interfund receivables and payables at June 30, 2012 (in thousands) are as follows:

<u>Fund Group</u>	<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General:	Unrestricted	\$ —	\$ 300,000
	Total General	—	300,000
Special Revenue:	Cafeteria	—	23,000
	Child development	—	9,500
	Total Special Revenue	—	32,500
Internal Service	Workers' Compensation	332,500	—
	Total Internal Service	332,500	—
	Total Interfund Receivables/Payables	<u>\$ 332,500</u>	<u>\$ 332,500</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2012

(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, 2012 were as follows (in thousands):

From	To	Purpose	
General	Cafeteria	Cafeteria repayment per MOU dated March 18, 2011	\$ 88,588
General	Child Development	Child development support	19,437
General	Capital Services	Debt service	33,670
General	Health & Welfare	Early retirement reinsurance program	1,370
General	Health & Welfare	Medicare Part D subsidy	9,756
Cafeteria	Capital Services	Debt service	787
Capital Services	General	Reimbursement of capital expenditures	737
SSBldg Lease/Purchase	Building – Measure R	Reimbursement of capital expenditures	2
Special Reserve	General	Funding for capital expenditures	2,436
Special Reserve	Building – Measure K	Reimbursement of capital expenditures	3
Special Reserve	Building – Measure R	Reimbursement of capital expenditures	12
Special Reserve	Building – Measure Y	Reimbursement of capital expenditures	102
Capital Facilities	Special Reserve	Debt service	1
Capital Facilities	Capital Services	Debt service	9,574
Capital Facilities	Building – Measure K	Reimbursement of capital expenditures	338
Capital Facilities	Building – Measure Y	Reimbursement of capital expenditures	19
Building – Bond Proceeds	Special Reserve	Reimbursement of capital expenditures	1
Building – Bond Proceeds	Building – Measure K	Reimbursement of capital expenditures	4,500
Building – Bond Proceeds	Building – Measure R	Reimbursement of capital expenditures	8,327
Building – Bond Proceeds	Building – Measure Y	Reimbursement of capital expenditures	420
Building – Bond Proceeds	County School Facilities	Reimbursement of capital expenditures	688
Building – Bond Proceeds	CSF – Prop 47	Reimbursement of capital expenditures	1,346
Building – Bond Proceeds	CSF – Prop 55	Reimbursement of capital expenditures	10,445
Building – Bond Proceeds	CSF – Prop 1D	Reimbursement of capital expenditures	181
Building – Measure K	SSBldg Lease/Purchase	Reimbursement of capital expenditures	43
Building – Measure K	Building – Measure R	Reimbursement of capital expenditures	616
Building – Measure K	Building – Measure Y	Reimbursement of capital expenditures	11,946
Building – Measure K	CSF – Prop 55	Reimbursement of capital expenditures	366
Building – Measure K	CSF – Prop 1D	Reimbursement of capital expenditures	756
Building – Measure R	General	Reimbursement of capital expenditures	144
Building – Measure R	Special Reserve	Reimbursement of capital expenditures	7,881
Building – Measure R	Building – Bond Proceeds	Reimbursement of capital expenditures	462
Building – Measure R	Building – Measure K	Reimbursement of capital expenditures	2,344
Building – Measure R	Building – Measure Y	Reimbursement of capital expenditures	7,458
Building – Measure R	County School Facilities	Reimbursement of capital expenditures	615
Building – Measure R	CSF – Prop 47	Reimbursement of capital expenditures	2,536
Building – Measure R	CSF – Prop 55	Reimbursement of capital expenditures	4,342
Building – Measure R	CSF – Prop 1D	Reimbursement of capital expenditures	1,297
Building – Measure Y	General	Reimbursement of capital expenditures	2,177
Building – Measure Y	Cafeteria	Reimbursement of capital expenditures	856
Building – Measure Y	Capital Services	Debt service	2,347
Building – Measure Y	Building – Bond Proceeds	Reimbursement of capital expenditures	1
Building – Measure Y	Building – Measure K	Reimbursement of capital expenditures	2,517

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2012

Transfers between funds for the year ended June 30, 2012 (continued) (in thousands):

<u>From</u>	<u>To</u>	<u>Purpose</u>	
Building – Measure Y	Building – Measure R	Reimbursement of capital expenditures	442,604
Building – Measure Y	County School Facilities	Reimbursement of capital expenditures	256
Building – Measure Y	CSF – Prop 47	Reimbursement of capital expenditures	8
Building – Measure Y	CSF – Prop 55	Reimbursement of capital expenditures	5,315
Building – Measure Y	CSF – Prop 1D	Reimbursement of capital expenditures	135
County School Facilities	Building – Bond Proceeds	Reimbursement of capital expenditures	1,831
County School Facilities	Building – Measure K	Reimbursement of capital expenditures	28
County School Facilities	Building – Measure R	Reimbursement of capital expenditures	1,089
County School Facilities	CSF – Prop 47	Reimbursement of capital expenditures	755
CSF – Prop 47	Building – Bond Proceeds	Reimbursement of capital expenditures	91
CSF – Prop 47	Building – Measure K	Reimbursement of capital expenditures	28
CSF – Prop 47	Building – Measure R	Reimbursement of capital expenditures	958
CSF – Prop 47	Building – Measure Y	Reimbursement of capital expenditures	27
CSF – Prop 47	County School Facilities	Reimbursement of capital expenditures	101
CSF – Prop 47	CSF – Prop 55	Reimbursement of capital expenditures	802
CSF – Prop 47	CSF – Prop 1D	Reimbursement of capital expenditures	3,907
CSF – Prop 55	Building – Bond Proceeds	Reimbursement of capital expenditures	11,664
CSF – Prop 55	Building – Measure K	Reimbursement of capital expenditures	54,435
CSF – Prop 55	Building – Measure R	Reimbursement of capital expenditures	9,890
CSF – Prop 55	Building – Measure Y	Reimbursement of capital expenditures	18,561
CSF – Prop 55	County School Facilities	Reimbursement of capital expenditures	2,230
CSF – Prop 55	CSF – Prop 47	Reimbursement of capital expenditures	3
CSF – Prop 55	CSF – Prop 1D	Reimbursement of capital expenditures	47
CSF – Prop 1D	SSBldg Lease/Purchase	Reimbursement of capital expenditures	149
CSF – Prop 1D	Building – Bond Proceeds	Reimbursement of capital expenditures	10,320
CSF – Prop 1D	Building – Measure K	Reimbursement of capital expenditures	14,379
CSF – Prop 1D	Building – Measure R	Reimbursement of capital expenditures	50,718
CSF – Prop 1D	Building – Measure Y	Reimbursement of capital expenditures	12,502
CSF – Prop 1D	County School Facilities	Reimbursement of capital expenditures	865
CSF – Prop 1D	CSF – Prop 55	Reimbursement of capital expenditures	483
Sub-total			885,625
Adult Education	General	Transfer of support costs	5,924
Cafeteria	General	Transfer of support costs	14,825
Child Development	General	Transfer of support costs	6,678
Total			<u>\$ 913,052</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2012

(13) Fund Equity

The following is a summary of fund balances at June 30, 2012 (in thousands):

	General Fund	District Bonds	Bond Interest and Redemption	Other Governmental Funds
Nonspendable:				
Revolving cash and imprest funds	\$ 2,705	\$ 3,800	\$ —	\$ 66
Inventories	8,526	—	—	13,057
Total Nonspendable Balances	11,231	3,800	—	13,123
Restricted for:				
Child Nutrition: School Programs	—	—	—	5,802
Medi-Cal Billing Options	11,956	—	—	—
FEMA Public Assistance Funds	91	—	—	240
Cops More Program	35	—	—	—
School Mental Health Medi-Cal Rehabilitation	4,045	—	—	—
Class Size Reduction Facilities Funds	—	—	—	28,933
Teacher Recruitment and Retention	4,862	—	—	—
English Language Acquisition Program, Teacher Training & Student Assistance	3,798	—	—	—
ROC/P: Training & Certification for Community Care	14	—	—	—
Special Education	9,520	—	—	—
Economic Impact Aid (EIA)	6,482	—	—	—
Economic Impact Aid: Limited English Proficiency (LEP)	43,024	—	—	—
Quality Education Investment Act (QEIA)	43,126	—	—	—
State School Facilities Projects	—	—	—	509,168
California Energy Commission Loan Expenditures	397	—	—	—
CDE Grant Olive Vista Middle School	—	—	—	45
Ongoing & Major Maintenance Account	9,000	—	—	—
Capital Projects	—	—	—	128,171
Certificates of Participation (Acquisition Accounts) Proceeds	49,679	—	—	—
Clean Cities Grant	86	—	—	—
Cognitive Behavioral Intervention Therapy	448	—	—	—
Debt Service Reserve	—	—	681,562	59,708
District Bonds	—	2,102,830	—	—
Total Restricted Balances	186,563	2,102,830	681,562	732,067
Committed to:				
Adult Education	—	—	—	9,972
Assigned to:				
Subsequent year expenditures	465,272	—	—	55,720
Unassigned				
Reserved for economic uncertainties	65,376	—	—	—
Unassigned	96,368	—	—	—
Total Fund Balances	\$ 824,810	\$ 2,106,630	\$ 681,562	\$ 810,882

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2012

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 designee.

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 employees, to remedy alleged noncompliance regarding special education schools, and to change existing instructional programs, pupil integration methods, and employment and administration

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2012

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 2011-12 the District entered into approximately 103 contracts with a combined value of \$310.6 million. The durations of the contracts range from six weeks to two years.

(15) Subsequent Events

On July 1, 2012 the District issued \$600 million of Tax and Revenue Anticipation Notes. The District will make the required deposits of \$300.0 million on December 31, 2012 and \$307.6 million on January 31, 2013 in anticipation of repayment of TRANS on February 28, 2013. The TRANS were sold in three series that carried coupons of 1.00%, 1.50%, and 2.50% and had an All-In True Interest Cost of 0.22%.



LOS ANGELES UNIFIED SCHOOL DISTRICT
Required Supplementary Information
Year Ended June 30, 2012
(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		
06/30/09	\$ 240,158	\$ 190,718	\$ 139,579	\$ 49,440	79.4%	58.1%	\$ 23,715	208.5%
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

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, 2012
(in thousands)

	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
	Original	Final		
Revenues:				
Other local revenues	\$ 24,580	\$ 42,380	\$ 44,092	\$ 1,712
Total Revenues	<u>24,580</u>	<u>42,380</u>	<u>44,092</u>	<u>1,712</u>
Expenditures:				
Current:				
Classified salaries	87,737	103,512	54,977	48,535
Employee benefits	25,796	38,421	25,396	13,025
Books and supplies	977	13,068	10,999	2,069
Services and other operating expenditures	520	88,519	13,036	75,483
Capital outlay	<u>1,401,755</u>	<u>1,787,500</u>	<u>798,644</u>	<u>988,856</u>
Total Expenditures	<u>1,516,785</u>	<u>2,031,020</u>	<u>903,052</u>	<u>1,127,968</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,492,205)</u>	<u>(1,988,640)</u>	<u>(858,960)</u>	<u>1,129,680</u>
Other Financing Sources (Uses):				
Transfers in	—	668,222	668,192	(30)
Transfers out	<u>(5,905)</u>	<u>(530,079)</u>	<u>(522,930)</u>	<u>7,149</u>
Total Other Financing Sources (Uses)	<u>(5,905)</u>	<u>138,143</u>	<u>145,262</u>	<u>7,119</u>
Net Changes in Fund Balances	<u>(1,498,110)</u>	<u>(1,850,497)</u>	<u>(713,698)</u>	<u>1,136,799</u>
Fund Balances, July 1, 2011	<u>2,466,910</u>	<u>2,820,328</u>	<u>2,820,328</u>	<u>—</u>
Fund Balances, June 30, 2012	<u>\$ 968,800</u>	<u>\$ 969,831</u>	<u>\$ 2,106,630</u>	<u>\$ 1,136,799</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, 2012
(in thousands)

	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
	Original	Final		
Revenues:				
Federal revenues	\$ 73,753	\$ 73,753	\$ 36,876	\$ (36,877)
Other state revenues	5,741	5,741	5,271	(470)
Other local revenues	830,439	830,439	776,507	(53,932)
Total Revenues	909,933	909,933	818,654	(91,279)
Expenditures:				
Debt service – principal	1,183,095	663,141	285,200	377,941
Debt service – refunding bond issuance cost	—	—	1,608	(1,608)
Debt service – bond and COPs interest	—	577,000	576,500	500
Total Expenditures	1,183,095	1,240,141	863,308	376,833
Excess (Deficiency) of Revenues Over (Under) Expenditures	(273,162)	(330,208)	(44,654)	285,554
Other Financing Sources (Uses):				
Premium on refunding bonds issued	—	—	77,207	77,207
Issuance of refunding bonds	—	—	563,805	563,805
Payment to refunded bond escrow agent	—	—	(639,404)	(639,404)
Total Other Financing Sources	—	—	1,608	1,608
Net Changes in Fund Balances	(273,162)	(330,208)	(43,046)	287,162
Fund Balances, July 1, 2011	667,562	724,608	724,608	—
Fund Balances, June 30, 2012	<u>\$ 394,400</u>	<u>\$ 394,400</u>	<u>\$ 681,562</u>	<u>\$ 287,162</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, 2012
(in thousands)

Special Revenue				
	Adult Education	Cafeteria	Child Development	Total
Assets:				
Cash in county treasury, in banks, and on hand	\$ 9,327	\$ 1,125	\$ 7,310	\$ 17,762
Cash held by trustee	—	—	—	—
Accounts receivable – net	3,435	34,666	3,778	41,879
Accrued interest receivable	51	—	—	51
Inventories	—	13,057	—	13,057
Total Assets	<u>\$ 12,813</u>	<u>\$ 48,848</u>	<u>\$ 11,088</u>	<u>\$ 72,749</u>
Liabilities and Fund Balances:				
Vouchers and accounts payable	\$ 2,679	\$ 6,211	\$ 212	\$ 9,102
Contracts payable	1	—	—	1
Other payables	1	589	792	1,382
Due to other funds	—	23,000	9,500	32,500
Deferred revenue	104	189	514	807
Total Liabilities	<u>2,785</u>	<u>29,989</u>	<u>11,018</u>	<u>43,792</u>
Fund Balances:				
Nonspendable	56	13,057	10	13,123
Restricted	—	5,802	—	5,802
Committed	9,972	—	—	9,972
Assigned	—	—	60	60
Total Fund Balances	<u>10,028</u>	<u>18,859</u>	<u>70</u>	<u>28,957</u>
Total Liabilities and Fund Balances	<u>\$ 12,813</u>	<u>\$ 48,848</u>	<u>\$ 11,088</u>	<u>\$ 72,749</u>

See accompanying independent auditors' report.

Debt Service

Tax Override	Capital Services	Total
\$ 304	\$ 16,078	\$ 16,382
—	43,301	43,301
—	—	—
1	27	28
—	—	—
\$ 305	\$ 59,406	\$ 59,711
\$ —	\$ 3	\$ 3
—	—	—
—	—	—
—	—	—
—	—	—
—	3	3
—	—	—
305	59,403	59,708
—	—	—
—	—	—
305	59,403	59,708
\$ 305	\$ 59,406	\$ 59,711

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet (Continued)
June 30, 2012
(in thousands)

	Capital			
	Building	State School Building Lease – Purchase	Special Reserve	Special Reserve – FEMA – Earthquake
Assets:				
Cash in county treasury, in banks, and on hand	\$ 1,605	\$ 15,615	\$ 131,156	\$ 240
Cash held by trustee	—	—	15,496	—
Accounts receivable – net	—	—	—	—
Accrued interest receivable	4	30	254	—
Inventories	—	—	—	—
Total Assets	<u>\$ 1,609</u>	<u>\$ 15,645</u>	<u>\$ 146,906</u>	<u>\$ 240</u>
Liabilities and Fund Balances:				
Vouchers and accounts payable	\$ —	\$ 136	\$ 3,599	\$ —
Contracts payable	—	174	448	—
Other payables	171	11,016	5,424	—
Due to other funds	—	—	—	—
Deferred revenue	—	—	—	—
Total Liabilities	<u>171</u>	<u>11,326</u>	<u>9,471</u>	<u>—</u>
Fund Balances:				
Nonspendable	—	—	—	—
Restricted	—	4,174	137,435	240
Committed	—	—	—	—
Assigned	1,438	145	—	—
Total Fund Balances	<u>1,438</u>	<u>4,319</u>	<u>137,435</u>	<u>240</u>
Total Liabilities and Fund Balances	<u><u>\$ 1,609</u></u>	<u><u>\$ 15,645</u></u>	<u><u>\$ 146,906</u></u>	<u><u>\$ 240</u></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	
\$ 2,039	\$ 19,992	\$ 50,029	\$ 18,711	\$ 122,194	\$ 211,184	\$ 176,570	\$ 528,659
—	—	—	—	—	—	—	—
—	—	3,210	—	—	—	—	—
4	33	—	37	307	451	316	1,111
—	—	—	—	—	—	—	—
<u>\$ 2,043</u>	<u>\$ 20,025</u>	<u>\$ 53,239</u>	<u>\$ 18,748</u>	<u>\$ 122,501</u>	<u>\$ 211,635</u>	<u>\$ 176,886</u>	<u>\$ 529,770</u>
\$ —	\$ 310	\$ 1,037	\$ 857	\$ 1,768	\$ 12,707	\$ 4,673	\$ 20,005
—	—	123	52	134	2,773	1,813	4,772
—	—	45	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
<u>—</u>	<u>310</u>	<u>1,205</u>	<u>909</u>	<u>1,902</u>	<u>15,480</u>	<u>6,486</u>	<u>24,777</u>
—	—	—	—	—	—	—	—
—	19,715	—	17,839	120,599	196,155	170,400	504,993
—	—	—	—	—	—	—	—
<u>2,043</u>	<u>—</u>	<u>52,034</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>2,043</u>	<u>19,715</u>	<u>52,034</u>	<u>17,839</u>	<u>120,599</u>	<u>196,155</u>	<u>170,400</u>	<u>504,993</u>
<u>\$ 2,043</u>	<u>\$ 20,025</u>	<u>\$ 53,239</u>	<u>\$ 18,748</u>	<u>\$ 122,501</u>	<u>\$ 211,635</u>	<u>\$ 176,886</u>	<u>\$ 529,770</u>

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet (Continued)
June 30, 2012
(in thousands)

	<u>Capital Projects</u>	
	<u>Total</u>	<u>Total Nonmajor Governmental Funds</u>
Assets:		
Cash in county treasury, in banks, and on hand	\$ 749,335	\$ 783,479
Cash held by trustee	15,496	58,797
Accounts receivable – net	3,210	45,089
Accrued interest receivable	1,436	1,515
Inventories	—	13,057
Total Assets	<u>\$ 769,477</u>	<u>\$ 901,937</u>
Liabilities and Fund Balances:		
Vouchers and accounts payable	\$ 25,087	\$ 34,192
Contracts payable	5,517	5,518
Other payables	16,656	18,038
Due to other funds	—	32,500
Deferred revenue	—	807
Total Liabilities	<u>47,260</u>	<u>91,055</u>
Fund Balances:		
Nonspendable	—	13,123
Restricted	666,557	732,067
Committed	—	9,972
Assigned	55,660	55,720
Total Fund Balances	<u>722,217</u>	<u>810,882</u>
Total Liabilities and Fund Balances	<u>\$ 769,477</u>	<u>\$ 901,937</u>



LOS ANGELES UNIFIED SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2012
(in thousands)

	Special Revenue			
	Adult Education	Cafeteria	Child Development	Total
Revenues:				
Federal revenues	\$ 16,611	\$ 221,404	\$ 35,811	\$ 273,826
Other state revenues	135,105	17,831	72,257	225,193
Other local revenues	1,910	7,308	5,672	14,890
Total Revenues	<u>153,626</u>	<u>246,543</u>	<u>113,740</u>	<u>513,909</u>
Expenditures:				
Current:				
Certificated salaries	75,985	—	41,868	117,853
Classified salaries	21,070	88,442	41,151	150,663
Employee benefits	38,065	78,033	39,109	155,207
Books and supplies	8,491	139,146	1,875	149,512
Services and other operating expenditures	4,223	3,772	2,489	10,484
Capital outlay	1,326	901	8	2,235
Debt service – principal	—	—	—	—
Debt service – bond and COPs interest	—	—	—	—
Total Expenditures	<u>149,160</u>	<u>310,294</u>	<u>126,500</u>	<u>585,954</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,466</u>	<u>(63,751)</u>	<u>(12,760)</u>	<u>(72,045)</u>
Other Financing Sources (Uses):				
Transfers in	—	89,444	19,437	108,881
Transfers – support costs	(5,924)	(14,825)	(6,678)	(27,427)
Transfers out	—	(787)	—	(787)
Issuance of refunding COPs	—	—	—	—
Premium on COPs issued	—	—	—	—
Payment to refunded COPs escrow agent	—	—	—	—
Land and building sale	—	—	—	—
Total Other Financing Sources (Uses)	<u>(5,924)</u>	<u>73,832</u>	<u>12,759</u>	<u>80,667</u>
Net Changes in Fund Balances	<u>(1,458)</u>	<u>10,081</u>	<u>(1)</u>	<u>8,622</u>
Fund Balances, July 1, 2011	<u>11,486</u>	<u>8,778</u>	<u>71</u>	<u>20,335</u>
Fund Balances, June 30, 2012	<u>\$ 10,028</u>	<u>\$ 18,859</u>	<u>\$ 70</u>	<u>\$ 28,957</u>

See accompanying independent auditor's report.

Debt Service		
Tax Override	Capital Services	Total
\$ —	\$ 614	\$ 614
8	—	8
3	895	898
11	1,509	1,520
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	53,262	53,262
—	16,329	16,329
—	69,591	69,591
11	(68,082)	(68,071)
—	46,378	46,378
—	—	—
—	(737)	(737)
—	—	—
—	—	—
—	—	—
—	45,641	45,641
11	(22,441)	(22,430)
294	81,844	82,138
\$ 305	\$ 59,403	\$ 59,708

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Year Ended June 30, 2012
(in thousands)

	Capital			
	Building	State School Building Lease – Purchase	Special Reserve	Special Reserve – FEMA – Earthquake
Revenues:				
Federal revenues	\$ —	\$ —	\$ —	\$ —
Other state revenues	—	—	—	—
Other local revenues	377	392	46,627	—
Total Revenues	<u>377</u>	<u>392</u>	<u>46,627</u>	<u>—</u>
Expenditures:				
Current:				
Certificated salaries	—	—	—	—
Classified salaries	2	—	254	—
Employee benefits	2	—	113	—
Books and supplies	—	—	298	—
Services and other operating expenditures	281	—	2,994	—
Capital outlay	417	557	29,802	—
Debt service – principal	—	—	—	—
Debt service – bond and COPs interest	—	—	—	—
Total Expenditures	<u>702</u>	<u>557</u>	<u>33,461</u>	<u>—</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(325)</u>	<u>(165)</u>	<u>13,166</u>	<u>—</u>
Other Financing Sources (Uses):				
Transfers in	—	192	7,883	—
Transfers – support costs	—	—	—	—
Transfers out	—	(2)	(2,553)	—
Issuance of refunding COPs	—	—	160,190	—
Premium on COPs issued	—	—	16,648	—
Payment to refunded COPs escrow agent	—	—	(175,887)	—
Land and building sale	—	—	321	—
Total Other Financing Sources (Uses)	<u>—</u>	<u>190</u>	<u>6,602</u>	<u>—</u>
Net Changes in Fund Balances	<u>(325)</u>	<u>25</u>	<u>19,768</u>	<u>—</u>
Fund Balances, July 1, 2011	<u>1,763</u>	<u>4,294</u>	<u>117,667</u>	<u>240</u>
Fund Balances, June 30, 2012	<u>\$ 1,438</u>	<u>\$ 4,319</u>	<u>\$ 137,435</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	
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	9,837	44,924	33,302	88,063
—	9,916	41,605	182	1,271	2,610	1,982	6,045
—	9,916	41,605	182	11,108	47,534	35,284	94,108
—	—	—	—	—	—	—	—
—	22	300	2	2	75	135	214
—	7	144	—	1	34	49	84
—	—	6	—	14	172	39	225
—	798	608	—	116	112	39	267
—	47	4,081	2,433	5,258	97,195	37,595	142,481
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	874	5,139	2,435	5,391	97,588	37,857	143,271
—	9,042	36,466	(2,253)	5,717	(50,054)	(2,573)	(49,163)
—	—	—	4,755	4,648	21,753	6,323	37,479
—	—	—	—	—	—	—	—
—	—	(9,932)	(3,703)	(5,914)	(96,830)	(89,416)	(195,863)
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	(9,932)	1,052	(1,266)	(75,077)	(83,093)	(158,384)
—	9,042	26,534	(1,201)	4,451	(125,131)	(85,666)	(207,547)
2,043	10,673	25,500	19,040	116,148	321,286	256,066	712,540
\$ 2,043	\$ 19,715	\$ 52,034	\$ 17,839	\$ 120,599	\$ 196,155	\$ 170,400	\$ 504,993

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Year Ended June 30, 2012
(in thousands)

	<u>Capital Projects</u>	
	<u>Total</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:		
Federal revenues	\$ —	\$ 274,440
Other state revenues	88,063	313,264
Other local revenues	104,962	120,750
Total Revenues	<u>193,025</u>	<u>708,454</u>
Expenditures:		
Current:		
Certificated salaries	—	117,853
Classified salaries	792	151,455
Employee benefits	350	155,557
Books and supplies	529	150,041
Services and other operating expenditures	4,948	15,432
Capital outlay	177,385	179,620
Debt service – principal	—	53,262
Debt service – bond and COPs interest	—	16,329
Total Expenditures	<u>184,004</u>	<u>839,549</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>9,021</u>	<u>(131,095)</u>
Other Financing Sources (Uses):		
Transfers in	45,554	200,813
Transfers – support costs	—	(27,427)
Transfers out	(208,350)	(209,874)
Issuance of refunding COPs	160,190	160,190
Premium on COPs issued	16,648	16,648
Payment to refunded COPs escrow agent	(175,887)	(175,887)
Land and building sale	321	321
Total Other Financing Sources (Uses)	<u>(161,524)</u>	<u>(35,216)</u>
Net Changes in Fund Balances	<u>(152,503)</u>	<u>(166,311)</u>
Fund Balances, July 1, 2011	<u>874,720</u>	<u>977,193</u>
Fund Balances, June 30, 2012	<u>\$ 722,217</u>	<u>\$ 810,882</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, 2012
(in thousands)

	Adult Education			Variance with Final Budget – Favorable (Unfavorable)
	Budget		Actual	
	Original	Final		
Revenues:				
Federal revenues	\$ 22,111	\$ 20,269	\$ 16,611	\$ (3,658)
Other state revenues	9,311	138,245	135,105	(3,140)
Other local revenues	2,749	2,434	1,910	(524)
Total Revenues	34,171	160,948	153,626	(7,322)
Expenditures:				
Current:				
Certificated salaries	84,094	82,918	75,985	6,933
Classified salaries	18,543	22,351	21,070	1,281
Employee benefits	38,982	38,123	38,065	58
Books and supplies	21,516	14,128	8,491	5,637
Services and other operating expenditures	3,604	4,255	4,223	32
Capital outlay	426	4,278	1,326	2,952
Total Expenditures	167,165	166,053	149,160	16,893
Excess (Deficiency) of Revenues Over (Under) Expenditures	(132,994)	(5,105)	4,466	9,571
Other Financing Sources (Uses):				
Transfers in	132,055	—	—	—
Transfers – support costs	(6,362)	(6,286)	(5,924)	362
Transfers out	—	—	—	—
Total Other Financing Sources (Uses)	125,693	(6,286)	(5,924)	362
Net Changes in Fund Balances	(7,301)	(11,391)	(1,458)	9,933
Fund Balances, July 1, 2011	7,394	11,486	11,486	—
Fund Balances, June 30, 2012	<u>\$ 93</u>	<u>\$ 95</u>	<u>\$ 10,028</u>	<u>\$ 9,933</u>

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		
\$ 253,728	\$ 221,458	\$ 221,404	\$ (54)	\$ 55,048	\$ 53,319	\$ 35,811	\$ (17,508)
20,704	17,835	17,831	(4)	60,133	57,022	72,257	15,235
12,861	7,206	7,308	102	8,794	6,346	5,672	(674)
287,293	246,499	246,543	44	123,975	116,687	113,740	(2,947)
—	—	—	—	35,147	42,230	41,868	362
87,732	88,525	88,442	83	34,427	41,389	41,151	238
73,823	78,085	78,033	52	40,115	39,260	39,109	151
126,496	151,661	139,146	12,515	18,112	3,609	1,875	1,734
3,659	3,776	3,772	4	3,838	2,720	2,489	231
3,597	972	901	71	517	181	8	173
295,307	323,019	310,294	12,725	132,156	129,389	126,500	2,889
(8,014)	(76,520)	(63,751)	12,769	(8,181)	(12,702)	(12,760)	(58)
22,215	88,596	89,444	848	14,947	19,398	19,437	39
(13,414)	(14,872)	(14,825)	47	(6,827)	(6,747)	(6,678)	69
(787)	(787)	(787)	—	—	—	—	—
8,014	72,937	73,832	895	8,120	12,651	12,759	108
—	(3,583)	10,081	13,664	(61)	(51)	(1)	50
5,195	8,778	8,778	—	82	71	71	—
\$ 5,195	\$ 5,195	\$ 18,859	\$ 13,664	\$ 21	\$ 20	\$ 70	\$ 50

(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, 2012
(in thousands)

	Deferred Maintenance			Variance with Final Budget – Favorable (Unfavorable)
	Budget			
	Original	Final	Actual	
Revenues:				
Federal revenues	\$ —	\$ —	\$ —	\$ —
Other state revenues	—	—	—	—
Other local revenues	—	—	—	—
Total Revenues	—	—	—	—
Expenditures:				
Current:				
Certificated salaries	—	—	—	—
Classified salaries	7,148	—	—	—
Employee benefits	5,359	—	—	—
Books and supplies	290	—	—	—
Services and other operating expenditures	263	—	—	—
Capital outlay	5,566	—	—	—
Total Expenditures	18,626	—	—	—
Excess (Deficiency) of Revenues Over (Under) Expenditures	(18,626)	—	—	—
Other Financing Sources (Uses):				
Transfers in	—	—	—	—
Transfers – support costs	—	—	—	—
Transfers out	—	—	—	—
Total Other Financing Sources (Uses)	—	—	—	—
Net Changes in Fund Balances	(18,626)	—	—	—
Fund Balances, July 1, 2011	18,626	—	—	—
Fund Balances, June 30, 2012	\$ —	\$ —	\$ —	\$ —

See accompanying independent auditor's report.

Total			
Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
Original	Final		
\$ 330,887	\$ 295,046	\$ 273,826	\$ (21,220)
90,148	213,102	225,193	12,091
24,404	15,986	14,890	(1,096)
445,439	524,134	513,909	(10,225)
119,241	125,148	117,853	7,295
147,850	152,265	150,663	1,602
158,279	155,468	155,207	261
166,414	169,398	149,512	19,886
11,364	10,751	10,484	267
10,106	5,431	2,235	3,196
613,254	618,461	585,954	32,507
(167,815)	(94,327)	(72,045)	22,282
169,217	107,994	108,881	887
(26,603)	(27,905)	(27,427)	478
(787)	(787)	(787)	—
141,827	79,302	80,667	1,365
(25,988)	(15,025)	8,622	23,647
31,297	20,335	20,335	—
\$ 5,309	\$ 5,310	\$ 28,957	\$ 23,647

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, 2012

(in thousands)

	Tax Override			Variance with Final Budget – Favorable (Unfavorable)
	Budget			
	Original	Final	Actual	
Revenues:				
Federal revenues	\$ —	\$ —	\$ —	\$ —
Other state revenues	—	—	8	8
Other local revenues	—	—	3	3
Total Revenues	—	—	11	11
Expenditures:				
Debt service – principal	293	294	—	294
Debt service – bond and COPs interest	—	—	—	—
Total Expenditures	293	294	—	294
Excess (Deficiency) of Revenues Over (Under) Expenditures	(293)	(294)	11	305
Other Financing Sources (Uses):				
Transfers in	—	—	—	—
Transfers out	—	—	—	—
Total Other Financing Sources	—	—	—	—
Net Changes in Fund Balances	(293)	(294)	11	305
Fund Balances, July 1, 2011	293	294	294	—
Fund Balances, June 30, 2012	\$ —	\$ —	\$ 305	\$ 305

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		
\$ —	\$ —	\$ 614	\$ 614	\$ —	\$ —	\$ 614	\$ 614
—	—	—	—	—	—	8	8
905	905	895	(10)	905	905	898	(7)
905	905	1,509	604	905	905	1,520	615
55,609	229,654	53,262	176,392	55,902	229,948	53,262	176,686
21,041	22,146	16,329	5,817	21,041	22,146	16,329	5,817
76,650	251,800	69,591	182,209	76,943	252,094	69,591	182,503
(75,745)	(250,895)	(68,082)	182,813	(76,038)	(251,189)	(68,071)	183,118
50,472	226,359	46,378	(179,981)	50,472	226,359	46,378	(179,981)
—	(737)	(737)	—	—	(737)	(737)	—
50,472	225,622	45,641	(179,981)	50,472	225,622	45,641	(179,981)
(25,273)	(25,273)	(22,441)	2,832	(25,566)	(25,567)	(22,430)	3,137
81,563	81,844	81,844	—	81,856	82,138	82,138	—
\$ 56,290	\$ 56,571	\$ 59,403	\$ 2,832	\$ 56,290	\$ 56,571	\$ 59,708	\$ 3,137

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, 2012
(in thousands)

	Building			Variance with Final Budget – Favorable (Unfavorable)
	Budget		Actual	
	Original	Final		
Revenues:				
Federal revenues	\$ —	\$ —	\$ —	\$ —
Other state revenues	—	—	—	—
Other local revenues	325	325	377	52
Total Revenues	325	325	377	52
Expenditures:				
Current:				
Classified salaries	—	3	2	1
Employee benefits	—	3	2	1
Books and supplies	—	—	—	—
Services and other operating expenditures	72	290	281	9
Capital outlay	1,715	1,026	417	609
Total Expenditures	1,787	1,322	702	620
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,462)	(997)	(325)	672
Other Financing Sources (Uses):				
Transfers in	—	—	—	—
Transfers out	—	—	—	—
Issuance of refunding COPs	—	—	—	—
Premium on COPs issued	—	—	—	—
Payment to refunded COPs escrow agent	—	—	—	—
Land and building sale	—	—	—	—
Total Other Financing Sources (Uses)	—	—	—	—
Net Changes in Fund Balances	(1,462)	(997)	(325)	672
Fund Balances, July 1, 2011	2,228	1,763	1,763	—
Fund Balances, June 30, 2012	\$ 766	\$ 766	\$ 1,438	\$ 672

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	392	92	1,110	1,110	46,627	45,517
300	300	392	92	3,639	3,639	46,627	42,988
—	—	—	—	—	400	254	146
—	—	—	—	—	200	113	87
—	—	—	—	—	400	298	102
—	—	—	—	450	3,450	2,994	456
4,741	4,784	557	4,227	85,096	86,437	29,802	56,635
4,741	4,784	557	4,227	85,546	90,887	33,461	57,426
(4,441)	(4,484)	(165)	4,319	(81,907)	(87,248)	13,166	100,414
—	192	192	—	—	7,883	7,883	—
—	(2)	(2)	—	—	(178,440)	(2,553)	175,887
—	—	—	—	—	160,190	160,190	—
—	—	—	—	—	16,648	16,648	—
—	—	—	—	—	—	(175,887)	(175,887)
—	—	—	—	—	—	321	321
—	190	190	—	—	6,281	6,602	321
(4,441)	(4,294)	25	4,319	(81,907)	(80,967)	19,768	100,735
4,441	4,294	4,294	—	118,607	117,667	117,667	—
\$ —	\$ —	\$ 4,319	\$ 4,319	\$ 36,700	\$ 36,700	\$ 137,435	\$ 100,735

(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, 2012
(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	<u>6,276</u>	<u>6,276</u>	<u>—</u>	<u>(6,276)</u>
Expenditures:				
Current:				
Classified salaries	—	—	—	—
Employee benefits	—	—	—	—
Books and supplies	—	—	—	—
Services and other operating expenditures	—	—	—	—
Capital outlay	—	—	—	—
Total Expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,276</u>	<u>6,276</u>	<u>—</u>	<u>(6,276)</u>
Other Financing Sources (Uses):				
Transfers in	—	—	—	—
Transfers out	—	—	—	—
Issuance of refunding COPs	—	—	—	—
Premium on COPs issued	—	—	—	—
Payment to refunded COPs escrow agent	—	—	—	—
Land and building sale	—	—	—	—
Total Other Financing Sources (Uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net Changes in Fund Balances	<u>6,276</u>	<u>6,276</u>	<u>—</u>	<u>(6,276)</u>
Fund Balances, July 1, 2011	<u>248</u>	<u>240</u>	<u>240</u>	<u>—</u>
Fund Balances, June 30, 2012	<u>\$ 6,524</u>	<u>\$ 6,516</u>	<u>\$ 240</u>	<u>\$ (6,276)</u>

See accompanying independent auditors' report.

Special Reserve – FEMA – Hazard Mitigation				Special Reserve – Community Redevelopment Agency			
Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
Original	Final			Original	Final		
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—	—	—
—	—	—	—	3,100	3,100	9,916	6,816
—	—	—	—	3,100	3,100	9,916	6,816
—	—	—	—	—	—	—	—
—	—	—	—	2	24	22	2
—	—	—	—	—	8	7	1
—	—	—	—	—	—	—	—
—	—	—	—	99	849	798	51
—	—	—	—	10,368	5,192	47	5,145
—	—	—	—	10,469	6,073	874	5,199
—	—	—	—	(7,369)	(2,973)	9,042	12,015
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	(7,369)	(2,973)	9,042	12,015
2,043	2,043	2,043	—	13,769	10,673	10,673	—
\$ 2,043	\$ 2,043	\$ 2,043	\$ —	\$ 6,400	\$ 7,700	\$ 19,715	\$ 12,015

(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, 2012
(in thousands)

Capital Facilities Account			
	Budget		Variance with Final Budget – Favorable (Unfavorable)
	Original	Final	
Revenues:			
Federal revenues	\$ —	\$ —	\$ —
Other state revenues	—	—	—
Other local revenues	15,400	15,400	26,205
Total Revenues	15,400	15,400	26,205
Expenditures:			
Current:			
Classified salaries	309	345	45
Employee benefits	105	149	5
Books and supplies	34	34	28
Services and other operating expenditures	4,587	5,249	4,641
Capital outlay	4,825	16,787	12,706
Total Expenditures	9,860	22,564	17,425
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,540	(7,164)	43,630
Other Financing Sources (Uses):			
Transfers in	—	—	—
Transfers out	(9,578)	(9,936)	4
Issuance of refunding COPs	—	—	—
Premium on COPs issued	—	—	—
Payment to refunded COPs escrow agent	—	—	—
Land and building sale	—	—	—
Total Other Financing Sources (Uses)	(9,578)	(9,936)	4
Net Changes in Fund Balances	(4,038)	(17,100)	43,634
Fund Balances, July 1, 2011	12,438	25,500	—
Fund Balances, June 30, 2012	\$ 8,400	\$ 8,400	\$ 43,634

See accompanying independent auditors' report.

County School Facilities Bonds

County School Facilities				County School Facilities – Prop 47			
Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
Original	Final			Original	Final		
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—	9,837	9,837
210	210	182	(28)	3,170	3,170	1,271	(1,899)
210	210	182	(28)	3,170	3,170	11,108	7,938
—	5	2	3	—	5	2	3
—	1	—	1	—	2	1	1
—	4	—	4	—	20	14	6
—	—	—	—	—	150	116	34
20,570	20,292	2,433	17,859	95,284	94,075	5,258	88,817
20,570	20,302	2,435	17,867	95,284	94,252	5,391	88,861
(20,360)	(20,092)	(2,253)	17,839	(92,114)	(91,082)	5,717	96,799
—	4,755	4,755	—	—	4,648	4,648	—
—	(3,703)	(3,703)	—	—	(5,914)	(5,914)	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	1,052	1,052	—	—	(1,266)	(1,266)	—
(20,360)	(19,040)	(1,201)	17,839	(92,114)	(92,348)	4,451	96,799
20,360	19,040	19,040	—	115,914	116,148	116,148	—
\$ —	\$ —	\$ 17,839	\$ 17,839	\$ 23,800	\$ 23,800	\$ 120,599	\$ 96,799

(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, 2012
(in thousands)

	County School Facilities – Prop 55			County School
	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
	Original	Final		
Revenues:				
Federal revenues	\$ —	\$ —	\$ —	\$ —
Other state revenues	31,781	31,780	44,924	13,144
Other local revenues	3,970	3,970	2,610	(1,360)
Total Revenues	<u>35,751</u>	<u>35,750</u>	<u>47,534</u>	<u>11,784</u>
Expenditures:				
Current:				
Classified salaries	—	80	75	5
Employee benefits	—	40	34	6
Books and supplies	—	300	172	128
Services and other operating expenditures	—	120	112	8
Capital outlay	479,197	104,119	97,195	6,924
Total Expenditures	<u>479,197</u>	<u>104,659</u>	<u>97,588</u>	<u>7,071</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(443,446)</u>	<u>(68,909)</u>	<u>(50,054)</u>	<u>18,855</u>
Other Financing Sources (Uses):				
Transfers in	—	21,753	21,753	—
Transfers out	—	(96,830)	(96,830)	—
Issuance of refunding COPs	—	—	—	—
Premium on COPs issued	—	—	—	—
Payment to refunded COPs escrow agent	—	—	—	—
Land and building sale	—	—	—	—
Total Other Financing Sources (Uses)	<u>—</u>	<u>(75,077)</u>	<u>(75,077)</u>	<u>—</u>
Net Changes in Fund Balances	<u>(443,446)</u>	<u>(143,986)</u>	<u>(125,131)</u>	<u>18,855</u>
Fund Balances, July 1, 2011	<u>620,746</u>	<u>321,286</u>	<u>321,286</u>	<u>—</u>
Fund Balances, June 30, 2012	<u>\$ 177,300</u>	<u>\$ 177,300</u>	<u>\$ 196,155</u>	<u>\$ 18,855</u>

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		
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
17,754	17,754	33,302	15,548	49,535	49,534	88,063	38,529
1,200	1,200	1,982	782	8,550	8,550	6,045	(2,505)
18,954	18,954	35,284	16,330	58,085	58,084	94,108	36,024
—	150	135	15	—	240	214	26
—	60	49	11	—	103	84	19
—	120	39	81	—	444	225	219
—	50	39	11	—	320	267	53
215,896	111,747	37,595	74,152	810,947	330,233	142,481	187,752
215,896	112,127	37,857	74,270	810,947	331,340	143,271	188,069
(196,942)	(93,173)	(2,573)	90,600	(752,862)	(273,256)	(49,163)	224,093
—	6,323	6,323	—	—	37,479	37,479	—
—	(89,416)	(89,416)	—	—	(195,863)	(195,863)	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	(83,093)	(83,093)	—	—	(158,384)	(158,384)	—
(196,942)	(176,266)	(85,666)	90,600	(752,862)	(431,640)	(207,547)	224,093
276,742	256,066	256,066	—	1,033,762	712,540	712,540	—
\$ 79,800	\$ 79,800	\$ 170,400	\$ 90,600	\$ 280,900	\$ 280,900	\$ 504,993	\$ 224,093

(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, 2012
(in thousands)

	Total			Variance with Final Budget – Favorable (Unfavorable)
	Budget		Actual	
	Original	Final		
Revenues:				
Federal revenues	\$ 5,708	\$ 5,708	\$ —	\$ (5,708)
Other state revenues	52,632	52,631	88,063	35,432
Other local revenues	28,785	28,785	104,962	76,177
Total Revenues	87,125	87,124	193,025	105,901
Expenditures:				
Current:				
Classified salaries	311	1,012	792	220
Employee benefits	105	463	350	113
Books and supplies	34	878	529	349
Services and other operating expenditures	5,208	10,158	4,948	5,210
Capital outlay	917,692	444,459	177,385	267,074
Total Expenditures	923,350	456,970	184,004	272,966
Excess (Deficiency) of Revenues Over (Under) Expenditures	(836,225)	(369,846)	9,021	378,867
Other Financing Sources (Uses):				
Transfers in	—	45,554	45,554	—
Transfers out	(9,578)	(384,241)	(208,350)	175,891
Issuance of refunding COPs	—	160,190	160,190	—
Premium on COPs issued	—	16,648	16,648	—
Payment to refunded COPs escrow agent	—	—	(175,887)	(175,887)
Land and building sale	—	—	321	321
Total Other Financing Sources (Uses)	(9,578)	(161,849)	(161,524)	325
Net Changes in Fund Balances	(845,803)	(531,695)	(152,503)	379,192
Fund Balances, July 1, 2011	1,187,536	874,720	874,720	—
Fund Balances, June 30, 2012	\$ 341,733	\$ 343,025	\$ 722,217	\$ 379,192

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.

[THIS PAGE INTENTIONALLY LEFT BLANK]

LOS ANGELES UNIFIED SCHOOL DISTRICT
Internal Service Funds
Combining Statement of Net Assets
June 30, 2012
(in thousands)

	Health and Welfare Benefits	Workers' Compensation	Liability	Total
Assets:				
Cash in county treasury, in banks, and on hand	\$ 360,968	\$ 108,036	\$ 51,503	\$ 520,507
Accounts receivable – net	1,597	147	—	1,744
Accrued interest and dividends receivable	644	235	42	921
Prepaid expense	9,378	—	2,713	12,091
Due from other funds	—	332,500	—	332,500
Total Assets	372,587	440,918	54,258	867,763
Liabilities:				
Current:				
Vouchers and accounts payable	49,999	3,279	928	54,206
Accrued payroll	111	209	126	446
Other payables	452	679	488	1,619
Estimated liability for self-insurance claims	24,246	72,650	11,649	108,545
Total Current Liabilities	74,808	76,817	13,191	164,816
Noncurrent:				
Estimated liability for self-insurance claims	—	361,338	37,854	399,192
Total Liabilities	74,808	438,155	51,045	564,008
Total Net Assets – Unrestricted	\$ 297,779	\$ 2,763	\$ 3,213	\$ 303,755

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Year Ended June 30, 2012
(in thousands)

	Health and Welfare Benefits	Workers' Compensation	Liability	Total
Operating Revenues:				
In-district premiums	\$ 928,538	\$ 78,501	\$ 30,038	\$ 1,037,077
Others	268	—	—	268
Total Operating Revenues	<u>928,806</u>	<u>78,501</u>	<u>30,038</u>	<u>1,037,345</u>
Operating Expenses:				
Certificated salaries	—	—	152	152
Classified salaries	1,589	2,765	884	5,238
Employee benefits	908	1,454	506	2,868
Supplies	157	32	8	197
Premiums and claims expenses	852,263	98,418	27,962	978,643
Claims administration	—	11,768	1,157	12,925
Other contracted services	1,720	308	11	2,039
Total Operating Expenses	<u>856,637</u>	<u>114,745</u>	<u>30,680</u>	<u>1,002,062</u>
Operating Income (Loss)	<u>72,169</u>	<u>(36,244)</u>	<u>(642)</u>	<u>35,283</u>
Nonoperating Revenues (Expenses):				
Investment income	2,911	3,737	255	6,903
Miscellaneous expense	—	(23)	—	(23)
Total Nonoperating Revenues	<u>2,911</u>	<u>3,714</u>	<u>255</u>	<u>6,880</u>
Income (Loss) before Transfers	<u>75,080</u>	<u>(32,530)</u>	<u>(387)</u>	<u>42,163</u>
Transfers in	<u>11,126</u>	<u>—</u>	<u>—</u>	<u>11,126</u>
Changes in Net Assets	<u>86,206</u>	<u>(32,530)</u>	<u>(387)</u>	<u>53,289</u>
Total Net Assets, July 1, 2011	<u>211,573</u>	<u>35,293</u>	<u>3,600</u>	<u>250,466</u>
Total Net Assets, June 30, 2012	<u>\$ 297,779</u>	<u>\$ 2,763</u>	<u>\$ 3,213</u>	<u>\$ 303,755</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2012
(in thousands)

	Health and Welfare Benefits	Workers' Compensation	Liability	Total
Cash Flows from Operating Activities:				
Cash payments to employees for services	\$ (2,529)	\$ (4,317)	\$ (1,583)	\$ (8,429)
Cash payments for goods and services	(897,947)	(107,723)	(13,483)	(1,019,153)
Receipts from assessment to other funds	928,538	78,480	30,038	1,037,056
Other operating revenue	1,261	—	—	1,261
Net Cash Provided (Used) by Operating Activities	<u>29,323</u>	<u>(33,560)</u>	<u>14,972</u>	<u>10,735</u>
Cash Flows from (to) Non-Capital Financing Activities:				
Transfer from other funds	11,126	—	—	11,126
Loan (to) other funds	—	(332,500)	—	(332,500)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>11,126</u>	<u>(332,500)</u>	<u>—</u>	<u>(321,374)</u>
Cash Flows from Investing Activities:				
Earnings on investments	3,113	5,468	289	8,870
Net Cash Provided by Investing Activities	<u>3,113</u>	<u>5,468</u>	<u>289</u>	<u>8,870</u>
Net Increase (Decrease) in Cash and Cash Equivalents	43,562	(360,592)	15,261	(301,769)
Cash and Cash Equivalents, July 1	<u>317,406</u>	<u>468,628</u>	<u>36,242</u>	<u>822,276</u>
Cash and Cash Equivalents, June 30	<u>\$ 360,968</u>	<u>\$ 108,036</u>	<u>\$ 51,503</u>	<u>\$ 520,507</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 72,169	\$ (36,244)	\$ (642)	\$ 35,283
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	993	(21)	—	972
Decrease in prepaid expense	—	—	387	387
Increase (decrease) in vouchers and accounts payable	(30,741)	(98)	163	(30,676)
Decrease in accrued payroll	(32)	(92)	(41)	(165)
Increase (decrease) in other payables	452	(253)	303	502
Decrease in estimated liability for self-insurance claims – current	(13,518)	(1,554)	(23,052)	(38,124)
Increase in estimated liability for self-insurance claims – noncurrent	—	4,702	37,854	42,556
Total Adjustments	<u>(42,846)</u>	<u>2,684</u>	<u>15,614</u>	<u>(24,548)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 29,323</u>	<u>\$ (33,560)</u>	<u>\$ 14,972</u>	<u>\$ 10,735</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.

[THIS PAGE INTENTIONALLY LEFT BLANK]

LOS ANGELES UNIFIED SCHOOL DISTRICT
Fiduciary Funds – Agency Funds
Combining Statement of Changes in Assets and Liabilities
June 30, 2012
(in thousands)

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
<u>Student Body Fund</u>				
Assets				
Cash in county treasury, in banks, and on hand	\$ 19,623	\$ 41,218	\$ 40,604	\$ 20,237
Total Assets	<u>\$ 19,623</u>	<u>\$ 41,218</u>	<u>\$ 40,604</u>	<u>\$ 20,237</u>
Liabilities				
Other payables	\$ 19,623	\$ 41,218	\$ 40,604	\$ 20,237
Total Liabilities	<u>\$ 19,623</u>	<u>\$ 41,218</u>	<u>\$ 40,604</u>	<u>\$ 20,237</u>
 <u>Attendance Incentive Reserve Fund</u>				
Assets				
Cash in county treasury, in banks, and on hand	\$ 20,629	\$ 511	\$ —	\$ 21,140
Total Assets	<u>\$ 20,629</u>	<u>\$ 511</u>	<u>\$ —</u>	<u>\$ 21,140</u>
Liabilities				
Other payables	\$ 20,629	\$ 511	\$ —	\$ 21,140
Total Liabilities	<u>\$ 20,629</u>	<u>\$ 511</u>	<u>\$ —</u>	<u>\$ 21,140</u>
 <u>Total Agency Funds</u>				
Assets				
Cash in county treasury, in banks, and on hand	\$ 40,252	\$ 41,729	\$ 40,604	\$ 41,377
Total Assets	<u>\$ 40,252</u>	<u>\$ 41,729</u>	<u>\$ 40,604</u>	<u>\$ 41,377</u>
Liabilities				
Other payables	\$ 40,252	\$ 41,729	\$ 40,604	\$ 41,377
Total Liabilities	<u>\$ 40,252</u>	<u>\$ 41,729</u>	<u>\$ 40,604</u>	<u>\$ 41,377</u>

See accompanying independent auditor's report.



**CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS**

[THIS PAGE INTENTIONALLY LEFT BLANK]

LOS ANGELES UNIFIED SCHOOL DISTRICT
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedule by Source
June 30, 2012 and 2011
(in thousands)

	<u>2011-2012</u>	<u>2010-2011</u>
Governmental Funds Capital Assets:		
Sites	\$ 3,144,862	\$ 3,136,630
Improvement of sites	528,870	528,607
Building and improvements	11,063,327	10,069,170
Equipment	1,260,356	1,228,062
Construction in progress	3,536,934	3,571,703
Total Governmental Funds Capital Assets	<u>\$ 19,534,349</u>	<u>\$ 18,534,172</u>
Investments in Governmental Funds Capital Assets by Source:		
From revenues of:		
General Fund	\$ 1,322,847	\$ 1,314,835
Special Revenue Funds:		
Adult Education Fund	51,518	50,192
Cafeteria Fund	39,254	38,353
Child Development Fund	17,812	17,804
Deferred Maintenance Fund	26,005	26,005
Capital Projects Funds:		
Building Fund	36,892	36,475
Building Fund – Bond Proceeds	1,746,014	1,745,023
Building Fund – Measure K	3,059,436	2,994,651
Building Fund – Measure R	2,791,725	2,582,850
Building Fund – Measure Y	1,858,353	1,320,460
State School Building Lease – Purchase Fund	1,027,221	1,026,665
Special Reserve Fund	1,397,463	1,367,661
Special Reserve Fund – FEMA – Earthquake	20,594	20,594
Special Reserve Fund – FEMA – Hazard Mitigation	8,129	8,129
Special Reserve Fund – CRA	8,720	8,672
Capital Facilities Fund	493,755	489,673
County School Facilities Fund	830,254	827,821
County School Facilities Fund – Prop 47	839,491	834,233
County School Facilities Fund – Prop 55	1,912,155	1,814,960
County School Facilities Fund – Prop 1D	306,337	268,742
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>\$ 19,534,349</u>	<u>\$ 18,534,172</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, 2012
(in thousands)

	<u>Sites</u>	<u>Improvement of Sites</u>
Balances, July 1, 2011	\$ 3,136,630	\$ 528,607
Additions:		
Capital outlay from:		
General Fund	4	718
Adult Education Fund	—	239
Cafeteria Fund	—	—
Child Development Fund	—	—
Building Fund	—	—
Building Fund – Bond Proceeds	(25)	—
Building Fund – Measure K	(10,669)	—
Building Fund – Measure R	(84,046)	—
Building Fund – Measure Y	88,790	—
State School Building Lease – Purchase Fund	—	—
Special Reserve Fund	4,156	—
Special Reserve Fund – CRA	—	—
Capital Facilities Fund	17	—
County School Facilities Fund	—	—
County School Facilities Fund – Prop 47	24	—
County School Facilities Fund – Prop 55	9,971	—
County School Facilities Fund – Prop 1D	10	—
Completed Projects	—	(694)
Sub-totals	<u>8,232</u>	<u>263</u>
Deductions:		
Vehicle disposal	—	—
Return to salvage	—	—
Total Deductions	<u>—</u>	<u>—</u>
Net Increase	<u>8,232</u>	<u>263</u>
Balances, June 30, 2012	<u><u>\$ 3,144,862</u></u>	<u><u>\$ 528,870</u></u>

See accompanying independent auditor's report.

Building and Improvements	Equipment	Construction in Progress	Total
\$ 10,069,170	\$ 1,228,062	\$ 3,571,703	\$ 18,534,172
4,637	21,354	16,868	43,581
784	107	196	1,326
—	901	—	901
8	—	—	8
—	—	417	417
—	—	1,016	991
—	—	75,454	64,785
(3,097)	—	296,018	208,875
253	229	448,621	537,893
—	—	556	556
(69)	—	25,715	29,802
—	—	48	48
4	—	4,061	4,082
—	—	2,433	2,433
—	—	5,234	5,258
—	—	87,224	97,195
—	—	37,585	37,595
991,637	45,272	(1,036,215)	—
994,157	67,863	(34,769)	1,035,746
—	16,650	—	16,650
—	18,919	—	18,919
—	35,569	—	35,569
994,157	32,294	(34,769)	1,000,177
\$ 11,063,327	\$ 1,260,356	\$ 3,536,934	\$ 19,534,349

LOS ANGELES UNIFIED SCHOOL DISTRICT
Long-Term Obligations
Schedule of Changes in Long-Term Obligations
Year Ended June 30, 2012
(in thousands)

	General Obligation Bonds	Certificates of Participation	Capital Leases	Children Centers Facilities Revolving Loan	CA Energy Commission Loan
Balances, July 1, 2011	\$ 11,810,881	\$ 494,840	\$ 2,359	\$ 792	\$ 217
Additions:					
Debt issuance	563,805	160,190	930	—	—
Premium on debt issue	77,207	16,648	—	—	—
Refund charges amortization	10,519	—	—	—	—
Discount amortization	48	15	—	—	—
Vacation earned	—	—	—	—	—
Self-insurance claims	—	—	—	—	—
Annual required contribution	—	—	—	—	—
Arbitrage accrual	—	—	—	—	—
Total Additions	651,579	176,853	930	—	—
Deductions:					
Principal repayments	869,570	227,307	1,104	—	217
Refunding charges	55,034	—	—	—	—
Premium amortization	30,854	1,502	—	—	—
Vacation used	—	—	—	—	—
Retirement bonus paid	—	—	—	—	—
Early retirement incentive paid	—	—	—	—	—
Self-insurance claims paid	—	—	—	—	—
OPEB contributions	—	—	—	—	—
Total Deductions	955,458	228,809	1,104	—	217
Balances, June 30, 2012	\$ 11,507,002	\$ 442,884	\$ 2,185	\$ 792	\$ —

See accompanying independent auditor's report.

Liability for Compensated Absences	Liability for Other Employee Benefits	Self-Insurance Claims	Other Postemployment Benefits (OPEB)	Arbitrage Payable	Total
<u>\$ 70,381</u>	<u>\$ 131,651</u>	<u>\$ 503,305</u>	<u>\$ 3,175,742</u>	<u>\$ 5,470</u>	<u>\$ 16,195,638</u>
—	—	—	—	—	724,925
—	—	—	—	—	93,855
—	—	—	—	—	10,519
—	—	—	—	—	63
64,286	—	—	—	—	64,286
—	—	330,085	—	—	330,085
—	—	—	1,047,987	—	1,047,987
—	—	—	—	647	647
<u>64,286</u>	<u>—</u>	<u>330,085</u>	<u>1,047,987</u>	<u>647</u>	<u>2,272,367</u>
—	—	—	—	5,037	1,103,235
—	—	—	—	—	55,034
—	—	—	—	—	32,356
69,592	—	—	—	—	69,592
—	10,617	—	—	—	10,617
—	12,603	—	—	—	12,603
—	—	325,652	—	—	325,652
—	—	—	228,691	—	228,691
<u>69,592</u>	<u>23,220</u>	<u>325,652</u>	<u>228,691</u>	<u>5,037</u>	<u>1,837,780</u>
<u>\$ 65,075</u>	<u>\$ 108,431</u>	<u>\$ 507,738</u>	<u>\$ 3,995,038</u>	<u>\$ 1,080</u>	<u>\$ 16,630,225</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT
Long-Term Obligations
Schedule of Certificates of Participation
Year Ended June 30, 2012
(in thousands)

<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Original Issue</u>	<u>Outstanding* July 1, 2011</u>	<u>Issued* This Year</u>	<u>Redeemed** Current Year</u>	<u>Outstanding* June 30, 2012</u>
2000A Certificates of Participation (Qualified Zone Academy Bonds Project):							
05/23/00	—%	05/23/12	\$ 25,372	\$ 25,372	\$ —	\$ 25,372	\$ —
2000A Certificates of Participation			<u>\$ 25,372</u>	<u>\$ 25,372</u>	<u>\$ —</u>	<u>\$ 25,372</u>	<u>\$ —</u>
2001B Certificates of Participation (Administration Building Project):							
11/06/01	5.000%	10/01/24	\$ 6,810	\$ 6,810	\$ —	\$ 6,810	\$ —
11/06/01	5.000	10/01/25	7,625	7,625	—	7,625	—
11/06/01	5.000	10/01/26	8,005	8,005	—	8,005	—
11/06/01	5.000	10/01/27	8,405	8,405	—	8,405	—
11/06/01	5.000	10/01/28	8,825	8,825	—	8,825	—
11/06/01	5.000	10/01/29	9,270	9,270	—	9,270	—
11/06/01	5.000	10/01/30	9,730	9,730	—	9,730	—
11/06/01	5.000	10/01/31	10,220	10,220	—	10,220	—
2001B Certificates of Participation			<u>\$ 68,890</u>	<u>\$ 68,890</u>	<u>\$ —</u>	<u>\$ 68,890</u>	<u>\$ —</u>
2002C Certificates of Participation (Administration Building Project II):							
12/19/02	4.000%	10/01/11	\$ 235	\$ 235	\$ —	\$ 235	\$ —
12/19/02	4.000	10/01/12	245	245	—	245	—
12/19/02	4.000	10/01/13	255	255	—	255	—
12/19/02	4.125	10/01/14	265	265	—	265	—
12/19/02	4.250	10/01/15	275	275	—	275	—
12/19/02	4.380	10/01/16	285	285	—	285	—
12/19/02	4.500	10/01/17	300	300	—	300	—
12/19/02	4.500	10/01/18	310	310	—	310	—
12/19/02	4.750	10/01/19	325	325	—	325	—
12/19/02	4.750	10/01/20	340	340	—	340	—
12/19/02	4.750	10/01/21	360	360	—	360	—
12/19/02	4.750	10/01/22	375	375	—	375	—
12/19/02	4.750	10/01/23	395	395	—	395	—
12/19/02	5.000	10/01/24	410	410	—	410	—
12/19/02	5.000	10/01/25	430	430	—	430	—
12/19/02	5.000	10/01/26	455	455	—	455	—
12/19/02	5.000	10/01/27	475	475	—	475	—
12/19/02	5.000	10/01/28	500	500	—	500	—
12/19/02	5.000	10/01/29	525	525	—	525	—
12/19/02	5.000	10/01/30	550	550	—	550	—
12/19/02	5.000	10/01/31	580	580	—	580	—
2002C Certificates of Participation			<u>\$ 7,890</u>	<u>\$ 7,890</u>	<u>\$ —</u>	<u>\$ 7,890</u>	<u>\$ —</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, 2012
(in thousands)

Date of Issue	Interest Rate	Maturity Date	Balance Original Issue	Outstanding* July 1, 2011	Issued* This Year	Redeemed** Current Year	Outstanding* June 30, 2012
2003B Certificates of Participation (Capital Project I):							
06/26/03	3.000%	08/01/11	\$ 970	\$ 970	\$ —	\$ 970	\$ —
06/26/03	3.000	08/01/12	1,000	1,000	—	—	1,000
06/26/03	3.125	08/01/13	1,030	1,030	—	—	1,030
06/26/03	3.250	08/01/14	1,060	1,060	—	—	1,060
06/26/03	5.000	08/01/15	1,095	1,095	—	—	1,095
06/26/03	5.000	08/01/16	1,150	1,150	—	—	1,150
06/26/03	5.000	08/01/17	1,210	1,210	—	—	1,210
06/26/03	5.000	08/01/18	1,270	1,270	—	—	1,270
06/26/03	5.000	08/01/19	1,335	1,335	—	—	1,335
06/26/03	5.000	08/01/20	1,400	1,400	—	—	1,400
06/26/03	5.000	08/01/21	1,470	1,470	—	—	1,470
06/26/03	5.000	08/01/22	1,540	1,540	—	—	1,540
06/26/03	5.000	08/01/23	1,620	1,620	—	—	1,620
06/26/03	5.000	08/01/24	1,700	1,700	—	—	1,700
06/26/03	5.000	08/01/25	1,785	1,785	—	—	1,785
06/26/03	5.000	08/01/26	1,875	1,875	—	—	1,875
06/26/03	5.000	08/01/27	1,970	1,970	—	—	1,970
06/26/03	5.000	08/01/28	2,065	2,065	—	—	2,065
2003B Certificates of Participation			\$ 25,545	\$ 25,545	\$ —	\$ 970	\$ 24,575
2004A Certificates of Participation (Refinancing Project I):							
07/28/04	3.125%	10/01/11	\$ 2,065	\$ 2,065	\$ —	\$ 2,065	\$ —
07/28/04	5.000	10/01/12	2,150	2,150	—	—	2,150
07/28/04	4.000	10/01/13	2,250	2,250	—	—	2,250
07/28/04	4.000	10/01/14	2,340	2,340	—	—	2,340
2004A Certificates of Participation			\$ 8,805	\$ 8,805	\$ —	\$ 2,065	\$ 6,740
2005 Certificates of Participation (2004-05 Qualified Zone Academy Bonds Project):							
12/13/05	—%	12/13/20	\$ 10,000	\$ 10,000	\$ —	\$ —	\$ 10,000
2005 Certificates of Participation			\$ 10,000	\$ 10,000	\$ —	\$ —	\$ 10,000
2007A Certificates of Participation (Information Technology Projects):							
11/15/07	4.000%	10/01/11	\$ 5,995	\$ 3,542	\$ —	\$ 3,542	\$ —
11/15/07	5.000	10/01/11	3,125	3,125	—	3,125	—
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			\$ 73,855	\$ 66,940	\$ —	\$ 6,667	\$ 60,273

* 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, 2012
(in thousands)

Date of Issue	Interest Rate	Maturity Date	Balance Original Issue	Outstanding* July 1, 2011	Issued* This Year	Redeemed** Current Year	Outstanding* June 30, 2012
2008A Refunding Certificates of Participation (Administration Building Project-2005A Refunding):							
08/06/08	Variable	10/01/11	\$ 5,370	\$ 5,370	\$ —	\$ 5,370	\$ —
08/06/08	Variable	10/01/12	5,530	5,530	—	5,530	—
08/06/08	Variable	10/01/13	5,680	5,680	—	5,680	—
08/06/08	Variable	10/01/14	5,840	5,840	—	5,840	—
08/06/08	Variable	10/01/15	6,000	6,000	—	6,000	—
08/06/08	Variable	10/01/16	6,175	6,175	—	6,175	—
08/06/08	Variable	10/01/17	6,345	6,345	—	6,345	—
08/06/08	Variable	10/01/18	6,520	6,520	—	6,520	—
08/06/08	Variable	10/01/19	6,705	6,705	—	6,705	—
08/06/08	Variable	10/01/20	6,895	6,895	—	6,895	—
08/06/08	Variable	10/01/21	7,085	7,085	—	7,085	—
08/06/08	Variable	10/01/22	7,285	7,285	—	7,285	—
08/06/08	Variable	10/01/23	6,835	6,835	—	6,835	—
08/06/08	Variable	10/01/24	200	200	—	200	—
2008A Refunding Certificates of Participation			<u>\$ 82,465</u>	<u>\$ 82,465</u>	<u>\$ —</u>	<u>\$ 82,465</u>	<u>\$ —</u>
2008B Refunding Certificates of Participation (Administration Building Project III-2005B Refunding):							
08/06/08	Variable	10/01/11	\$ 755	\$ 755	\$ —	\$ 755	—
08/06/08	Variable	10/01/12	775	775	—	775	—
08/06/08	Variable	10/01/13	795	795	—	795	—
08/06/08	Variable	10/01/14	820	820	—	820	—
08/06/08	Variable	10/01/15	840	840	—	840	—
08/06/08	Variable	10/01/16	865	865	—	865	—
08/06/08	Variable	10/01/17	890	890	—	890	—
08/06/08	Variable	10/01/18	915	915	—	915	—
08/06/08	Variable	10/01/19	940	940	—	940	—
08/06/08	Variable	10/01/20	965	965	—	965	—
08/06/08	Variable	10/01/21	995	995	—	995	—
08/06/08	Variable	10/01/22	1,020	1,020	—	1,020	—
08/06/08	Variable	10/01/23	1,050	1,050	—	1,050	—
08/06/08	Variable	10/01/24	1,080	1,080	—	1,080	—
08/06/08	Variable	10/01/25	1,110	1,110	—	1,110	—
08/06/08	Variable	10/01/26	1,140	1,140	—	1,140	—
08/06/08	Variable	10/01/27	1,175	1,175	—	1,175	—
08/06/08	Variable	10/01/28	1,205	1,205	—	1,205	—
08/06/08	Variable	10/01/29	1,240	1,240	—	1,240	—
08/06/08	Variable	10/01/30	1,275	1,275	—	1,275	—
08/06/08	Variable	10/01/31	1,310	1,310	—	1,310	—
2008B Refunding Certificates of Participation			<u>\$ 21,160</u>	<u>\$ 21,160</u>	<u>\$ —</u>	<u>\$ 21,160</u>	<u>\$ —</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, 2012
(in thousands)

<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Original Issue</u>	<u>Outstanding* July 1, 2011</u>	<u>Issued* This Year</u>	<u>Redeemed** Current Year</u>	<u>Outstanding* June 30, 2012</u>
2009A Certificates of Participation (Food Services Project):							
09/29/09	3.920%	10/01/11	\$ 1,784	\$ 282	\$ —	\$ 282	\$ —
09/29/09	3.920	04/01/12	1,819	288	—	288	—
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			\$ 35,587	\$ 26,124	\$ —	\$ 570	\$ 25,554
2010A Refunding Certificates of Participation (Multiple Properties Project):							
01/27/10	3.000%	12/01/11	\$ 7,045	\$ 7,588	\$ —	\$ 7,588	\$ —
01/27/10	2.000	12/01/12	650	1,228	—	—	1,228
01/27/10	3.000	12/01/12	6,605	6,605	—	—	6,605
01/27/10	3.000	12/01/13	1,300	1,878	—	—	1,878
01/27/10	4.000	12/01/13	6,205	6,205	—	—	6,205
01/27/10	3.000	12/01/14	1,385	1,933	—	—	1,933
01/27/10	4.000	12/01/14	6,410	6,410	—	—	6,410
01/27/10	3.250	12/01/15	300	762	—	—	762
01/27/10	5.000	12/01/15	7,845	7,845	—	—	7,845
01/27/10	4.000	12/01/16	1,125	1,459	—	—	1,459
01/27/10	5.000	12/01/16	7,430	7,430	—	—	7,430
01/27/10	4.000	12/01/17	1,215	1,332	—	—	1,332
01/27/10	5.000	12/01/17	15,265	15,265	—	—	15,265
2010A Refunding Certificates of Participation			\$ 62,780	\$ 65,940	\$ —	\$ 7,588	\$ 58,352

* 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, 2012
(in thousands)

Date of Issue	Interest Rate	Maturity Date	Balance Original Issue	Outstanding* July 1, 2011	Issued* This Year	Redeemed** Current Year	Outstanding* June 30, 2012
2010B-1 Certificates of Participation (Capital Projects I):							
12/21/10	7.663%	12/01/21	\$ 965	\$ 710	\$ —	\$ (15)	\$ 725
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			\$ 21,615	\$ 21,130	\$ —	\$ (15)	\$ 21,145
2010B-2 Certificates of Participation (Capital Projects I):							
12/21/10	3.000%	12/01/11	\$ 4,710	\$ 5,102	\$ —	\$ 5,102	\$ —
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			\$ 61,730	\$ 64,579	\$ —	\$ 5,102	\$ 59,477

* 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, 2012
(in thousands)

Date of Issue	Interest Rate	Maturity Date	Balance Original Issue	Outstanding* July 1, 2011	Issued* This Year	Redeemed** Current Year	Outstanding* June 30, 2012
2012A Certificates of Participation (Headquarters Building Projects):							
06/12/12	2.000%	10/01/12	\$ 1,170	\$ —	\$ 2,336	\$ 57	\$ 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 Certificates of Participation			\$ 87,845	\$ —	\$ 98,021	\$ 57	\$ 97,964
2012B Certificates of Participation (Headquarters Building Projects):							
06/12/12	2.000%	10/01/12	\$ 630	\$ —	\$ 909	\$ 13	\$ 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 Certificates of Participation			\$ 72,345	\$ —	\$ 78,817	\$ 13	\$ 78,804
Grand Total			\$ 665,884	\$ 494,840	\$ 176,838	\$ 228,794	\$ 442,884

* Includes Premium and Discount

** Principal Payment and Premium/Discount Amortization

See accompanying independent auditors' report.



STATISTICAL SECTION

[THIS PAGE INTENTIONALLY LEFT BLANK]

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.

[THIS PAGE INTENTIONALLY LEFT BLANK]



LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Net Assets
Last Ten Fiscal Years
(in thousands)
(Unaudited)

	<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>2006-2007</u>
Assets:					
Cash and cash equivalents	\$ 3,934,357	\$ 3,490,108	\$ 3,180,396	\$ 3,151,386	\$ 3,487,080
Investments	2,010,864	1,618,239	826,235	819,660	923,425
Property taxes receivable	127,991	137,575	156,065	41,360	46,689
Accounts receivable, net	679,616	614,630	685,059	817,504	786,845
Accrued interest receivable	12,661	10,819	24,799	47,476	70,901
Prepaid expense	25,521	24,959	20,718	21,257	15,597
Due from other funds	197	—	—	—	—
Deferred charges	—	—	4,858	17,398	32,730
Inventories	19,291	24,647	31,007	15,268	15,823
Other current assets	79	—	—	—	—
Capital assets:					
Sites	1,094,733	1,671,373	1,805,711	2,105,429	2,373,208
Improvement of sites	267,569	344,671	345,725	386,968	430,979
Buildings and improvements	2,652,277	2,725,055	3,104,384	4,298,752	5,803,185
Equipment	1,094,284	1,087,143	1,094,832	1,124,779	1,145,089
Construction in progress	1,519,076	1,745,176	2,600,475	2,545,892	2,180,218
Less accumulated depreciation	<u>(1,923,886)</u>	<u>(2,201,018)</u>	<u>(2,491,969)</u>	<u>(2,664,067)</u>	<u>(2,847,681)</u>
Total Capital Assets, Net of Depreciation	<u>4,704,053</u>	<u>5,372,400</u>	<u>6,459,158</u>	<u>7,797,753</u>	<u>9,084,998</u>
Total Assets	<u>11,514,630</u>	<u>11,293,377</u>	<u>11,388,295</u>	<u>12,729,062</u>	<u>14,464,088</u>
Liabilities:					
Vouchers and accounts payable	363,308	390,008	387,872	395,174	374,553
Contracts payable	64,530	123,225	162,187	125,522	155,901
Accrued payroll	220,390	230,559	264,240	246,401	586,384
Accrued interest	—	—	—	—	—
Other payables	406,612	141,080	171,813	163,066	6,099
Unearned revenue	301,190	180,047	229,702	138,135	60,986
Tax and revenue anticipation notes and related interest payable	515,582	682,668	520,789	429,382	360,998
Long-term liabilities:					
Portion due within one year	262,427	311,191	338,635	329,152	373,698
Portion due after one year	<u>5,509,814</u>	<u>5,443,889</u>	<u>5,596,973</u>	<u>6,724,029</u>	<u>7,341,060</u>
Total Liabilities	<u>7,643,853</u>	<u>7,502,667</u>	<u>7,672,211</u>	<u>8,550,861</u>	<u>9,259,679</u>
Net Assets:					
Invested in capital assets, net of related debt	2,634,387	2,682,203	2,704,302	2,866,293	3,267,458
Restricted	932,298	1,034,896	701,779	1,089,165	1,540,422
Unrestricted	<u>304,092</u>	<u>73,611</u>	<u>310,003</u>	<u>222,743</u>	<u>396,529</u>
Total Governmental Activities					
Net Assets	<u>\$ 3,870,777</u>	<u>\$ 3,790,710</u>	<u>\$ 3,716,084</u>	<u>\$ 4,178,201</u>	<u>\$ 5,204,409</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>
\$ 4,112,750	\$ 3,559,297	\$ 6,231,489	\$ 5,905,632	\$ 4,453,774
825,398	592,741	785,256	22,835	561,917
67,899	80,453	86,802	92,125	106,219
854,789	1,097,781	928,327	1,212,902	1,584,436
44,461	21,031	24,247	20,300	8,236
16,101	13,354	12,866	12,478	12,091
—	—	—	—	—
37,349	40,479	66,845	12,459	61,306
18,920	14,861	13,163	63,653	21,583
—	—	—	—	—
2,700,727	2,969,404	3,069,920	3,136,630	3,144,862
468,039	507,963	523,083	528,607	528,869
6,722,084	8,243,000	8,992,789	10,069,170	11,063,328
1,143,953	1,156,042	1,169,506	1,228,062	1,260,357
2,547,219	2,815,518	3,579,899	3,571,703	3,536,933
<u>(3,064,058)</u>	<u>(3,361,521)</u>	<u>(3,599,858)</u>	<u>(3,906,924)</u>	<u>(4,297,236)</u>
<u>10,517,964</u>	<u>12,330,406</u>	<u>13,735,339</u>	<u>14,627,248</u>	<u>15,237,113</u>
<u>16,495,631</u>	<u>17,750,403</u>	<u>21,884,334</u>	<u>21,969,632</u>	<u>22,046,675</u>
534,898	489,547	439,134	488,599	393,208
129,704	121,150	92,473	30,249	64,787
397,407	243,458	207,437	205,323	191,418
—	171,868	254,828	297,901	289,821
126,880	117,802	74,677	155,502	99,991
103,611	212,159	65,418	123,393	15,717
615,599	514,343	764,355	—	561,782
529,970	478,203	485,669	526,853	509,065
<u>9,075,723</u>	<u>10,670,116</u>	<u>15,266,398</u>	<u>15,668,785</u>	<u>16,121,160</u>
<u>11,513,792</u>	<u>13,018,646</u>	<u>17,650,389</u>	<u>17,496,605</u>	<u>18,246,949</u>
3,694,054	4,584,300	4,910,954	5,450,860	5,698,608
1,893,302	1,639,962	1,282,553	1,495,022	1,312,920
<u>(605,517)</u>	<u>(1,492,505)</u>	<u>(1,959,562)</u>	<u>(2,472,855)</u>	<u>(3,211,802)</u>
<u>\$ 4,981,839</u>	<u>\$ 4,731,757</u>	<u>\$ 4,233,945</u>	<u>\$ 4,473,027</u>	<u>\$ 3,799,726</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT
Changes in Net Assets
Last Ten Fiscal Years
(in thousands)
(Unaudited)

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

See accompanying independent auditor's report.

2006-2007	2007-2008	2008-2009	2009-2010	2010-2012	2011-2012
\$ 4,142,927	\$ 4,416,790	\$ 4,291,864	\$ 3,900,813	\$ 3,986,263	\$ 3,773,834
310,786	366,514	359,087	317,859	320,787	316,131
589,566	731,016	623,621	428,734	432,202	403,585
56,323	51,873	60,395	43,561	43,448	43,048
477,168	502,506	518,838	466,481	426,288	393,922
123,791	136,540	134,008	204,002	145,401	173,516
638,201	727,090	758,813	660,647	581,731	567,829
168,121	173,167	168,837	155,813	151,286	158,202
114,630	108,451	98,013	68,949	54,205	61,072
288,736	324,348	370,016	403,956	404,211	430,137
92,799	89,029	119,137	115,474	175,584	87,588
418	882	240	615	181	1,203
278,053	350,420	551,163	495,266	623,044	578,279
39,371	—	—	—	—	—
180,328	217,052	302,298	245,712	315,745	401,920
—	832,665	821,261	739,885	781,931	819,296
7,501,218	9,028,343	9,177,591	8,247,767	8,442,307	8,209,562
3,357	5,482	6,497	6,440	20,741	19,819
184	251	183	211	156	117
—	—	—	—	—	—
10,592	8,337	8,694	18,002	7,814	9,198
4,496	5,206	6,999	13,496	16,378	21,657
18,886	16,979	15,777	12,229	9,727	7,511
95,222	65,426	24,259	18,747	33,810	41,206
132,737	101,681	62,409	69,125	88,626	99,508
1,707,841	1,662,599	1,538,356	1,705,758	1,815,305	1,339,908
205,621	223,250	243,391	240,346	234,844	264,016
472,633	532,258	641,554	348,196	353,459	344,793
1	87	133	852	9,141	3,893
145,581	139,550	131,204	143,125	132,805	120,610
85,947	72,513	121,542	70,894	46,629	94,492
150,877	151,932	162,386	168,318	135,826	113,407
163,325	170,100	156,509	154,069	157,528	264,619
10,135	7,326	10,986	3,369	8,753	4,886
236,113	249,817	269,543	342,381	369,578	337,493
893	14,609	1,287	375	5,692	127,188
—	—	—	—	—	—
—	559	1,591	—	—	895
3,178,967	3,224,600	3,278,482	3,177,683	3,269,560	3,016,200
—	—	—	—	—	—
137,763	11,216	48,382	4,293	2,354	187
298,645	653,191	876,570	295,879	777,990	94,996
436,408	664,407	924,952	300,172	780,344	95,183
3,748,112	3,990,688	4,265,843	3,546,980	4,138,530	3,210,891
(3,753,106)	(5,037,655)	(4,911,748)	(4,700,787)	(4,303,777)	(4,998,671)
811,282	806,413	927,441	938,189	909,484	901,213
444,951	539,735	598,980	740,719	935,428	850,359
4,479	5,775	1,295	6,054	5,320	9,789
2,901,720	2,817,720	2,517,499	2,039,028	2,146,870	2,066,980
531,067	505,638	453,643	393,192	402,110	434,512
149,311	156,817	74,859	58,323	66,795	21,175
12,456	85,547	87,949	27,470	76,852	41,342
—	—	—	—	—	—
4,855,266	4,917,645	4,661,666	4,202,975	4,542,859	4,325,370
\$ 1,102,160	\$ (120,010)	\$ (250,082)	\$ (497,812)	\$ 239,082	\$ (673,301)

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

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

See accompanying independent auditor's report.

<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>
\$ 811,282	\$ 806,413	\$ 927,441	\$ 938,189	\$ 909,484	\$ 901,213
444,951	539,735	598,980	740,719	935,428	850,359
4,479	5,775	1,295	6,054	5,320	9,789
<u>\$ 1,260,712</u>	<u>\$ 1,351,923</u>	<u>\$ 1,527,716</u>	<u>\$ 1,684,962</u>	<u>\$ 1,850,232</u>	<u>\$ 1,761,361</u>

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

	<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>
General Fund:				
Nonspendable	\$ —	\$ —	\$ —	\$ —
Restricted	—	—	—	—
Assigned	—	—	—	—
Unassigned	—	—	—	—
Reserved	236,766	171,216	96,540	144,673
Unreserved	<u>342,273</u>	<u>152,766</u>	<u>253,029</u>	<u>289,839</u>
Total General Fund	<u>\$ 579,039</u>	<u>\$ 323,982</u>	<u>\$ 349,569</u>	<u>\$ 434,512</u>
District Bonds:				
Nonspendable	\$ —	\$ —	\$ —	\$ —
Restricted	—	—	—	—
Reserved	17,545	—	7,328	3,300
Unreserved	<u>2,917,720</u>	<u>1,676,001</u>	<u>1,123,595</u>	<u>1,096,859</u>
Total District Bonds	<u>\$ 2,935,265</u>	<u>\$ 1,676,001</u>	<u>\$ 1,130,923</u>	<u>\$ 1,100,159</u>
Bond Interest and Redemption Fund				
Restricted	\$ —	\$ —	\$ —	\$ —
Reserved	164,978	165,837	211,449	282,984
Unreserved	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Debt Service	<u>\$ 164,978</u>	<u>\$ 165,837</u>	<u>\$ 211,449</u>	<u>\$ 282,984</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	18,246	21,397	7,871	7,867
Unreserved, reported in:				
Special revenue funds	98,068	44,013	101,059	187,178
Debt service funds	44,674	39,982	12,949	19,498
Capital projects funds	<u>586,229</u>	<u>1,330,959</u>	<u>736,408</u>	<u>773,041</u>
Total All Other Governmental Funds	<u>\$ 747,217</u>	<u>\$ 1,436,351</u>	<u>\$ 858,287</u>	<u>\$ 987,584</u>

*Effective 2010-2011, fund balances are presented to conform with GASB statement 54

See accompanying independent auditor's report.

<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011*</u>	<u>2011-2012</u>
\$ —	\$ —	\$ —	\$ —	\$ 10,417	\$ 11,231
—	—	—	—	266,418	186,563
—	—	—	—	147,035	465,272
—	—	—	—	479,661	161,744
333,103	403,518	565,333	304,762	—	—
362,132	253,718	184,629	358,145	—	—
<u>\$ 695,235</u>	<u>\$ 657,236</u>	<u>\$ 749,962</u>	<u>\$ 662,907</u>	<u>\$ 903,531</u>	<u>\$ 824,810</u>
\$ —	\$ —	\$ —	\$ —	\$ 3,800	\$ 3,800
—	—	—	—	2,816,528	2,102,830
3,300	3,800	3,800	3,800	—	—
949,738	957,677	729,284	3,488,803	—	—
<u>\$ 953,038</u>	<u>\$ 961,477</u>	<u>\$ 733,084</u>	<u>\$ 3,492,603</u>	<u>\$ 2,820,328</u>	<u>\$ 2,106,630</u>
\$ —	\$ —	\$ —	\$ —	\$ 724,608	\$ 681,562
360,140	—	—	—	—	—
—	447,880	489,381	630,810	—	—
<u>\$ 360,140</u>	<u>\$ 447,880</u>	<u>\$ 489,381</u>	<u>\$ 630,810</u>	<u>\$ 724,608</u>	<u>\$ 681,562</u>
\$ —	\$ —	\$ —	\$ —	\$ 5,050	\$ 13,123
—	—	—	—	3,843	5,802
—	—	—	—	82,138	59,708
—	—	—	—	844,989	666,557
—	—	—	—	11,391	9,972
—	—	—	—	51	60
—	—	—	—	29,731	55,660
7,871	7,391	6,280	5,309	—	—
245,129	236,369	159,720	122,508	—	—
23,135	49,213	65,372	72,643	—	—
804,840	915,409	803,322	668,564	—	—
<u>\$ 1,080,975</u>	<u>\$ 1,208,382</u>	<u>\$ 1,034,694</u>	<u>\$ 869,024</u>	<u>\$ 977,193</u>	<u>\$ 810,882</u>

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

	<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>
Revenues:			
Revenue limit sources	\$ 3,483,050	\$ 3,436,839	\$ 3,575,257
Federal revenues	824,684	984,482	1,071,628
Other state revenues	2,137,919	2,434,073	2,109,674
Other local revenues	<u>419,927</u>	<u>451,220</u>	<u>549,264</u>
Total Revenues	<u>6,865,580</u>	<u>7,306,614</u>	<u>7,305,823</u>
Expenditures:			
Current:			
Certificated salaries	3,066,319	3,055,482	3,110,756
Classified salaries	1,066,527	1,065,409	1,069,595
Employee benefits	1,214,906	1,312,887	1,349,301
Books and supplies	495,117	468,036	499,411
Services and other operating expenditures	768,930	828,706	647,151
Capital outlay	704,931	1,003,568	1,398,243
Debt service – principal	93,608	114,150	110,501
Debt service – bond, COPs, and capital leases interest	105,687	225,574	232,333
Debt service – refunding bond issuance cost	—	—	1,337
Other outgo	<u>(50)</u>	<u>40,529</u>	<u>33,748</u>
Total Expenditures	<u>7,515,975</u>	<u>8,114,341</u>	<u>8,452,376</u>
Deficiency of Revenues Over Expenditures	<u>(650,395)</u>	<u>(807,727)</u>	<u>(1,146,553)</u>
Other Financing Sources (Uses):			
Transfers in	264,190	172,148	598,061
Transfers out	(263,998)	(171,934)	(598,061)
Issuance of bonds	2,607,345	—	200,000
Premium on bonds issued	—	—	4,124
Issuance of refunding bonds	—	—	219,125
Premium on refunding bonds issued	—	—	16,338
Issuance of COPs	272,303	—	219,790
Premium on COPs issued	—	—	—
Discount on issuance of COPs	—	—	—
Discount on issuance of refunding bonds	—	—	—
Payment to refunded bonds escrow agent	—	—	(234,126)
Issuance of refunding COPs	—	—	—
Premium on refunding COPS issued	—	—	—
Payment to refunded COPs escrow agent	—	—	(333,958)
CA Energy Commission loan	—	—	1,318
Special item – proceeds from Sullivan Canyon sale	—	11,918	—
Insurance proceeds – fire damage	—	—	—
Capital leases	3,888	7,630	1,999
Land and building sale/lease	—	—	—
Children center facilities revolving fund	518	—	—
Other financing sources	2,159	—	—
Other financing uses	<u>(2,210)</u>	<u>—</u>	<u>—</u>
Total Other Financing Sources (Uses)	<u>2,884,195</u>	<u>19,762</u>	<u>94,610</u>
Net Change in Fund Balances	<u>\$ 2,233,800</u>	<u>\$ (787,965)</u>	<u>\$ (1,051,943)</u>
Debt Service as a Percentage of Noncapital Expenditures	2.9%	4.8%	4.9%

See accompanying independent auditor's report.

2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
\$ 3,724,599	\$ 3,892,689	\$ 3,624,134	\$ 3,444,940	\$ 2,977,215	\$ 3,056,350	\$ 2,968,193
1,150,060	1,023,992	1,016,465	1,357,169	1,289,543	1,463,899	1,179,268
2,419,412	2,853,979	3,307,609	3,223,201	2,566,534	2,966,361	2,222,007
637,941	835,529	925,869	904,663	918,438	1,198,389	1,084,248
<u>7,932,012</u>	<u>8,606,189</u>	<u>8,874,077</u>	<u>8,929,973</u>	<u>7,751,730</u>	<u>8,684,999</u>	<u>7,453,716</u>
3,187,441	3,362,475	3,469,214	3,384,912	2,929,870	2,948,806	2,799,485
1,098,558	1,180,482	1,269,680	1,236,448	1,126,477	1,058,084	1,025,679
1,418,575	1,440,468	1,464,061	1,440,404	1,581,239	1,508,612	1,546,789
567,167	507,486	574,902	441,855	395,886	495,998	392,154
691,388	785,742	880,455	872,470	867,482	826,514	729,903
1,532,862	1,494,934	1,644,450	2,113,952	1,677,858	1,241,249	1,021,845
94,843	153,258	200,514	302,688	289,680	303,329	339,789
241,131	285,315	334,525	363,050	410,978	582,330	592,942
2,732	9,665	6,020	—	26,604	—	1,608
41,695	46,865	882	240	615	181	1,203
<u>8,876,392</u>	<u>9,266,690</u>	<u>9,844,703</u>	<u>10,156,019</u>	<u>9,306,689</u>	<u>8,965,103</u>	<u>8,451,397</u>
<u>(944,380)</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>
381,658	362,932	499,947	575,839	539,641	604,246	874,499
(381,658)	(366,926)	(512,061)	(588,821)	(552,270)	(615,202)	(885,625)
1,115,712	900,000	1,000,000	945,774	4,082,645	—	—
64,283	33,649	42,258	—	92,908	—	—
778,673	1,889,000	—	—	149,760	—	563,805
64,058	49,073	—	—	—	—	77,207
10,000	—	105,374	120,950	40,728	83,345	—
—	—	—	—	3,771	3,034	—
—	—	—	—	—	(596)	—
—	(1,324)	—	—	—	—	—
(656,098)	(1,927,084)	—	—	(163,199)	—	(639,404)
—	—	—	—	69,685	—	160,190
—	—	—	—	—	—	16,648
(178,618)	—	—	(107,795)	(65,328)	(32,548)	(175,887)
63	—	—	—	—	—	—
—	—	—	—	—	—	—
—	2,935	5,332	1,439	2,057	1,987	3,221
1,318	2,394	1,253	1,196	931	1,043	930
—	—	14,110	9,610	2,371	52	321
—	—	—	—	(518)	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
<u>1,199,391</u>	<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>\$ 255,011</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>
4.6%	5.8%	6.6%	8.3%	9.5%	11.5%	12.6%

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

Fiscal year	Certificated Salaries	Classified Salaries	Employee Benefits	Books and Supplies	Services and Other Oper. Exp.
2002-2003	\$ 3,036,964	\$ 1,056,274	\$ 1,207,073	\$ 490,211	\$ 757,868
2003-2004	3,055,482	1,065,409	1,312,887	468,036	821,490
2004-2005	3,110,756	1,069,595	1,349,301	499,411	646,373
2005-2006	3,187,441	1,098,558	1,418,575	567,167	691,388
2006-2007	3,362,475	1,180,482	1,440,468	507,486	785,742
2007-2008	3,469,214	1,269,680	1,464,061	574,902	880,455
2008-2009	3,384,912	1,236,448	1,440,404	441,855	872,470
2009-2010	2,929,870	1,126,477	1,581,239	395,886	867,482
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

Notes:

- ⁽¹⁾ "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.

Capital Outlay	Debt Service	Other Outgo ⁽¹⁾	Operating Transfers Out	Total Expenditures and Other Uses
\$ 691,793	\$ 201,782	\$ (145)	\$ 263,998	\$ 7,705,818
1,003,568	346,196	41,273	171,934	8,286,275
1,398,243	344,171	602,610	598,061	9,618,521
1,532,862	338,706	876,411	381,658	10,092,766
1,494,934	448,238	1,975,273	366,926	11,562,024
1,644,450	541,059	882	512,061	10,356,764
2,113,952	665,738	108,035	588,821	10,852,635
1,677,858	727,262	229,142	552,270	10,087,486
1,241,249	885,659	33,325	615,202	9,613,449
1,021,845	934,339	816,494	885,625	10,152,313

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

	<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>2006-2007</u>
Instructional Goals:					
General education	\$ 3,673,054	\$ 3,741,979	\$ 3,935,655	\$ 4,145,863	\$ 4,270,273
Special education	1,166,539	1,214,874	1,195,855	1,252,592	1,333,134
Others	97,706	99,995	94,496	93,176	94,206
	<u>4,937,299</u>	<u>5,056,848</u>	<u>5,226,006</u>	<u>5,491,631</u>	<u>5,697,613</u>
Noninstructional Goals:					
Community services	25,371	24,258	26,423	27,165	30,269
Child care services	6,920	5,234	7,887	3,656	4,408
	<u>32,291</u>	<u>29,492</u>	<u>34,310</u>	<u>30,821</u>	<u>34,677</u>
Support Services	<u>1,195,756</u>	<u>1,207,134</u>	<u>1,058,764</u>	<u>1,083,003</u>	<u>1,182,086</u>
Facilities Acquisition	<u>853,255</u>	<u>1,219,838</u>	<u>1,522,494</u>	<u>1,635,060</u>	<u>1,581,955</u>
Food Services	<u>220,978</u>	<u>212,280</u>	<u>222,640</u>	<u>241,888</u>	<u>253,798</u>
Other Outgo:					
Debt service	201,782	346,196	344,171	517,324	2,386,554
All other outgo	264,457	214,487	1,210,136	1,093,039	425,341
	<u>466,239</u>	<u>560,683</u>	<u>1,554,307</u>	<u>1,610,363</u>	<u>2,811,895</u>
Total Expenditures and Other Uses	<u>\$ 7,705,818</u>	<u>\$ 8,286,275</u>	<u>\$ 9,618,521</u>	<u>\$ 10,092,766</u>	<u>\$ 11,562,024</u>

See accompanying independent auditor's report.

2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
\$ 4,462,660	\$ 4,124,621	\$ 3,820,056	\$ 3,928,156	\$ 3,642,622
1,395,418	1,376,082	1,428,258	1,387,197	1,362,253
100,135	101,223	85,456	87,876	61,046
<u>5,958,213</u>	<u>5,601,926</u>	<u>5,333,770</u>	<u>5,403,229</u>	<u>5,065,921</u>
24,762	28,094	17,094	12,310	13,055
4,663	4,847	3,109	2,987	2,418
<u>29,425</u>	<u>32,941</u>	<u>20,203</u>	<u>15,297</u>	<u>15,473</u>
<u>1,273,056</u>	<u>1,270,702</u>	<u>1,131,009</u>	<u>988,664</u>	<u>1,007,304</u>
<u>1,734,161</u>	<u>2,234,066</u>	<u>1,789,389</u>	<u>1,362,715</u>	<u>1,098,376</u>
<u>286,769</u>	<u>323,009</u>	<u>288,760</u>	<u>288,691</u>	<u>311,558</u>
541,059	773,533	792,590	885,659	934,339
534,081	616,458	731,765	669,194	1,719,342
<u>1,075,140</u>	<u>1,389,991</u>	<u>1,524,355</u>	<u>1,554,853</u>	<u>2,653,681</u>
<u>\$ 10,356,764</u>	<u>\$ 10,852,635</u>	<u>\$ 10,087,486</u>	<u>\$ 9,613,449</u>	<u>\$ 10,152,313</u>

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

Fiscal Year	Revenue Limit Sources	Federal	Other State	Other Local	Other Financing Sources	Total
2002-2003	\$ 3,456,958	\$ 814,681	\$ 2,118,662	\$ 401,287	\$ 3,148,244	\$ 9,939,832
2003-2004	3,436,839	984,482	2,434,073	451,220	191,696	7,498,310
2004-2005	3,575,257	1,071,628	2,109,674	549,264	1,260,755	8,566,578
2005-2006	3,724,599	1,150,060	2,419,412	637,941	2,415,765	10,347,777
2006-2007	3,892,689	1,023,992	2,853,979	835,529	3,239,983	11,846,172
2007-2008	3,624,134	1,016,465	3,307,609	925,869	1,668,274	10,542,351
2008-2009	3,444,940	1,357,169	3,223,201	904,663	1,654,808	10,584,781
2009-2010	2,977,215	1,289,543	2,566,534	918,438	4,983,979	12,735,709
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

See accompanying independent auditor's report.

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

Fiscal Year	Secured*	Unsecured*	Total Assessed Value	Total District Tax Rates	Increase (Decrease) Over Preceding Year		Total A.D.A.**	Assessed Value per Unit of A.D.A.
					Amount	Rate		
2002-2003	\$ 266,383,265	\$ 21,142,670	\$ 287,525,935	1.036973	\$ 16,011,009	5.90 %	766,137 ***	\$ 375
2003-2004	287,673,344	20,855,436	308,528,780	1.077145	21,002,845	7.30	758,605 ***	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 ****	823
2010-2011	442,092,473	21,753,078	463,845,551	1.186954	(11,131,740)	(2.34)	565,450 ****	820
2011-2012	447,830,204	21,265,021	469,095,225	1.168187	5,249,674	1.13	549,185 ****	854

* 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

*** Adjusted to exclude fiscally independent charter schools

**** Adult and Summer School programs were not collected due to changes made by Education Code Section 42605.

For 2008-09 through 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.

See accompanying independent auditor's report.

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

Fiscal Year	Unified General	Unified Bonds	Total Schools Tax	State-Wide for All Agencies	Total District Tax
2002-2003	0.000107	0.036866	0.036973	1.000000	1.036973
2003-2004	0.000160	0.076985	0.077145	1.000000	1.077145
2004-2005	0.000143	0.088696	0.088839	1.000000	1.088839
2005-2006	0.000107	0.084239	0.084346	1.000000	1.084346
2006-2007	0.000079	0.106735	0.106814	1.000000	1.106814
2007-2008	0.000040	0.123302	0.123342	1.000000	1.123342
2008-2009	0.000058	0.124724	0.124782	1.000000	1.124782
2009-2010	—	0.151809	0.151809	1.000000	1.151809
2010-2011	—	0.186954	0.186954	1.000000	1.186954
2011-2012	—	0.168187	0.168187	1.000000	1.168187

Source: 2011-12 Los Angeles County Auditor-Controller "Taxpayers' Guide."

See accompanying independent auditor's report.

Metropolitan Water District	Los Angeles County General	City of Los Angeles District No.1	County Flood Control District
0.006700	0.001033	0.042312	0.000881
0.006100	0.000992	0.050574	0.000462
0.005800	0.000923	0.055733	0.000245
0.005200	0.000795	0.051289	0.000049
0.004700	0.000663	0.045354	0.000052
0.004500	—	0.038051	—
0.004300	—	0.038541	—
0.004300	—	0.041220	—
0.003700	—	0.038895	—
0.003700	—	0.038666	—

LOS ANGELES UNIFIED SCHOOL DISTRICT
Largest Local Secured Taxpayers
Current Year and Nine Years Ago
(in thousands)
(Unaudited)

2012				2003			
Rank	Property Owner ⁽¹⁾	Assessed Valuation	% of Total ⁽²⁾	Property Owner	Assessed Valuation	% of Total ⁽³⁾	
1	Douglas Emmett Realty Funds	\$ 2,298,099	0.51%	Atlantic Richfield Company	\$ 2,147,272	0.81%	
2	Universal Studios LLC	1,212,699	0.27	Tosco Corporation	1,134,805	0.43	
3	Anheuser Busch Inc.	779,369	0.17	MCA Inc.	1,006,589	0.38	
4	One Hundred Towers LLC	583,509	0.13	Douglas Emmett Realty Fund	942,782	0.35	
5	Donald T. Sterling	552,750	0.12	Ultramar Inc.	785,599	0.29	
6	Tishman Speyer Archstone Smith Oakwood	499,686	0.11	Equilon Enterprises LLC	761,237	0.29	
7	Duesenberg Investment Company	489,048	0.11	Anheuser Busch, Inc.	710,252	0.27	
8	Paramount Pictures Corp.	473,289	0.11	Arden Realty Finance Partnership	653,194	0.24	
9	Century City Mall LLC	459,585	0.10	Universal Studios Inc.	576,232	0.22	
10	Taubman Beverly Center	458,763	0.10	Entertainment Center LLC	536,608	0.20	
11	Casden Park La Brea LLC	455,877	0.10	2121 Avenue of the Starts LLC	362,059	0.14	
12	BRE Properties Inc.	454,392	0.10	Paramount Pictures Corp.	357,738	0.13	
13	Westfield Topanga Owner LP	447,375	0.10	Trizecahn Hollywood LLC	313,656	0.12	
14	Trizec 333 LA LLC	383,700	0.09	1999 Stars LLC	309,874	0.12	
15	Twentieth Century Fox Film Corp.	378,866	0.08	BP 10880 Wilshire LLC	298,348	0.11	
16	LA Live Properties LLC	375,555	0.08	Century City Mall LLC	282,989	0.11	
17	Next Century Associates LLC	367,049	0.08	Maguire Partners Crocker Properties Phase I	280,000	0.10	
18	1999 Stars LLC	350,305	0.08	Prime Park La Brea Holdings LP	270,092	0.10	
19	BP West Coast Products LLC	347,702	0.08	Maguire Partner 555 West Fifth LLC	258,000	0.10	
20	AP Properties Ltd.	338,255	0.08	Library Square Associates LLC	249,594	0.09	
		<u>\$ 11,705,873</u>	<u>2.60%</u>			<u>\$ 12,236,920</u>	<u>4.60%</u>

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

⁽²⁾ 2011-12 Local Secured Assessed Valuation: \$447,659,366.

⁽³⁾ 2002-03 Local Secured Assessed Valuation: \$266,115,192.

Source: California Municipal Statistics, Inc.

See accompanying independent auditor's report.

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

Fiscal Year	Total Tax Levy	ERAF Funds ⁽¹⁾	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections ⁽²⁾	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
2002-2003	\$ 656,436	\$ 536,530	\$ 1,190,192	99.77%	\$ 13,881	\$1,204,073	100.93%
2003-2004	821,820	576,038	1,386,560	99.19	34,987	1,421,547	101.69
2004-2005	929,248	171,052	1,091,325	99.18	34,128	1,125,453	102.29
2005-2006	991,275	76,068	1,026,351	96.16	30,963	1,057,314	99.06
2006-2007	1,173,752	—	1,134,757	96.68	101,640	1,236,397	105.34
2007-2008	1,345,503	(42,753)	1,241,733	95.32	76,816	1,318,549	101.21
2008-2009	1,481,739	(2,660)	1,372,078	92.77	114,292	1,486,370	100.49
2009-2010	1,597,579	41,685	1,505,933	91.87	112,277	1,618,210	98.72
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

⁽¹⁾ Educational Revenue Augmentation Funds (ERAF) are added to tax levies received by the District.

⁽²⁾ Includes prior years' delinquencies.

See accompanying independent auditor's report.

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

Fiscal Year	K-12 Base Revenue Limit (Deficited)	Adult Base Revenue Limit
2002-2003	\$ 4,747.13	\$ 2,242.12
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 ^a
2008-2009	5,645.07	N/A ^b
2009-2010	4,962.13 ^c	N/A ^b
2010-2011	5,264.22 ^d	N/A ^b
2011-2012	5,209.39 ^d	N/A ^b

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

^b Per SBX3 4 (Chapter 12, Statutes of 2009), funding for fiscal years 2008-09 through 2012-13 (extended through 2014-15 by SB70, Chapter 7, Statutes of 2011) is based on the District's 2007-08 proportionate share of funding to the State's total available funding for the program. CDE will revert back to the usual funding formula for this program in fiscal year 2015-16.

^c This rate is net of the additional revenue limit reduction of \$252.99 per 2008-09 funded revenue limit ADA.

^d 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)

	2002-2003		2003-2004	
	Amount	Percent	Amount	Percent
Revenues and other sources				
Revenue limit sources	\$ 3,456,958	34.77%	\$ 3,436,839	45.83%
Federal revenues	814,681	8.20	984,482	13.13
Other state revenues	2,118,662	21.31	2,434,073	32.46
Other local revenues	401,287	4.04	451,220	6.02
Operating transfers in	264,190	2.66	172,148	2.30
Proceeds from issuance of bonds	2,607,345	26.23	—	—
Premium on bonds issued	—	—	—	—
Proceeds from refunding bonds issued	—	—	—	—
Premium on refunding bonds issued	—	—	—	—
Proceeds from Certif. of Participation/Long-term Capital Lease ⁽¹⁾	276,191	2.78	7,630	0.10
Issuance of refunding COPs	—	—	—	—
Premium on COPs issued	—	—	—	—
Premium on refunding COPS issued	—	—	—	—
Proceeds from CA Energy Commission loan	—	—	—	—
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	518	0.01	—	—
Total Revenues and Other Sources	<u>\$ 9,939,832</u>	<u>100.00%</u>	<u>\$ 7,498,310</u>	<u>100.00%</u>
Expenditures and other uses				
Current:				
Certificated salaries	\$ 3,036,964	39.41%	\$ 3,055,482	36.88%
Classified salaries	1,056,274	13.71	1,065,409	12.86
Employee benefits	1,207,073	15.66	1,312,887	15.84
Books and supplies	490,211	6.36	468,036	5.65
Services and other operating expenditures	757,868	9.83	821,490	9.91
Capital outlay	691,793	8.98	1,003,568	12.11
Debt service	201,782	2.62	346,196	4.18
Other outgo ⁽²⁾	(145)	—	41,273	0.50
Operating transfers out ⁽³⁾	263,998	3.43	171,934	2.07
Discount on issuance of refunding bonds	—	—	—	—
Discount on issuance of COPs	—	—	—	—
Payment to refunded bonds escrow agent	—	—	—	—
Payment to refunded COPs escrow agent	—	—	—	—
Total Expenditures and Other Uses	<u>\$ 7,705,818</u>	<u>100.00%</u>	<u>\$ 8,286,275</u>	<u>100.00%</u>

⁽¹⁾ The 2002-03 COPs proceeds were used for information technology systems, warehouse acquisition, administration building improvements and multiple school projects such as: air-conditioning, relocatable classrooms, gymnasium improvements, computer and telephone equipment, school police vehicles, sports and parking facilities, school museum and other projects. The 2004-05 COPs proceeds were used to refund a portion of prior year issuances and make administration building improvements. The 2005-06 COPs proceeds were used to modernize nine schools to accommodate existing or planned academy programs that address student career pathway/higher education interests. The 2007-2008 COPs proceeds were used to finance certain acquisition, development and installation of information technology systems of the District.

See accompanying independent auditor's report.

2004-2005		2005-2006		2006-2007	
Amount	Percent	Amount	Percent	Amount	Percent
\$ 3,575,257	41.73%	\$ 3,724,599	35.99%	\$ 3,892,689	32.86%
1,071,628	12.51	1,150,060	11.11	1,023,992	8.65
2,109,674	24.63	2,419,412	23.38	2,853,979	24.10
549,264	6.41	637,941	6.17	835,529	7.05
598,061	6.98	381,658	3.69	362,932	3.06
200,000	2.33	1,115,712	10.78	900,000	7.60
4,124	0.05	64,283	0.62	33,649	0.28
219,125	2.56	778,673	7.53	1,889,000	15.95
16,338	0.19	64,058	0.62	49,073	0.41
221,789	2.59	11,318	0.11	2,394	0.02
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
1,318	0.02	63	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	2,935	0.02
—	—	—	—	—	—
<u>\$ 8,566,578</u>	<u>100.00%</u>	<u>\$ 10,347,777</u>	<u>100.00%</u>	<u>\$ 11,846,172</u>	<u>100.00%</u>
\$ 3,110,756	32.34%	\$ 3,187,441	31.58%	\$ 3,362,475	29.07%
1,069,595	11.12	1,098,558	10.88	1,180,482	10.21
1,349,301	14.03	1,418,575	14.06	1,440,468	12.46
499,411	5.19	567,167	5.62	507,486	4.39
646,373	6.72	691,388	6.85	785,742	6.80
1,398,243	14.54	1,532,862	15.19	1,494,934	12.93
344,171	3.58	338,706	3.36	448,238	3.88
34,526	0.36	41,695	0.41	46,865	0.41
598,061	6.22	381,658	3.78	366,926	3.17
—	—	—	—	1,324	0.01
—	—	—	—	—	—
234,126	2.43	656,098	6.50	1,927,084	16.67
333,958	3.47	178,618	1.77	—	—
<u>\$ 9,618,521</u>	<u>100.00%</u>	<u>\$ 10,092,766</u>	<u>100.00%</u>	<u>\$ 11,562,024</u>	<u>100.00%</u>

⁽²⁾ "Other outgo" includes Tuition for Handicapped Pupils. From fiscal year 2003-04 to fiscal year 2006-07, Charter Schools In-lieu of Taxes was included in total expenditures under object 7280 as Other transfers out. Starting with fiscal year 2007-08, this is presented as reduction of the revenues, like it was presented prior to 2003-04.

(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)

	2007-2008		2008-2009	
	Amount	Percent	Amount	Percent
Revenues and other sources				
Revenue limit sources	\$ 3,624,134	34.38%	\$ 3,444,940	32.55%
Federal revenues	1,016,465	9.64	1,357,169	12.82
Other state revenues	3,307,609	31.38	3,223,201	30.45
Other local revenues	925,869	8.78	904,663	8.55
Operating transfers in	499,947	4.74	575,839	5.44
Proceeds from issuance of bonds	1,000,000	9.49	945,774	8.94
Premium on bonds issued	42,258	0.40	—	—
Proceeds from refunding bonds issued	—	—	—	—
Premium on refunding bonds issued	—	—	—	—
Proceeds from Certif. of Participation/Long-term Capital Lease ⁽¹⁾	106,627	1.01	122,146	1.15
Issuance of refunding COPs	—	—	—	—
Premium on COPs issued	—	—	—	—
Premium on refunding COPs issued	—	—	—	—
Proceeds from CA Energy Commission loan	—	—	—	—
Proceeds from Sullivan Canyon sale	—	—	—	—
Proceeds from Ramona HS/Palisade Charter (2012)	14,110	0.13	9,610	0.09
Proceeds from sale of surplus property	—	—	—	—
Insurance proceeds – fire damage	5,332	0.05	1,439	0.01
Children Center facilities fund	—	—	—	—
Total Revenues and Other Sources	<u>\$ 10,542,351</u>	<u>100.00%</u>	<u>\$ 10,584,781</u>	<u>100.00%</u>
Expenditures and other uses				
Current:				
Certificated salaries	\$ 3,469,214	33.50%	\$ 3,384,912	31.19%
Classified salaries	1,269,680	12.26	1,236,448	11.39
Employee benefits	1,464,061	14.14	1,440,404	13.27
Books and supplies	574,902	5.55	441,855	4.07
Services and other operating expenditures	880,455	8.50	872,470	8.04
Capital outlay	1,644,450	15.88	2,113,952	19.48
Debt service	541,059	5.22	665,738	6.14
Other outgo ⁽²⁾	882	0.01	240	—
Operating transfers out ⁽³⁾	512,061	4.94	588,821	5.43
Discount on issuance of refunding bonds	—	—	—	—
Discount on issuance of COPs	—	—	—	—
Payment to refunded bonds escrow agent	—	—	—	—
Payment to refunded COPs escrow agent	—	—	107,795	0.99
Total Expenditures and Other Uses	<u>\$ 10,356,764</u>	<u>100.00%</u>	<u>\$ 10,852,635</u>	<u>100.00%</u>

⁽¹⁾ The 2002-03 COPs proceeds were used for information technology systems, warehouse acquisition, administration building improvements and multiple school projects such as: air-conditioning, relocatable classrooms, gymnasium improvements, computer and telephone equipment, school police vehicles, sports and parking facilities, school museum and other projects. The 2004-05 COPs proceeds were used to refund a portion of prior year issuances and make administration building improvements. The 2005-06 COPs proceeds were used to modernize nine schools to accommodate existing or planned academy programs that address student career pathway/higher education interests. The 2007-08 COPs proceeds were used to finance certain acquisition, development and installation of information technology systems of the District.

See accompanying independent auditors' report.

2009-2010		2010-2011		2011-2012	
Amount	Percent	Amount	Percent	Amount	Percent
\$ 2,977,215	23.37%	\$ 3,056,350	32.59%	\$ 2,968,193	32.44%
1,289,543	10.12	1,463,899	15.61	1,179,268	12.89
2,566,534	20.15	2,966,361	31.63	2,222,007	24.28
918,438	7.21	1,198,389	12.78	1,084,248	11.85
539,641	4.24	604,246	6.44	874,499	9.56
4,082,645	32.06	—	—	—	—
92,908	0.73	—	—	—	—
149,760	1.18	—	—	563,805	6.16
—	—	—	—	77,207	0.84
41,659	0.33	84,388	0.90	930	0.01
69,685	0.55	—	—	160,190	1.75
3,771	0.03	3,034	0.03	—	—
—	—	—	—	16,648	0.18
—	—	—	—	—	—
—	—	—	—	—	—
2,371	0.02	—	—	—	—
—	—	52	—	321	—
2,057	0.01	1,987	0.02	3,221	0.04
(518)	—	—	—	—	—
<u>\$ 12,735,709</u>	<u>100.00%</u>	<u>\$ 9,378,706</u>	<u>100.00%</u>	<u>\$ 9,150,537</u>	<u>100.00%</u>
\$ 2,929,870	29.04%	\$ 2,948,806	30.67%	\$ 2,799,485	27.58%
1,126,477	11.17	1,058,084	11.01	1,025,679	10.10
1,581,239	15.68	1,508,612	15.69	1,546,789	15.24
395,886	3.92	495,998	5.16	392,154	3.86
867,482	8.60	826,514	8.60	729,903	7.19
1,677,858	16.63	1,241,249	12.91	1,021,845	10.07
727,262	7.21	885,659	9.21	934,339	9.20
615	0.01	181	—	1,203	0.01
552,270	5.47	615,202	6.40	885,625	8.72
—	—	—	—	—	—
—	—	596	0.01	—	—
163,199	1.62	—	—	639,404	6.30
65,328	0.65	32,548	0.34	175,887	1.73
<u>\$ 10,087,486</u>	<u>100.00%</u>	<u>\$ 9,613,449</u>	<u>100.00%</u>	<u>\$ 10,152,313</u>	<u>100.00%</u>

⁽²⁾ "Other outgo" includes Tuition for Handicapped Pupils. From fiscal year 2003-04 to fiscal year 2006-07, Charter Schools In-lieu of Taxes was included in total expenditures under object 7280 as Other transfers out. Starting with fiscal year 2007-08, this is presented as reduction of the revenues, like it was presented prior to 2003-04.

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	2002-2003	2003-2004
General	Adult Education	\$ —	\$ —
General	Cafeteria	—	—
General	Child Development	8,475	8,412
General	Deferred Maintenance	2,134	8,140
General	Charter	—	—
General	Capital Services	37,655	51,430
General	Special Reserve	168,805	12,970
General	Special Reserve – FEMA – Earthquake	9,167	3,806
General	Special Reserve – FEMA – Hazard Mitigation	9,613	25,681
General	Special Reserve – Community Redevelopment Agency	1,419	3,757
General	Capital Facilities	—	—
General	Building – Measure R	—	—
General	Health & Welfare	—	—
Adult Education	General	2,421	2,583
Adult Education	Building – Measure R	—	—
Cafeteria	General	2,530	2,642
Cafeteria	Capital Services	—	—
Child Development	General	2,068	1,980
Deferred Maintenance	General	—	—
Capital Services	General	—	—
Capital Services	State School Building Lease – Purchase	—	—
Capital Services	Special Reserve	—	—
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	—	—
Special Reserve	Cafeteria	—	—
Special Reserve	Capital Services	(5,866)	20,633
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	854	628
Special Reserve – FEMA – Earthquake	County School Facilities – Prop 55	—	—
Special Reserve – FEMA – Hazard Mitigation	General	725	298

<u>2004-2005</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>
\$ —	\$ —	\$ 4,199	\$ —	\$ —	\$ 168,282	\$ —	\$ —
—	11,140	288	8,214	16,587	12,210	32,061	88,588
8,065	8,764	7,133	—	—	165	7,996	19,437
23,300	30,000	30,188	31,048	30,000	—	—	—
—	—	—	—	—	—	—	—
198,026	4,169	9,758	12,514	26,356	30,993	23,849	33,670
110,540	27,403	109	—	3	—	903	—
—	2,225	—	—	—	—	—	—
2,225	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	260	83	—	—
59	—	—	—	—	—	—	—
—	—	3,994	12,114	12,982	12,629	10,956	11,126
—	—	—	10,600	10,600	10,600	—	—
—	—	—	—	3,197	—	—	—
1,251	—	—	—	—	—	—	—
—	—	—	—	—	2,482	786	787
2,100	2,000	2,000	—	—	853	—	—
—	—	—	—	—	—	18,501	—
7,370	—	—	—	231	904	—	737
—	—	—	—	—	2,975	—	—
17,155	—	—	—	—	1,424	—	—
—	1	—	—	—	—	—	—
—	—	—	—	—	3,593	—	—
—	—	—	—	229	—	—	—
—	2,629	—	—	—	—	—	—
—	—	—	—	—	(29)	—	—
—	—	—	259	1	—	—	—
—	—	—	90	—	—	—	—
—	—	—	11,944	60	118	62	—
—	—	—	8,651	221	—	—	—
—	—	—	—	—	—	—	2
—	—	—	—	8	104	—	—
—	—	—	—	—	7	—	—
17,155	57,312	28,900	88,200	34,117	62,437	52,161	2,436
—	—	—	—	—	11,803	—	—
28,800	—	1,265	23,484	123,595	73,100	8,578	—
—	—	—	260	100	—	—	—
—	—	—	—	11	—	—	—
—	—	—	—	1,034	1,557	—	—
—	—	61,228	47,288	6,269	629	364	3
—	—	2	—	1,383	14,298	3	12
—	—	—	—	1	—	11	102
—	—	—	—	—	100	—	—
—	—	—	—	355	—	—	—
—	—	—	169	3,657	2,232	5,428	—
213	520	—	—	—	—	—	—
—	—	120	—	—	—	—	—
149	2,225	—	—	—	—	—	—

(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	2002-2003	2003-2004
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	17,928	23,260
Capital Facilities	State School Building Lease – Purchase	6,070	5,714
Capital Facilities	Special Reserve	—	—
Capital Facilities	Building – Bond Proceeds	—	—
Capital Facilities	Building – Measure K	—	—
Capital Facilities	Building – Measure R	—	—
Capital Facilities	Building – Measure Y	—	—
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	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	—	—
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	—	—
Building – Measure Y	Cafeteria	—	—
Building – Measure Y	Capital Services	—	—
Building – Measure Y	Special Reserve	—	—

2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
—	—	—	4,293	4,069	4,003	4,002	—
—	—	—	—	—	325	—	—
—	—	—	—	3,571	—	—	—
—	—	—	—	1,129	—	—	—
—	—	—	—	1,300	—	—	—
24,045	21,606	22,215	20,537	56,461	12,158	10,695	9,574
7,613	—	2,601	90	—	—	—	—
—	—	—	219	12	—	—	1
—	—	—	—	2	—	—	—
—	—	—	11,409	151	4	—	338
—	—	—	3	24	—	—	—
—	—	—	—	—	—	109	19
—	—	—	—	—	76	—	—
—	—	—	—	—	84	—	—
—	—	—	3,307	84	82	881	—
—	—	—	—	139	68	—	1
—	—	—	—	3	195	—	—
—	—	—	943	31,010	5,484	4,488	4,500
—	—	9	3,795	23,563	36,480	12,330	8,327
—	—	—	—	114	15	4	420
—	—	—	13	2,742	7,689	124	688
—	—	—	1,252	183	814	3,036	1,346
—	—	—	3,287	21,142	2,432	4,174	10,445
—	—	—	—	617	417	—	181
—	—	—	—	4	—	—	—
—	—	—	1	—	—	—	43
—	—	27,907	7,819	15,123	94	—	—
—	—	—	71	—	—	—	—
—	—	146	839	124	751	—	—
—	—	173	9,956	5,433	175	1,349	616
—	—	—	8	236	415	375	11,946
—	—	6,105	658	—	50	—	—
—	—	—	—	116	—	—	—
—	—	—	1,562	419	—	3,405	366
—	—	—	—	—	—	—	756
—	—	—	—	—	—	—	144
—	—	—	2,970	—	33	177	—
—	—	—	1,151	161	1,587	116	7,881
—	—	—	33	—	—	—	—
149,995	—	1	15,368	40	4,714	119	462
—	—	1,563	22,560	3,528	158	1,591	2,344
—	—	—	8,901	50	787	1,862	7,458
—	—	1,475	666	160	7,229	417	615
—	—	—	94	—	—	533	2,536
—	—	—	1,767	957	520	4,840	4,342
—	—	—	—	—	2,480	44	1,297
—	30,000	30,000	30,000	30,000	—	13,474	2,177
—	—	—	—	3	2	—	—
—	—	—	—	—	—	867	856
—	178,618	1,904	1,904	1,904	4,073	2,447	2,347
—	—	—	61	651	—	—	—

(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	2002-2003	2003-2004
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	Capital Facilities	—	—
County School Facilities – Prop 1D	State School Building Lease – Purchase	—	—
County School Facilities – Prop 1D	Building – Bond Proceeds	—	—
County School Facilities – Prop 1D	Building – Measure K	—	—
County School Facilities – Prop 1D	Building – Measure R	—	—
County School Facilities – Prop 1D	Building – Measure Y	—	—
County School Facilities – Prop 1D	County School Facilities	—	—
County School Facilities – Prop 1D	County School Facilities – Prop 47	—	—
County School Facilities – Prop 1D	County School Facilities – Prop 55	—	—
Annuity	General	154	—
Attendance Incentive	General	38	—
		<u>\$ 264,190</u>	<u>\$ 171,934</u>

See accompanying independent auditor's report.

<u>2004-2005</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>
—	—	—	—	4	1,452	114	1
—	—	8,864	364	550	3,798	22	2,517
—	—	—	—	4,446	1,675	18,729	442,604
—	—	—	—	—	512	669	256
—	—	—	—	—	—	73	8
—	—	—	—	—	—	—	5,315
—	—	—	—	—	807	857	135
—	—	—	—	—	857	349	—
—	3,046	—	—	—	—	—	—
—	—	—	—	2	45	—	—
—	—	3	—	—	129	—	—
—	—	—	—	—	53	—	—
—	—	—	—	9,480	4,998	5,972	1,831
—	—	1	106	1,364	1,691	—	28
—	—	—	24	1,265	3,086	2,919	1,089
—	—	—	—	2	—	52	—
—	—	—	—	360	734	—	755
—	—	—	—	30	419	—	—
—	—	—	—	40	—	—	—
—	—	—	47	—	—	—	—
—	—	—	1,801	—	—	—	—
—	—	1,006	7,375	5,924	261	2,873	91
—	—	15	2,471	1,429	1,126	1	28
—	—	—	4,089	62	—	77	958
—	—	—	—	5	—	403	27
—	—	—	734	59	—	—	101
—	—	—	1,170	2	—	87	802
—	—	—	—	—	—	—	3,907
—	—	—	15,084	—	—	135	—
—	—	42,457	13,610	44	—	—	—
—	—	—	618	241	—	—	—
—	—	—	90	—	—	—	—
—	—	—	21,358	19,251	1,753	5,844	11,664
—	—	68,910	8,055	4,169	4,637	27,986	54,435
—	—	2,387	17,077	33,151	4,753	54,810	9,890
—	—	—	—	26	—	234,223	18,561
—	—	—	1,987	259	293	—	2,230
—	—	—	—	219	—	45	3
—	—	—	—	—	—	—	47
—	—	—	—	—	—	220	—
—	—	—	—	—	—	—	149
—	—	—	1,721	9,291	6,277	1,638	10,320
—	—	—	1,045	642	—	1,800	14,379
—	—	—	1,791	19,543	4,524	15,963	50,718
—	—	—	—	—	551	3,001	12,502
—	—	—	—	65	526	1,943	865
—	—	—	—	398	—	—	—
—	—	—	1,072	16	370	1,279	483
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
<u>\$ 598,061</u>	<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>

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

Fiscal Year	Principal	Interest	Total Debt Service ⁽¹⁾	Total General Governmental Expenditures	Ratio of Debt Service to Total General Governmental Expenditures
2002-2003	\$ 86,400	\$ 89,292	\$ 175,692	\$ 7,705,818	2.28%
2003-2004	107,370	231,349	338,719	8,286,275	4.09
2004-2005	248,025	248,661	496,686	9,618,521	5.16
2005-2006	89,885	237,622	327,507	10,092,766	3.24
2006-2007	149,230	284,196	433,426	11,562,024	3.75
2007-2008	197,285	334,967	532,252	10,356,764	5.14
2008-2009	300,245	361,990	662,235	10,852,635	6.10
2009-2010	288,160	490,840	779,000	10,087,486	7.72
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

Notes:

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

See accompanying independent auditor's report.

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

Fiscal Year	Population Los Angeles Unified ⁽¹⁾	Total Assessed Value	Gross Debt ⁽²⁾	Debt Service Monies Available ⁽³⁾	Net Debt ⁽²⁾	Ratio of Net Debt to Assessed Value	Net Debt per Capita
2002-2003	4,660,473	\$ 287,525,935	\$ 5,214,016	\$ 202,893	\$ 5,011,123	1.7428%	\$ 1,075
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

Note: Details regarding the District's outstanding debt can be found in the notes to basic financial statements.

⁽¹⁾ Estimate.

⁽²⁾ Includes bonded debts (General Obligation Bonds), COPs, capital lease obligations and loans.

⁽³⁾ 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, 2012
(in thousands)
(Unaudited)

Government	Percentage Applicable	Amount Applicable
Direct:		
Los Angeles Unified School District		
General Obligation Bonds	100.000%	\$ 11,507,002
Certificates of Participation	100.000	442,884
Capital Leases	100.000	2,185
Children Centers Facilities Revolving Loan	100.000	792
		<u>11,952,863</u>
Overlapping:		
Los Angeles County General Fund Obligations	46.028	678,509
Los Angeles County Superintendent of Schools Certificates of Participation	46.028	5,187
Los Angeles County Flood Control District	46.670	17,359
Metropolitan Water District	23.591	46,367
Los Angeles Community College District	81.431	2,854,083
Pasadena Area Community College District	0.001	1
City of Los Angeles	99.922	1,214,667
City of Los Angeles General Fund and Judgment Obligations	99.922	1,964,172
Other City General Fund and Pension Obligations	Various	191,187
Los Angeles County Sanitation Districts		
Nos. 1, 2, 3, 4, 5, 8, 9, 16 and 23 Authorities	Various	43,719
Los Angeles County Regional Park & Open Space Assessment District	46.028	78,581
City Community Facilities Districts	100.000	135,400
City of Los Angeles Landscaping and Special Tax Assessment District	99.922	61,502
Other City and Special District 1915 Act Bonds	99.832-100.000	23,965
Other Cities	Various	45,688
Palos Verdes Library District	4.890	273
Total Overlapping		<u>7,360,660</u>
Total Gross Direct and Overlapping Bonded Debt		19,313,523 ⁽¹⁾
Less:		
Los Angeles County General Fund Obligations supported by landfill revenues		7,686
Los Angeles Unified School District (amount set-aside in Building Fund to make payments on 2000 Series A Qualified Zone Academic Bonds)		1,805
Los Angeles Unified School District (amount set-aside in Building Fund to make payments on 2005 Qualified Zone Academic Bonds)		542
Los Angeles Unified School District (amount accumulated in Sinking Fund for repayment of 2000 Series A Qualified Zone Academic Bonds)		27,909
Los Angeles Unified School District (amount accumulated in Sinking Fund for repayment of 2005 Qualified Zone Academic Bonds)		3,866
City self-supporting bonds		<u>10,382</u>
Total Net Direct and Overlapping Bonded Debt		<u>\$ 19,261,333</u>

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

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

See accompanying independent auditor's report.

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

Fiscal Year	Debt Limit	Total Amount of Debt Applicable to Debt Limit	Legal Debt Margin	Total Amount of Debt Applicable to Debt Limit as a Percentage of Debt Limit
2002-2003	\$ 7,188,148	\$ 4,199,512	\$ 2,988,636	58.42 %
2003-2004	7,713,219	4,162,372	3,550,847	53.96
2004-2005	8,298,128	4,268,184	4,029,944	51.44
2005-2006	9,096,737	5,520,705	3,576,032	60.69
2006-2007	10,065,221	6,285,189	3,780,032	62.44
2007-2008	11,022,860	7,052,672	3,970,188	63.98
2008-2009	11,869,745	7,734,195	4,135,550	65.16
2009-2010	11,874,432	11,483,694	390,738	96.71
2010-2011	11,596,139	11,086,273	509,866	95.60
2011-2012	11,727,381	10,825,440	901,941	92.31

Computation of Legal Debt Margin for Fiscal Year Ended June 30, 2012

Assessed valuation (net taxable)	\$ 465,960,767
Plus exempt property	<u>3,134,458</u>
Total Assessed Valuation	\$ 469,095,225
Debt limit – 2.5% of Assessed Valuation per Education Code Section 15106 ⁽¹⁾	\$ 11,727,381
Bonded Debt:	
General Obligation Bonds	11,507,002
Assets available for payment of principal:	
Bond Interest & Redemption Fund	<u>(681,562)</u>
Total Amount of Debt Applicable to Debt Limit	<u>10,825,440</u>
Legal Debt Margin (bonded debt) ⁽¹⁾	<u>\$ 901,941</u>

⁽¹⁾ Converted rate from 10% of 25% of full cash value (2.5%) to 2.5% of 100% of full cash value (2.5%).

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

See accompanying independent auditor's report.

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

Fiscal Year	Population City of Los Angeles	Population Los Angeles Unified*	Population County of Los Angeles	School Enrollment County of Los Angeles	School Enrollment Los Angeles Unified	Unemployment Rate County of Los Angeles
2002-2003	3,864	4,660	9,980	1,736	905	6.8%
2003-2004	3,912	4,718	10,103	1,743	911	6.2
2004-2005	3,958	4,776	10,227	1,734	879	5.2
2005-2006	3,976	4,785	10,246	1,708	847	4.5
2006-2007	4,018	4,825	10,332	1,673	830	4.8
2007-2008	4,046	4,840	10,364	1,648	813	7.5
2008-2009	4,066	4,854	10,393	1,632	795	11.9
2009-2010	4,095	4,876	10,441	1,575	760	12.4
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

* 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)

2012				2003			
Rank	Employer	Employees	Percentage of Total County Employment ⁽¹⁾	Employer	Employees	Percentage of Total County Employment ⁽²⁾	
1	Kaiser Permanente	36,508	0.85%	Kaiser Permanente	29,225	0.67%	
2	Northrop Grumman Corp.	18,000	0.42	Boeing Co.	22,058	0.50	
3	University of Southern California	16,623	0.39	Northrop Grumman Corp.	20,000	0.46	
4	Target Corp.	14,250	0.33	Ralphs Grocery Co.	16,855	0.39	
5	Ralph/Food 4 Less (Kroger Co. division)	13,200 *	0.31	Target Corp.	12,137	0.28	
6	Cedars-Sinai Medical Center	12,000	0.28	University of Southern California	11,703	0.27	
7	Bank of America Corp.	12,000 *	0.28	Tenet Healthcare Corp.	11,673	0.27	
8	Providence Health & Services Southern California	11,403	0.27	Bank of America	11,110	0.25	
9	Boeing Co.	11,249	0.26	CPE	10,945	0.25	
10	Walt Disney Co.	10,500 *	0.24	SBC Communications	9,977	0.23	
	Total	<u>155,733</u>	<u>3.63%</u>	Total	<u>155,683</u>	<u>3.57%</u>	

* Business Journal estimate

⁽²⁾ Based on Los Angeles County Employment of 4,290,100

⁽²⁾ Based on Los Angeles County Employment of 4,373,200

Sources: Los Angeles Business Journal
California Employment Development Department

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Average Daily Attendance/Hours of Attendance
Annual Report
Last Ten Fiscal Years
(Unaudited)

	<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>
Elementary:				
Kindergarten	50,741	49,775	48,806	47,876
Grades 1-3	173,178	169,239	160,224	151,592
Grades 4-6	156,944	159,617	159,615	152,341
Grades 7-8	93,818	97,978	94,396	91,576
Special Education	23,302	23,585	22,107	20,435
County Special Education	6	8	—	—
Opportunity Schools	13	8	14	10
Home or Hospital	164	152	158	159
Community Day Schools	190	196	190	172
County Community Schools	17	10	19	16
Total Elementary	<u>498,373</u>	<u>500,568</u>	<u>485,529</u>	<u>464,177</u>
Secondary:				
Regular Classes	148,631	150,239	152,901	152,848
Special Education	10,393	11,026	11,274	11,350
County Special Education	17	21	1	—
Compulsory Continuation Education	2,866	3,031	3,171	3,198
Opportunity Schools	430	328	400	407
Home or Hospital	88	96	121	120
Community Day Schools	674	733	736	757
County Community Schools	143	127	175	156
Total Secondary	<u>163,242</u>	<u>165,601</u>	<u>168,779</u>	<u>168,836</u>
Block grant funded fiscally affiliated charters	<u>17,681</u>	<u>5,143</u>	<u>5,990</u>	<u>5,958</u>
Total Block Grant Funded Fiscally Affiliated Charters	<u>17,681</u>	<u>5,143</u>	<u>5,990</u>	<u>5,958</u>
Adult program:				
ROC/P Mandated	19,233	20,125	19,110	14,395
Classes for Adults – Mandated	63,590	62,570	61,748	63,305
Concurrently Enrolled Adults	4,015	4,592	5,446	5,886
Full-time Independent Study***	3	6	3	7
Total Adult Program	<u>86,841</u>	<u>87,293</u>	<u>86,307</u>	<u>83,593</u>
Total Average Daily Attendance	<u>766,137</u>	<u>758,605</u>	<u>746,605</u>	<u>722,564</u>
Summer School Hours of Attendance				
Elementary	7,645,522	8,855,212	12,526,699	12,061,970
Secondary	5,486,137	5,941,513	6,350,873	8,929,199
Dependent Charter	195,142	*****	*****	*****
Total Hours	<u>13,326,801</u>	<u>14,796,725</u>	<u>18,877,572</u>	<u>20,991,169</u>

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

**** Not collected due to changes made by Education Code Section 42605. For 2008-09 through 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.

See accompanying independent auditor's report.

2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
46,131	44,705	44,393	43,906	43,364	43,737
145,181	141,266	138,384	134,001	130,846	127,081
143,384	136,245	131,692	127,455	124,800	119,257
92,832	90,769	86,871	82,465	78,704	73,742
19,740	19,427	19,897	19,204	19,250	18,522
—	—	—	1	1	1
12	11	10	7	7	8
159	170	123	118	127	107
148	122	122	126	85	94
19	26	22	21	11	15
447,606	432,741	421,514	407,304	397,195	382,564
151,323	151,852	151,451	146,707	143,979	135,556
11,253	11,030	10,905	10,960	11,252	10,709
—	—	—	1	—	1
2,972	2,837	3,085	3,339	3,507	3,603
399	433	455	492	494	506
125	130	109	99	98	101
716	692	772	915	911	933
93	84	81	240	148	137
166,881	167,058	166,858	162,753	160,389	151,546
5,936	6,482	6,655	6,906	7,866	13,499
5,936	6,482	6,655	6,906	7,866	13,499
18,857	20,309	23,379	****	****	****
64,867	65,684	66,905	****	****	****
6,594	7,756	8,297	****	****	****
29	43	25	****	****	****
90,347	93,792	98,606	—	—	—
710,770	700,073	693,633	576,963	565,450	547,609
9,974,314	10,195,908	8,567,366	****	****	****
8,357,150	8,336,362	7,203,657	****	****	****
*****	*****	*****	****	****	****
18,331,464	18,532,270	15,771,023	—	—	—

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

	<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>
Governmental Activities:				
Instruction	53,905	54,151	53,601	52,608
Support services – students	3,043	2,954	3,074	3,091
Support services – instructional staff	5,290	5,079	5,327	5,560
Support services – general administration	204	173	193	209
Support services – school administration	5,685	5,720	5,780	5,870
Support services – business	1,605	1,748	1,441	1,119
Operation and maintenance of plant services	7,195	7,591	7,398	7,537
Student transportation services	1,314	1,279	1,229	1,174
Data processing services	476	515	519	557
Operation of noninstructional services	3,935	3,449	3,389	3,232
Facilities acquisition and construction services	538	545	884	937
Total Governmental Activities	<u>83,190</u>	<u>83,204</u>	<u>82,835</u>	<u>81,894</u>

See accompanying independent auditor's report.

<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>
52,769	51,839	52,317	46,896	45,115	44,907
3,060	3,459	3,455	3,226	3,057	2,810
5,280	5,883	5,332	4,105	3,970	3,137
222	220	219	193	187	195
6,045	6,097	6,047	5,470	4,741	4,218
1,154	1,217	1,121	1,134	880	909
7,835	7,830	8,016	6,842	6,137	6,241
1,236	1,346	1,354	1,290	1,178	1,041
722	680	571	384	357	414
3,394	3,685	3,976	4,604	4,702	3,186
994	1,093	1,090	1,077	700	844
<u>82,711</u>	<u>83,349</u>	<u>83,498</u>	<u>75,221</u>	<u>71,024</u>	<u>67,902</u>

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

	<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>
Governmental Activities:				
Instruction	\$ 546,694	\$ 528,679	\$ 513,717	\$ 497,404
Support services – students	2,264	2,662	2,795	2,823
Support services – instructional staff	28,251	44,718	55,793	109,660
Support services – general administration	3,489	4,037	4,077	4,076
Support services – school administration	60,293	60,410	60,447	60,447
Support services – business	27,488	31,371	31,397	30,818
Operation and maintenance of plant services	129,770	140,029	165,668	177,094
Student transportation services	49,205	49,201	49,235	49,357
Data processing services	367,824	373,820	401,997	388,367
Operation of noninstructional services	9,475	9,712	9,750	9,977
Facilities acquisition and construction services	<u>5,403,186</u>	<u>6,328,779</u>	<u>7,656,251</u>	<u>9,131,797</u>
Total Governmental Activities	<u>\$ 6,627,939</u>	<u>\$ 7,573,418</u>	<u>\$ 8,951,127</u>	<u>\$ 10,461,820</u>

See accompanying independent auditor's report.

<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>
\$ 478,190	\$ 462,230	\$ 445,482	\$ 441,818	\$ 430,887	\$ 418,744
2,850	2,902	2,902	2,902	3,820	5,167
64,517	63,334	111,596	111,842	112,492	112,530
4,125	4,124	4,125	4,125	4,126	4,136
71,013	71,875	72,027	73,901	73,973	74,117
32,499	39,700	46,924	46,924	53,672	57,483
139,831	198,985	201,531	201,826	213,453	223,913
49,153	46,317	45,033	54,060	87,166	83,925
438,732	445,150	398,032	402,311	406,813	412,264
11,806	15,574	22,463	23,777	25,381	26,346
10,651,910	12,231,831	14,341,812	15,971,711	17,122,389	18,115,724
<u>\$ 11,944,626</u>	<u>\$ 13,582,022</u>	<u>\$ 15,691,927</u>	<u>\$17,335,197</u>	<u>\$18,534,172</u>	<u>\$ 19,534,349</u>

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

Fiscal Year:	July 1 – June 30	2006-2007
Enrollment by Level: (As of October)	Elementary Schools	308,000
	Middle/Junior High Schools	141,745
	Senior High Schools	167,113
	Magnet Schools/Centers	53,277
	Special Education Schools	3,673
	Total K-12 Enrollment	673,808
	Community Adult Schools	108,096
	Occupational Centers and Skills Centers	37,672
	Total Adult/ROC Enrollment	145,768
	Total Enrollment	819,576
	Early Education Centers	11,052
	Independent Charter Schools	34,961
Student-Teacher Ratio & 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 ⁽¹⁾ 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 ⁽²⁾	+584
	Doctorate Degree ⁽²⁾	+1,168

⁽¹⁾ Includes credentialed and non-credentialed employees.

⁽²⁾ 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
295,260	289,969	282,469	281,108	277,269
136,315	128,528	119,534	106,097	99,726
165,459	161,689	155,740	154,001	142,669
52,525	53,261	56,503	56,952	58,244
3,656	3,604	3,552	3,555	3,537
653,215	637,051	617,798	601,713	581,445
105,668	103,440	80,407	80,618	66,937
42,955	43,966	50,068	55,782	52,826
148,623	147,406	130,475	136,400	119,763
801,838	784,457	748,273	738,113	701,208
11,013	10,787	11,432	12,139	14,242
41,073	51,087	60,643	69,935	82,788
812,851	795,244	759,705	750,252	715,450
36,564	33,166	33,387	32,429	30,100
22.23 : 1	23.98 : 1	22.75 : 1	23.14 : 1	23.77 : 1
\$ 9,028,343	\$ 9,005,723	\$ 8,247,767	\$ 8,442,307	\$ 8,220,720
\$ 11,107	\$ 11,324	\$ 10,857	\$ 11,253	\$ 11,490
85.48%	86.12%	86.48%	85.79%	85.31%
90.23	91.23	91.34	90.10	89.52
86.94	87.82	88.18	87.22	86.62
1,862	807	618	497	351
894	533	489	379	300
2,988	1,881	1,776	1,564	1,237
3,657	2,732	2,555	2,384	1,999
3,490	2,908	2,734	2,555	2,292
3,327	2,986	2,861	2,736	2,458
3,310	3,085	2,930	2,782	2,574
10,108	10,426	11,839	11,496	10,125
3,079	4,384	3,496	3,989	4,723
1,548	1,554	2,225	2,224	2,301
1,307	1,081	1,040	999	946
994	789	824	824	794
36,564	33,166	33,387	32,429	30,100
12,869	12,845	13,358	13,362	12,658
599	581	601	591	580
\$ 43,757	\$ 45,474	\$ 46,186	\$ 46,699	\$ 47,561
47,301	48,926	48,630	49,574	50,775
50,035	52,293	51,801	52,228	53,390
53,524	55,817	55,296	55,752	56,583
57,067	59,095	58,574	59,036	59,884
61,182	62,779	62,288	62,730	63,368
64,605	66,136	65,558	66,225	67,037
69,688	70,396	70,122	70,581	71,069
75,024	75,024	75,024	75,024	75,024
75,597	75,597	75,597	75,597	75,597
77,598	77,598	77,598	77,598	77,598
78,906	78,906	78,906	78,906	78,906
+584	+584	+584	+584	+584
+1,168	+1,168	+1,168	+1,168	+1,168



**STATE AND FEDERAL
COMPLIANCE
INFORMATION
SECTION**

[THIS PAGE INTENTIONALLY LEFT BLANK]

LOS ANGELES UNIFIED SCHOOL DISTRICT
General Fund
Schedule of Principal Apportionment From the State School Fund
Year Ended June 30, 2012

Base Revenue Limit per A.D.A.			
Base revenue limit per A.D.A. (PY)	\$	6,362.56	
Inflation increase		143.00	
Other Adjustments **		55.55	
Total Base Revenue Limit per A.D.A.	\$	6,561.11	
Revenue Limit ADA		559,412.03	
Total State Revenue Limit			
Base revenue limit	\$	6,561.11	x 559,412.03 A.D.A
Deficit (0.20602)			\$ 3,670,363,864
Unemployment insurance revenue			(756,168,363)
PERS reduction (including adjustment for safety members)			67,795,883
Total K-12 Revenue Limit			(6,623,387)
County office funds transfer			2,975,367,997
Property taxes and other local revenues			(803,291)
Charter schools in-lieu of taxes			(901,213,056)
Charter schools general purpose block grant offset			128,475,739
State Aid Portion of Revenue Limit – Current Year			(85,651,037)
Fiscally affiliated charter schools general purpose block grant			2,116,176,352
Fiscally affiliated charter schools in-lieu taxes			51,902,267
PERS reduction transfer			18,264,563
Prior year adjustments			6,623,387
Total State Aid K-12 Revenue Limit			1,079,631
Principal apportionments – other state revenues			2,194,046,200
Core academic program (Supplemental instruction, grades K-12) *			
Current year			3,073,934
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			2,247,104
Prior year adjustments			(2,188)
Community day school additional funding *			
Current year			2,792,309
Community day additional for mandatory expelled pupils			
Current year			93,267
Prior year adjustments			1,700
Gifted and talented education (GATE)			
Current year			4,507,686
Regional occupational center/program (ROC/P) *			
Current year			53,088,444
Prior year adjustments			101,480
ROC/P handicapped			
Current year			1,679,454
Prior year adjustments			148,218
Special education			
Current year			370,073,568
Prior year adjustments			608,985
Charter Schools Categorical Block Grant			
Current year			6,315,180
Prior year			(3,652)
Total Principal Apportionment from State School Funds	\$	2,693,081,958	

* 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.

** 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))

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, 2012
(in thousands)

	<u>Appropriations</u>	<u>Expenditures and Other Uses</u>	<u>Unexpended Balances</u>
Regular program:			
General Program – Schools	\$ 3,126,351	\$ 2,966,644	\$ 159,707
General Program – Support Services	648,463	288,213	360,250
General Program – Interfund Transfers	122,254	122,257	(3)
General Program – Options Programs	65,176	63,700	1,476
Special Education – Schools	1,401,500	1,309,033	92,467
Special Education – Support Services	104,722	71,880	32,842
Special Education – Extended Session	29,800	17,976	11,824
Student Integration – Schools	146,732	103,599	43,133
Student Integration – Support Services	10,946	9,858	1,088
ROC/Skill Centers – Schools	54,865	43,838	11,027
ROC/Skill Centers – Support Services	4,932	4,351	581
Routine Repair & Gen Maintenance – Schools	88,391	97,318	(8,927)
Routine Repair & Gen Maintenance – Support Services	14,440	13,108	1,332
Community Services	10,835	11,325	(490)
Reserves and Resources Allocations	96,776	8,966	87,810
Total Regular Program	5,926,183	5,132,066	794,117
Specially Funded Programs	975,743	838,816	136,927
Total General Fund	<u>\$ 6,901,926</u>	<u>\$ 5,970,882</u>	<u>\$ 931,044</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, 2012
(in thousands)

Instruction	<u>\$ 4,793,271</u>
Support Services	
Supervision of instruction	45,748
Library, media, technology and other instructional resources	4,224
School administration	183,578
Pupil support services	38,429
Pupil transportation	22,595
Data processing services	62,495
Plant maintenance and operations	398,630
Facilities rents and leases	11,950
Central administration	188,397
Total Support Services	<u>956,046</u>
Other Goals	
Community services	13,056
Child care and development services	777
Food services	3,440
Total Other Goals	<u>17,273</u>
Facilities Acquisition and Construction	<u>36,641</u>
Other Outgo	
Debt service	1,440
All other outgo	166,211
Total Other Outgo	<u>167,651</u>
Total Expenditures and Other Uses	<u><u>\$ 5,970,882</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, 2012
(in thousands)

	Total Expense for the Year	Excluded Amounts*	Current Expense of Education	Current Expense of Education per Unit of A.D.A.**
Certificated salaries	\$ 2,681,632	\$ 3,473	\$ 2,678,159	\$ 4,892.01
Classified salaries	819,247	20,824	798,423	1,458.43
Employee benefits (excluding PERS reduction)	1,361,872	255,568	1,106,304	2,020.81
Books, supplies, and equipment replacement	236,226	4,659	231,567	422.99
Services and operating expense and direct support	670,563	7,884	662,679	1,210.47
Total	<u>\$ 5,769,540</u>	<u>\$ 292,408</u>	<u>\$ 5,477,132</u>	<u>\$ 10,004.71</u>
* Excluded amounts relate to:				
Community Services		\$ 12,957		
Facilities Acquisition & Construction		15,444		
Food Services		3,274		
Fringe Benefits to Retirees		248,240		
Nonagency		12,493		
Total		<u>\$ 292,408</u>		

** Annual A.D.A. (Average Daily Attendance) used is 547,455.35. 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, 2012
(in thousands)

	Balances July 1, 2011	Revenues	Expenditures	Contributions	Balances June 30, 2012
Continuation Education	\$ —	\$ 25,130	\$ 26,629	\$ 1,499	\$ —
Community Day Schools	—	95	—	(95)	—
ARRA: Education Jobs Fund	—	114,129	114,129	—	—
Other ARRA Programs	—	—	—	—	—
Medi-Cal Billing Options	22,068	15,975	26,087	—	11,956
FEMA Public Assistance Funds	91	—	—	—	91
Cops More Program	35	—	—	—	35
School Mental Health Medi-cal Rehabilitation	2,365	2,759	1,079	—	4,045
Teacher Recruitment and Retention	4,870	—	8	—	4,862
English Language Acquisition Program, Teacher Training & Student Assistance	4,178	—	380	—	3,798
Lottery: Instructional Materials	—	19,343	19,343	—	—
ROC/P: Training & Certification for Community Care	48	342	376	—	14
Pupils with Disabilities Attending ROC/P	—	1,828	2,047	219	—
Special Education	13,994	512,263	1,119,535	602,798	9,520
Special Ed: Early Ed Individuals with Exceptional Needs (Infant Program)	208	2,988	3,196	—	—
Economic Impact Aid (EIA)	1,442	26,616	21,576	—	6,482
Economic Impact Aid: Limited English Proficiency (LEP)	60,119	102,512	119,607	—	43,024
Transportation: Home to School	—	36,470	44,442	7,972	—
Transportation: Special Education	—	41,267	57,899	16,632	—
Quality Education Investment Act	87,622	111,111	155,607	—	43,126
California Energy Commission Loan Expenditure	397	—	—	—	397
Ongoing and Major Maintenance Account	3,640	—	110,426	115,786	9,000
Certificates of Participation (Acquisition Accounts) Proceeds	64,635	3,033	17,972	(17)	49,679
Clean Cities Grant	250	74	238	—	86
Cognitive Behavioral Intervention Therapy	456	—	8	—	448
Totals	\$ 266,418	\$ 1,015,935	\$ 1,840,584	\$ 744,794	\$ 186,563

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, 2012
(in thousands)

Revenues and Other Sources:	
Federal revenues	\$ 16,611
Other state revenues	135,105
Other local revenues	<u>1,910</u>
Total Revenues and Other Sources	<u>153,626</u>
Expenditures and Other Uses	
Instruction	87,489
Support Services	
Supervision of instruction	19,370
School administration	19,389
Guidance and counseling services	6,278
Other pupil services	570
General administration cost transfers	5,924
Plant maintenance and operations	13,507
Facilities acquisition and construction	1,386
Facilities rents and leases	<u>1,171</u>
Total Expenditures and Other Uses	<u>155,084</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	(1,458)
Fund Balance, July 1, 2011	<u>11,486</u>
Fund Balance, June 30, 2012	<u><u>\$ 10,028</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, 2012
(in thousands)

Revenues and Other Sources:	
Federal revenues	\$ 35,811
Other state revenues	72,257
Other local revenues	5,672
Interfund transfers	<u>19,437</u>
Total Revenues and Other Sources	<u>133,177</u>
 Expenditures and Other Uses	
Instruction	101,124
Support Services	
Supervision of instruction	3,210
School administration	15,053
Guidance and counseling services	446
Food services	2
Other general administration	6,678
Plant maintenance and operations	6,684
Facilities acquisition and construction	<u>(19)</u>
Total Expenditures and Other Uses	<u>133,178</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	(1)
 Fund Balance, July 1, 2011	<u>71</u>
Fund Balance, June 30, 2012	<u><u>\$ 70</u></u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
All Funds
Schedule of Fund Equity
Year Ended June 30, 2012
(in thousands)

	General Fund	Adult Education Fund	Cafeteria Fund	Child Development Fund	Bond Interest & Redemption Fund	Tax Override Fund
Nonspendable:						
Revolving and imprest funds	\$ 2,705	\$ 56	\$ —	\$ 10	\$ —	\$ —
Inventories	8,526	—	13,057	—	—	—
Total Nonspendable	11,231	56	13,057	10	—	—
Restricted	186,563	—	5,802	—	681,562	305
Committed	—	9,972	—	—	—	—
Assigned	465,272	—	—	60	—	—
Unassigned						
Reserved for economic uncertainties	65,376	—	—	—	—	—
Unassigned	96,368	—	—	—	—	—
Total Unassigned	161,744	—	—	—	—	—
Unrestricted net assets	—	—	—	—	—	—
Total Fund Equity/Net Assets	<u>\$ 824,810</u>	<u>\$ 10,028</u>	<u>\$ 18,859</u>	<u>\$ 70</u>	<u>\$ 681,562</u>	<u>\$ 305</u>

See accompanying independent auditor's report.

Capital Services Fund	Building Account – Bond Proceeds	Building Account – Measure K	Building Account – Measure R	Building Account – Measure Y	Building Fund	State School Building Lease – Purchase Fund	Special Reserve Fund
\$ —	\$ 3,000	\$ —	\$ 300	\$ 500	\$ —	\$ —	\$ —
—	—	—	—	—	—	—	—
—	3,000	—	300	500	—	—	—
59,403	18,157	273,374	967,903	843,396	—	4,174	137,435
—	—	—	—	—	—	—	—
—	—	—	—	—	1,438	145	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
\$ 59,403	\$ 21,157	\$ 273,374	\$ 968,203	\$ 843,896	\$ 1,438	\$ 4,319	\$ 137,435

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
All Funds
Schedule of Fund Equity (Continued)
Year Ended June 30, 2012
(in thousands)

	Special Reserve Fund – FEMA – Earthquake	Special Reserve Fund – FEMA – Hazard Mitigation	Special Reserve Fund – Community Redevelopment Agency	Capital Facilities Account Fund	County School Facilities Fund	County School Facilities Fund – Prop 47
Nonspendable:						
Revolving and imprest funds	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Inventories	—	—	—	—	—	—
Total Nonspendable	—	—	—	—	—	—
Restricted	240	—	19,715	—	17,839	120,599
Committed	—	—	—	—	—	—
Assigned	—	2,043	—	52,034	—	—
Unassigned						
Reserved for economic uncertainties	—	—	—	—	—	—
Unassigned	—	—	—	—	—	—
Total Unassigned	—	—	—	—	—	—
Unrestricted net assets	—	—	—	—	—	—
Total Fund Equity/Net Assets	<u>\$ 240</u>	<u>\$ 2,043</u>	<u>\$ 19,715</u>	<u>\$ 52,034</u>	<u>\$ 17,839</u>	<u>\$ 120,599</u>

See accompanying independent auditor's report.

County School Facilities Fund – Prop 55	County School Facilities Fund – Prop 1D	Health and Welfare Benefits Fund	Workers’ Compensation Self – Insurance Fund	Liability Self – Insurance Fund
\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—
—	—	—	—	—
196,155	170,400	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	297,779	2,763	3,213
<u>\$ 196,155</u>	<u>\$ 170,400</u>	<u>\$ 297,779</u>	<u>\$ 2,763</u>	<u>\$ 3,213</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT
All Funds
Schedule of Revenues and Other Financing Sources
Year Ended June 30, 2012
(in thousands)

			Special Revenue		
	SACS Object Code	General Fund	Adult Education	Cafeteria	Child Development
Revenue Limit Sources:					
Principal Apportionment:					
State Aid – Current Year	8011	\$ 2,116,176	\$ —	\$ —	\$ —
Charter School Gen Purpose Entitlement – State Aid	8015	51,902	—	—	—
State Aid – Prior Years	8019	1,080	—	—	—
Revenue Limit Transfers:					
PERS Reduction Transfer	8092	6,623	—	—	—
Transfer to Charter In Lieu Property Taxes	8096	(108,801)	—	—	—
Principal Apportionment Net of Transfers		<u>2,066,980</u>	<u>—</u>	<u>—</u>	<u>—</u>
Tax Relief Subventions:					
Homeowners' Exemptions	8021	7,295	—	—	—
Other Subventions/In-lieu of Taxes	8029	6,384	—	—	—
County & District Taxes:					
Secured Roll Taxes	8041	760,613	—	—	—
Unsecured Roll Taxes	8042	31,970	—	—	—
Prior Years' Taxes	8043	55,970	—	—	—
Supplemental Taxes	8044	8,555	—	—	—
Education Revenue Augmentation Fund (ERAF)	8045	(3,533)	—	—	—
Community Redevelopment Funds	8047	29,204	—	—	—
Penalties/Int. – Delinquent Revenue Limit Taxes	8048	4,755	—	—	—
Local Revenue Limit Sources		<u>901,213</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Revenue Limit Sources		<u>2,968,193</u>	<u>—</u>	<u>—</u>	<u>—</u>
Federal Revenues:					
Special Education Entitlement	8181	132,783	—	—	—
Special Education Discretionary Grant	8182	23,291	—	—	—
Child Nutrition Programs	8220	—	—	214,498	—
Forest Reserve Funds	8260	36	—	—	—
Flood Control Funds	8270	4	—	—	—
FEMA	8281	1,097	—	—	—
Interagency Contracts Between LEAs	8285	1,539	44	—	67
NCLB/IASA (including ARRA)	8290	175,908	—	—	—
NCLB Title I Part A, Basic Grants Low Income and Neglected	8290	387,158	—	—	—
NCLB Title I Part D, Local Delinquent Programs	8290	1,670	—	—	—
NCLB Title II Part A, Teacher Quality	8290	48,482	—	—	—
NCLB Title III, Limited English Proficient	8290	23,836	—	—	—
Vocational & Applied Technology Education	8290	5,585	2,488	—	—
Safe and Drug Free Schools	8290	81	—	—	—
Other Federal Revenue (including ARRA)	8290	66,482	14,079	6,906	35,744
Total Federal Revenues		<u>867,952</u>	<u>16,611</u>	<u>221,404</u>	<u>35,811</u>

[illegible]

LOS ANGELES UNIFIED SCHOOL DISTRICT
All Funds
Schedule of Revenues and Other Financing Sources
Year Ended June 30, 2012 (Continued)
(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	\$ —	\$ —	\$ —	\$ —
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	—	—	—	—
NCLB/IASA (Including ARRA)	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	—	—	—	—
Safe and Drug Free Schools	8290	—	—	—	—
Other Federal Revenue (Including ARRA)	8290	—	—	—	—
Total Federal Revenues		—	—	—	—

LOS ANGELES UNIFIED SCHOOL DISTRICT
All Funds
Schedule of Revenues and Other Financing Sources
Year Ended June 30, 2012 (Continued)
(in thousands)

				District Bond
	SACS Object Code	Building Account – Bond Proceeds	Building Account – Measure Y	Building Account – Measure R
Revenue Limit Sources:				
Principal Apportionment:				
State Aid – Current Year	8011	\$ —	\$ —	\$ —
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	—	—	—
NCLB/IASA (Including ARRA)	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	—	—	—
Safe and Drug Free Schools	8290	—	—	—
Other Federal Revenue (Including ARRA)	8290	—	—	—
Total Federal Revenues		—	—	—

Funds		Internal Service Funds				
Building Account – Measure K	Total	Health and Welfare Benefits	Workers' Compensation	Liability	Total	Total
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,116,176
—	—	—	—	—	—	51,902
—	—	—	—	—	—	1,080
—	—	—	—	—	—	6,623
—	—	—	—	—	—	(108,801)
—	—	—	—	—	—	2,066,980
—	—	—	—	—	—	7,295
—	—	—	—	—	—	6,384
—	—	—	—	—	—	760,613
—	—	—	—	—	—	31,970
—	—	—	—	—	—	55,970
—	—	—	—	—	—	8,555
—	—	—	—	—	—	(3,533)
—	—	—	—	—	—	29,204
—	—	—	—	—	—	4,755
—	—	—	—	—	—	901,213
—	—	—	—	—	—	2,968,193
—	—	—	—	—	—	132,783
—	—	—	—	—	—	23,291
—	—	—	—	—	—	214,498
—	—	—	—	—	—	36
—	—	—	—	—	—	4
—	—	—	—	—	—	1,097
—	—	—	—	—	—	1,650
—	—	—	—	—	—	175,908
—	—	—	—	—	—	387,158
—	—	—	—	—	—	1,670
—	—	—	—	—	—	48,482
—	—	—	—	—	—	23,836
—	—	—	—	—	—	8,073
—	—	—	—	—	—	81
—	—	—	—	—	—	160,701
—	—	—	—	—	—	1,179,268

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
All Funds
Schedule of Revenues and Other Financing Sources
Year Ended June 30, 2012 (Continued)
(in thousands)

			Special Revenue			
	SACS Object Code	General Fund	Adult Education	Cafeteria	Child Development	
Other State Revenues:						
Other State Apportionments:						
Community Day Schools Additional Funding						
Current Year	8311	\$ 93	\$ —	\$ —	\$ —	
Prior years	8319	2	—	—	—	
ROC/P Entitlement:						
Current Year	8311	1,679	—	—	—	
Prior Years	8319	148	—	—	—	
Spec. Ed. Master Plan:						
Current Year	8311	367,085	—	—	—	
Prior Years	8319	609	—	—	—	
Home-to-School Transportation	8311	36,201	—	—	—	
Economic Impact Aid	8311	129,128	—	—	—	
Special Education Transportation	8311	40,963	—	—	—	
All Other State Apportionments – Current Year	8311	5,236	—	—	—	
All Other State Apportionments – Prior Year	8319	571	—	—	—	
Year Round School Incentive	8425	14,229	—	—	—	
Class Size Reduction, K-3	8434	151,132	—	—	—	
Child Nutrition Programs	8520	—	—	17,831	—	
School Facilities Apportionments	8545	—	—	—	—	
Lottery – Unrestricted and Instructional Materials	8560	101,667	—	—	—	
Voted Indebtedness Levies Homeowners' Exemptions	8571	—	—	—	—	
Other Subventions/In-Lieu Taxes	8572	—	—	—	—	
After School Education and Safety (ASES)	8590	73,788	—	—	—	
Drug/Alcohol/Tobacco Funds	8590	53	—	—	—	
Healthy Start	8590	267	—	—	—	
School Community Violence Prevention Grant	8590	605	—	—	—	
Quality Education Investment Act	8590	111,111	—	—	—	
State Preschool	8590	—	—	—	71,531	
All Other State Revenue	8590	868,905	135,105	—	726	
Total Other State Revenues		1,903,472	135,105	17,831	72,257	
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	670	—	—	—	
Food Service Sales	8634	—	—	7,203	—	
Leases and Rentals	8650	12,375	—	—	—	
Interest	8660	16,500	227	2	55	
Fees and Contracts:						
Adult Education Fees	8671	—	938	—	—	
Non-Resident Students	8672	381	—	—	—	
Child Development Parent Fees	8673	—	—	—	2,786	
In-District Premiums/Contributions	8674	—	—	—	—	
Interagency Service Fees	8677	5	—	—	—	

Funds		Debt Service Funds			
Total	Bond Interest and Redemption	Tax Override	Capital Services	Total	
\$ —	\$ —	\$ —	\$ —	\$ —	
—	—	—	—	—	
—	—	—	—	—	
—	—	—	—	—	
—	—	—	—	—	
—	—	—	—	—	
—	—	—	—	—	
—	—	—	—	—	
—	—	—	—	—	
—	—	—	—	—	
—	—	—	—	—	
—	—	—	—	—	
17,831	—	—	—	—	
—	—	—	—	—	
—	5,271	—	—	5,271	
—	—	8	—	8	
—	—	—	—	—	
—	—	—	—	—	
—	—	—	—	—	
—	—	—	—	—	
71,531	—	—	—	—	
135,831	—	—	—	—	
225,193	5,271	8	—	5,279	
—	676,948	—	—	676,948	
—	37,337	—	—	37,337	
—	41,871	—	—	41,871	
—	8,111	—	—	8,111	
—	—	—	—	—	
—	7,061	—	—	7,061	
—	—	—	—	—	
7,203	—	—	—	—	
—	—	—	—	—	
284	3,937	3	895	4,835	
938	—	—	—	—	
—	—	—	—	—	
2,786	—	—	—	—	
—	—	—	—	—	
—	—	—	—	—	

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
All Funds
Schedule of Revenues and Other Financing Sources
Year Ended June 30, 2012 (Continued)
(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	—	—	—	—
All Other State Apportionments – Prior Year	8319	—	—	—	—
Year Round School Incentive	8425	—	—	—	—
Class Size Reduction, K-3	8434	—	—	—	—
Child Nutrition Programs	8520	—	—	—	—
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	—	—	—	9,789
Penalties and Interest from Delinquent Non-Revenue Limit Taxes	8629	—	—	—	—
Sales:					
Sale of Equipment/Supplies	8631	—	—	—	—
Food Service Sales	8634	—	—	—	—
Leases and Rentals	8650	—	273	—	—
Interest	8660	372	119	954	127
Fees and Contracts:					
Adult Education Fees	8671	—	—	—	—
Non-Resident Students	8672	—	—	—	—
Child Development Parent Fees	8673	—	—	—	—
In-District Premiums/Contributions	8674	—	—	—	—
Interagency Service Fees	8677	—	—	—	—

LOS ANGELES UNIFIED SCHOOL DISTRICT
All Funds
Schedule of Revenues and Other Financing Sources
Year Ended June 30, 2012 (Continued)
(in thousands)

	SACS Object Code	Building Account – Bond Proceeds	Building Account – Measure Y	Building Account – Measure R
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	—	—	—
All Other State Apportionments – Prior Year	8319	—	—	—
Year Round School Incentive	8425	—	—	—
Class Size Reduction, K-3	8434	—	—	—
Child Nutrition Programs	8520	—	—	—
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	—	—	—
Penalties and Interest from Delinquent Non-Revenue Limit Taxes	8629	—	—	—
Sales:				
Sale of Equipment/Supplies	8631	—	—	—
Food Service Sales	8634	—	—	—
Leases and Rentals	8650	—	—	—
Interest	8660	370	12,912	9,023
Fees and Contracts:				
Adult Education Fees	8671	—	—	—
Non-Resident Students	8672	—	—	—
Child Development Parent Fees	8673	—	—	—
In-District Premiums/Contributions	8674	—	—	—
Interagency Service Fees	8677	—	—	—

Funds		Internal Service Funds					
Building Account – Measure K		Total	Health and Welfare Benefits	Workers' Compensation	Liability	Total	Total
\$	—	\$	—	\$	—	\$	93
	—		—		—		2
	—		—		—		1,679
	—		—		—		148
	—		—		—		367,085
	—		—		—		609
	—		—		—		36,201
	—		—		—		129,128
	—		—		—		40,963
	—		—		—		5,236
	—		—		—		571
	—		—		—		14,229
	—		—		—		151,132
	—		—		—		17,831
	—		—		—		88,063
	—		—		—		101,667
	—		—		—		5,271
	—		—		—		8
	—		—		—		73,788
	—		—		—		53
	—		—		—		267
	—		—		—		605
	—		—		—		111,111
	—		—		—		71,531
	—		—		—		1,004,736
	—		—		—		2,222,007
	—		—		—		676,948
	—		—		—		37,337
	—		—		—		41,871
	—		—		—		8,111
	—		—		—		9,789
	—		—		—		7,061
	—		—		—		670
	—		—		—		7,203
	—		—		—		13,006
2,622	24,927	2,911	3,737	255	6,903	61,085	
	—		—		—		938
	—		—		—		381
	—		—		—		2,786
	—	928,538	78,501	30,038	1,037,077	1,037,077	
	—		—		—		5

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
All Funds
Schedule of Revenues and Other Financing Sources
Year Ended June 30, 2012 (Continued)
(in thousands)

		Special Revenue			
	SACS Object Code	General Fund	Adult Education	Cafeteria	Child Development
Mitigation/Developer Fees	8681	\$ —	\$ —	\$ —	\$ —
All Other Fees and Contracts	8689	30,935	—	—	—
All Other Local Revenue	8699	81,807	745	103	2,831
Tuition	8710	226	—	—	—
Total Other Local Revenues		<u>142,899</u>	<u>1,910</u>	<u>7,308</u>	<u>5,672</u>
Subtotal – Revenues		<u>5,882,516</u>	<u>153,626</u>	<u>246,543</u>	<u>113,740</u>
Other Financing Sources:					
Interfund Transfers In:					
From General Fund to Child Development Fund	8911	—	—	—	19,437
From Special Reserve Fund	8912	3,173	—	—	—
From All Other Funds to State School Building Fund/ County School Facilities Fund	8913	—	—	—	—
From General Fund to Cafeteria Fund	8916	—	—	88,588	—
Other Authorized Interfund Transfer In	8919	2,321	—	856	—
Subtotal, Interfund Transfers In		<u>5,494</u>	<u>—</u>	<u>89,444</u>	<u>19,437</u>
Other Sources:					
Proceeds from Sale/Lease-Purchase of Lands/Buildings	8953	—	—	—	—
Proceeds from Certificates of Participation	8971	—	—	—	—
Proceeds from Capital Leases	8972	930	—	—	—
All Other Financing Sources	8979	3,221	—	—	—
Subtotal, Other Sources		<u>4,151</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Other Financing Sources		<u>9,645</u>	<u>—</u>	<u>89,444</u>	<u>19,437</u>
Total Revenues and Other Financing Sources		<u>\$ 5,892,161</u>	<u>\$ 153,626</u>	<u>\$ 335,987</u>	<u>\$ 133,177</u>

Funds	Debt Service Funds			
Total	Bond Interest and Redemption	Tax Override	Capital Services	Total
\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—
3,679	1,242	—	—	1,242
—	—	—	—	—
14,890	776,507	3	895	777,405
513,909	818,654	11	1,509	820,174
19,437	—	—	—	—
—	—	—	—	—
—	—	—	—	—
88,588	—	—	—	—
856	—	—	46,378	46,378
108,881	—	—	46,378	46,378
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	641,012	—	—	641,012
—	641,012	—	—	641,012
108,881	641,012	—	46,378	687,390
\$ 622,790	\$ 1,459,666	\$ 11	\$ 47,887	\$ 1,507,564

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
All Funds
Schedule of Revenues and Other Financing Sources
Year Ended June 30, 2012 (Continued)
(in thousands)

	SACS Object Code	Capital Projects			
		Capital Facilities Fund	State School Building Lease – Purchase	Special Reserve	Special Reserve CRA
Mitigation/Developer Fees	8681	\$ 41,206	\$ —	\$ —	\$ —
All Other Fees and Contracts	8689	—	—	—	—
All Other Local Revenue	8699	27	—	45,673	—
Tuition	8710	—	—	—	—
Total Other Local Revenues		41,605	392	46,627	9,916
Subtotal – Revenues		41,605	392	46,627	9,916
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	—	192	—	—
From General Fund to Cafeteria Fund	8916	—	—	—	—
Other Authorized Interfund Transfer In	8919	—	—	7,883	—
Subtotal, Interfund Transfers In		—	192	7,883	—
Other Sources:					
Proceeds from Sale/Lease-Purchase of Lands/Buildings	8953	—	—	321	—
Proceeds from Certificates of Participation	8971	—	—	160,190	—
Proceeds from Capital Leases	8972	—	—	—	—
All Other Financing Sources	8979	—	—	16,648	—
Subtotal, Other Sources		—	—	177,159	—
Total Other Financing Sources		—	192	185,042	—
Total Revenues and Other Financing Sources		\$ 41,605	\$ 584	\$ 231,669	\$ 9,916

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
\$ —	\$ 41,206	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—	—
—	45,700	—	—	—	—	—
—	—	—	—	—	—	—
377	98,917	182	1,271	2,610	1,982	6,045
377	98,917	182	11,108	47,534	35,284	94,108
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	192	4,755	4,648	21,753	6,323	37,479
—	—	—	—	—	—	—
—	7,883	—	—	—	—	—
—	8,075	4,755	4,648	21,753	6,323	37,479
—	321	—	—	—	—	—
—	160,190	—	—	—	—	—
—	—	—	—	—	—	—
—	16,648	—	—	—	—	—
—	177,159	—	—	—	—	—
—	185,234	4,755	4,648	21,753	6,323	37,479
\$ 377	\$ 284,151	\$ 4,937	\$ 15,756	\$ 69,287	\$ 41,607	\$ 131,587

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
All Funds
Schedule of Revenues and Other Financing Sources
Year Ended June 30, 2012 (Continued)
(in thousands)

				District Bond
	SACS Object Code	Building Account – Bond Proceeds	Building Account – Measure Y	Building Account – Measure R
Mitigation/Developer Fees	8681	\$ —	\$ —	\$ —
All Other Fees and Contracts	8689	—	—	—
All Other Local Revenue	8699	—	10,435	8,730
Tuition	8710	—	—	—
Total Other Local Revenues		370	23,347	17,753
Subtotal – Revenues		370	23,347	17,753
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	24,369	51,035	514,216
Subtotal, Interfund Transfers In		24,369	51,035	514,216
Other Sources:				
Proceeds from Sale/Lease-Purchase of Lands/Buildings	8953	—	—	—
Proceeds from Certificates of Participation	8971	—	—	—
Proceeds from Capital Leases	8972	—	—	—
All Other Financing Sources	8979	—	—	—
Subtotal, Other Sources		—	—	—
Total Other Financing Sources		24,369	51,035	514,216
Total Revenues and Other Financing Sources		\$ 24,739	\$ 74,382	\$ 531,969

Funds		Internal Service Funds				
Building Account – Measure K	Total	Health and Welfare Benefits	Workers' Compensation	Liability	Total	Total
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 41,206
—	—	—	—	—	—	30,935
—	19,165	268	—	—	268	151,861
—	—	—	—	—	—	226
2,622	44,092	931,717	82,238	30,293	1,044,248	2,128,496
2,622	44,092	931,717	82,238	30,293	1,044,248	8,497,964
—	—	—	—	—	—	19,437
—	—	—	—	—	—	3,173
—	—	—	—	—	—	37,671
—	—	—	—	—	—	88,588
78,572	668,192	11,126	—	—	11,126	736,756
78,572	668,192	11,126	—	—	11,126	885,625
—	—	—	—	—	—	321
—	—	—	—	—	—	160,190
—	—	—	—	—	—	930
—	—	—	—	—	—	660,881
—	—	—	—	—	—	822,322
78,572	668,192	11,126	—	—	11,126	1,707,947
\$ 81,194	\$ 712,284	\$ 942,843	\$ 82,238	\$ 30,293	\$ 1,055,374	\$ 10,205,911

LOS ANGELES UNIFIED SCHOOL DISTRICT
Organization Structure
Year Ended June 30, 2012

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.

<u>Name</u>	<u>Expiration of Term</u>
Mónica García, President	June 30, 2013
Marguerite Poindexter LaMotte	June 30, 2015
Tamar Galatzan	June 30, 2015
Steve Zimmer	June 30, 2013
Bennett Kayser	June 30, 2015
Nury Martinez	June 30, 2013
Richard Vladovic	June 30, 2015

<u>Name</u>	<u>Title</u>
John Deasy	Superintendent of Schools
Michelle King	Senior Deputy Superintendent of School Operations
Jaime Aquino	Deputy Superintendent of Instruction
Matt Hill	Chief Strategy Officer
Mark Hovatter	Chief Facilities Executive (Interim)
Donna Muncey	Chief of Intensive Support and Intervention
Vivian Ekhian	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
Alfred Rodas	Inspector General (Interim)
David Holmquist	General Counsel
Steven Zipperman	Chief of School Police
Janalyn Glymph	Personnel Director, Personnel Commission

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

Fiscal Year: July 1 – June 30

Number of Schools:	(As of October)	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>
Elementary Schools		437	437	448	446
Middle/Junior High Schools		76	78	83	84
Senior High Schools		68	70	81	94
Options Schools		60	56	56	56
Special Education Schools		17	16	16	16
Magnet Schools		22	25	26	28
Magnet Centers		138	145	145	146
Community Adult Schools		24	24	24	24
Regional Occupational Centers		5	5	5	5
Skills Centers		5	5	5	5
Regional Occupational Program		1	1	1	1
Early Education Centers		100	100	102	107
Infant Centers		4	4	4	4
Primary School Centers		28	23	20	20
Newcomer Schools		—	—	—	—
Multi-level Schools		11	12	15	18
Total Schools and Centers		<u>996</u>	<u>1,001</u>	<u>1,031</u>	<u>1,054</u>
Independent Charter Schools		<u>137</u>	<u>150</u>	<u>171</u>	<u>179</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance/Hours of Attendance
Year Ended June 30, 2012

	Second Period Report	Annual Report	Audited Second Period Report	Audited Annual Report
Elementary:				
General Education:				
Kindergarten	43,685	43,737	43,685	43,737
Grades 1-3	127,327	127,081	127,327	127,081
Grades 4-8	193,736	192,999	193,725 ***	192,990 ***
Opportunity Schools	6	8	6	8
Home or Hospital	98	107	98	107
Community Day Schools	70	94	70	94
County Community Schools	16	15	16	15
Special Education	18,332	18,522	18,332	18,522
County Special Education	1	1	1	1
Total Elementary	<u>383,271</u>	<u>382,564</u>	<u>383,260</u>	<u>382,555</u>
Secondary:				
General Education:				
Regular Classes	138,059	135,556	138,052 ***	135,549 ***
Continuation Education	3,717	3,603	3,716 ***	3,602 ***
Opportunity Schools	502	506	502	506
Home or Hospital	97	101	97	101
Community Day Schools	902	933	902	933
County Community Schools	137	137	137	137
Special Education	10,736	10,709	10,736	10,709
County Special Education	1	1	1	1
Total Secondary	<u>154,151</u>	<u>151,546</u>	<u>154,143</u>	<u>151,538</u>
Block Grant Funded Fiscally Affiliated Charter	<u>13,532</u>	<u>13,499</u>	<u>13,532</u>	<u>13,499</u>
Adult Program:*				
Regional Occupational Centers & Programs	N/A	N/A	N/A	N/A
Classes for Adults – Mandated	N/A	N/A	N/A	N/A
Concurrently Enrolled Adults	N/A	N/A	N/A	N/A
Full-time Independent Study**	N/A	N/A	N/A	N/A
Total Adult Program	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total Average Daily Attendance	<u>550,954</u>	<u>547,609</u>	<u>550,935</u>	<u>547,592</u>
	Hours of Attendance		Hours of Attendance	
Summer School:*				
Elementary	N/A	N/A	N/A	N/A
Secondary	N/A	N/A	N/A	N/A
Total Hours	<u>N/A</u>	<u>N/A</u>	<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.

*** Adjustments based on findings S-12-03 & S-12-05

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2012

Alexander (Dr. Theodore, Jr.) Science Center School – 0102491

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	113.59	113.45
Kindergarten ADA – Classroom-based	113.59	113.45
Grades 1-3 ADA – Total	313.52	310.86
Grades 1-3 ADA – Classroom-based	313.52	310.86
Grades 4-6 ADA – Total	189.58	188.42
Grades 4-6 ADA – Classroom-based	189.58	188.42
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	<u>0.00</u>	<u>0.00</u>
Total ADA	<u>616.69</u>	<u>612.73</u>
Classroom-based ADA	<u>616.69</u>	<u>612.73</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2012

Beckford Charter for Enriched Studies – 6015986

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	109.23	108.45
Kindergarten ADA – Classroom-based	109.23	108.45
Grades 1-3 ADA – Total	274.08	274.71
Grades 1-3 ADA – Classroom-based	274.08	274.71
Grades 4-6 ADA – Total	186.44	185.96
Grades 4-6 ADA – Classroom-based	186.44	185.96
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>569.75</u>	<u>569.12</u>
Classroom-based ADA	<u>569.75</u>	<u>569.12</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2012

Calabash Charter Academy – 6016240

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	81.18	81.32
Kindergarten ADA – Classroom-based	81.18	81.32
Grades 1-3 ADA – Total	201.57	200.47
Grades 1-3 ADA – Classroom-based	201.57	200.47
Grades 4-6 ADA – Total	100.10	99.78
Grades 4-6 ADA – Classroom-based	100.10	99.78
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>382.85</u>	<u>381.57</u>
Classroom-based ADA	<u>382.85</u>	<u>381.57</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2012

Canyon Charter School – 6016323

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	57.04	56.56
Kindergarten ADA – Classroom-based	57.04	56.56
Grades 1-3 ADA – Total	203.68	203.41
Grades 1-3 ADA – Classroom-based	203.68	203.41
Grades 4-6 ADA – Total	130.94	130.79
Grades 4-6 ADA – Classroom-based	130.94	130.79
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>391.66</u>	<u>390.76</u>
Classroom-based ADA	<u>391.66</u>	<u>390.76</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2012

Carpenter Community Charter School – 6016356

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	149.77	151.55
Kindergarten ADA – Classroom-based	149.77	151.55
Grades 1-3 ADA – Total	480.85	481.48
Grades 1-3 ADA – Classroom-based	480.85	481.48
Grades 4-6 ADA – Total	237.61	237.17
Grades 4-6 ADA – Classroom-based	237.61	237.17
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>868.23</u>	<u>870.20</u>
Classroom-based ADA	<u>868.23</u>	<u>870.20</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2012

Colfax Charter Elementary School – 6016562

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	105.11	104.83
Kindergarten ADA – Classroom-based	105.11	104.83
Grades 1-3 ADA – Total	317.59	316.34
Grades 1-3 ADA – Classroom-based	317.25	316.10
Grades 4-6 ADA – Total	190.80	190.88
Grades 4-6 ADA – Classroom-based	190.73	190.83
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>613.50</u>	<u>612.05</u>
Classroom-based ADA	<u>613.09</u>	<u>611.76</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2012

Community Magnet Charter Elementary School – 6094726

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	65.60	65.40
Kindergarten ADA – Classroom-based	65.60	65.40
Grades 1-3 ADA – Total	206.41	206.11
Grades 1-3 ADA – Classroom-based	206.41	206.11
Grades 4-6 ADA – Total	182.54	182.02
Grades 4-6 ADA – Classroom-based	182.54	182.02
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>454.55</u>	<u>453.53</u>
Classroom-based ADA	<u>454.55</u>	<u>453.53</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2012

Hale 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	600.40	595.15
Grades 4-6 ADA – Classroom-based	600.40	595.15
Grades 7-8 ADA – Total	1,220.77	1,209.03
Grades 7-8 ADA – Classroom-based	1,220.77	1,209.03
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>1,821.17</u>	<u>1,804.18</u>
Classroom-based ADA	<u>1,821.17</u>	<u>1,804.18</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2012

Kenter Canyon Charter School – 6017701

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	81.18	81.34
Kindergarten ADA – Classroom-based	81.18	81.34
Grades 1-3 ADA – Total	281.64	281.33
Grades 1-3 ADA – Classroom-based	281.51	281.23
Grades 4-6 ADA – Total	169.53	169.92
Grades 4-6 ADA – Classroom-based	169.53	169.92
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>532.35</u>	<u>532.59</u>
Classroom-based ADA	<u>532.22</u>	<u>532.49</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2012

Marquez Charter School – 6018063

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	85.41	85.90
Kindergarten ADA – Classroom-based	85.41	85.90
Grades 1-3 ADA – Total	277.89	277.58
Grades 1-3 ADA – Classroom-based	277.89	277.58
Grades 4-6 ADA – Total	200.86	201.74
Grades 4-6 ADA – Classroom-based	200.86	201.74
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>564.16</u>	<u>565.22</u>
Classroom-based ADA	<u>564.16</u>	<u>565.22</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2012

Open Magnet Charter School – 6097927

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	42.82	42.54
Kindergarten ADA – Classroom-based	42.82	42.54
Grades 1-3 ADA – Total	208.30	207.76
Grades 1-3 ADA – Classroom-based	208.30	207.76
Grades 4-6 ADA – Total	140.02	139.97
Grades 4-6 ADA – Classroom-based	140.02	139.97
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>391.14</u>	<u>390.27</u>
Classroom-based ADA	<u>391.14</u>	<u>390.27</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2012

Palisades Charter Elementary – 6018634

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	83.72	83.75
Kindergarten ADA – Classroom-based	83.72	83.75
Grades 1-3 ADA – Total	253.17	253.79
Grades 1-3 ADA – Classroom-based	253.17	253.79
Grades 4-6 ADA – Total	135.03	134.83
Grades 4-6 ADA – Classroom-based	135.03	134.83
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>471.92</u>	<u>472.37</u>
Classroom-based ADA	<u>471.92</u>	<u>472.37</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2012

Pomelo Community Charter School – 6018774

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	106.32	106.77
Kindergarten ADA – Classroom-based	106.32	106.77
Grades 1-3 ADA – Total	299.68	300.42
Grades 1-3 ADA – Classroom-based	299.68	300.42
Grades 4-6 ADA – Total	216.53	217.77
Grades 4-6 ADA – Classroom-based	216.53	217.77
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	<u>0.00</u>	<u>0.00</u>
Total ADA	<u>622.53</u>	<u>624.96</u>
Classroom-based ADA	<u>622.53</u>	<u>624.96</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2012

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	667.22	664.18
Grades 4-6 ADA – Classroom-based	667.22	664.18
Grades 7-8 ADA – Total	1,336.68	1,329.79
Grades 7-8 ADA – Classroom-based	1,336.68	1,329.79
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>2,003.90</u>	<u>1,993.97</u>
Classroom-based ADA	<u>2,003.90</u>	<u>1,993.97</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2012

Riverside Drive Charter School – 6018923

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	100.83	101.51
Kindergarten ADA – Classroom-based	100.83	101.51
Grades 1-3 ADA – Total	256.67	257.20
Grades 1-3 ADA – Classroom-based	256.67	257.20
Grades 4-6 ADA – Total	165.05	165.44
Grades 4-6 ADA – Classroom-based	165.05	165.44
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>522.55</u>	<u>524.15</u>
Classroom-based ADA	<u>522.55</u>	<u>524.15</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2012

Sherman Oaks Elementary Charter School – 6019186

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	162.40	162.13
Kindergarten ADA – Classroom-based	162.40	162.13
Grades 1-3 ADA – Total	457.10	455.53
Grades 1-3 ADA – Classroom-based	457.10	455.53
Grades 4-6 ADA – Total	238.50	236.73
Grades 4-6 ADA – Classroom-based	238.50	236.73
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>858.00</u>	<u>854.39</u>
Classroom-based ADA	<u>858.00</u>	<u>854.39</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2012

Topanga Learn-Charter Elementary – 6019525

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	66.53	66.06
Kindergarten ADA – Classroom-based	66.53	66.06
Grades 1-3 ADA – Total	150.28	149.85
Grades 1-3 ADA – Classroom-based	150.28	149.85
Grades 4-6 ADA – Total	90.00	89.72
Grades 4-6 ADA – Classroom-based	90.00	89.72
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>306.81</u>	<u>305.63</u>
Classroom-based ADA	<u>306.81</u>	<u>305.63</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2012

Welby Way Charter Elementary & Gifted High Ability Magnet Center – 6019855

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	66.40	67.16
Kindergarten ADA – Classroom-based	66.40	67.16
Grades 1-3 ADA – Total	386.06	385.89
Grades 1-3 ADA – Classroom-based	386.06	385.89
Grades 4-6 ADA – Total	311.34	311.27
Grades 4-6 ADA – Classroom-based	311.34	311.27
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>763.80</u>	<u>764.32</u>
Classroom-based ADA	<u>763.80</u>	<u>764.32</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2012

Westwood Charter School – 6019939

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten ADA – Total	163.10	163.49
Kindergarten ADA – Classroom-based	163.10	163.49
Grades 1-3 ADA – Total	400.50	401.80
Grades 1-3 ADA – Classroom-based	400.50	401.80
Grades 4-6 ADA – Total	212.56	212.25
Grades 4-6 ADA – Classroom-based	212.56	212.25
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>776.16</u>	<u>777.54</u>
Classroom-based ADA	<u>776.16</u>	<u>777.54</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Instructional Time Offered
Year Ended June 30, 2012

Grade Level	1982-1983 Actual Minutes Offered	1982-1983 Actual Minutes As Reduced ⁽¹⁾	1986-1987 Minutes Requirements	1986-1987 Minutes As Reduced ⁽¹⁾	2011-12 Actual Minutes Offered	Number of Days Traditional Calendar	Number of Days Multi-track Calendar	Complied with Instructional Minutes and Days Provisions
Kindergarten	31,680	29,568	36,000	33,600	35,400	177	161	Yes
Grades 1 to 3	48,800	45,547	50,400	47,040	53,884	177	161	Yes
Grades 4 to 6 ⁽²⁾	48,800	45,547	54,000	50,400	53,884	177	161	Yes
Grades 7 to 8 ⁽³⁾	62,160	58,016	54,000	50,400	61,033 or 64,167	177	161	Yes
Grades 9 to 12	62,160	58,016	64,800	60,480	64,167	177	161	Yes

(1) Adjusted to reflect instructional minutes applicable to 168 instructional days, the minimum required number of instructional days.

(2) Elementary schools only.

(3) Middle schools with grade configurations 6-8 approved for common planning time have at least 61,033 annual instructional minutes. Middle schools with grade configurations 6-8 not approved for common planning time have at least 64,167 annual instructional minutes.

Notes:

1. All charter schools included in this audit report conform to the above Schedule of Instructional Time Offered. Each of these charter schools' offering exceeded LAUSD's minimum requirement for instructional minutes.
2. LAUSD received incentive funding for increasing instructional time pursuant to the 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, 2012
(in thousands)

	2012-2013 Budgeted	2011-2012 Actual	2010-2011 Actual	2009-2010 Actual	2008-2009 Actual
General Fund:					
Revenues	\$ 5,776,796	\$ 5,882,516	\$ 6,328,532	\$ 6,208,625	\$ 6,649,743
Other Financing Sources	28,454	9,645	91,168	81,861	106,156
Total Revenues and Other Financing Sources	5,805,250	5,892,161	6,419,700	6,290,486	6,755,899
Expenditures	5,906,718	5,845,488	6,117,604	6,164,809	6,585,591
Other Financing Uses	131,475	125,394	66,531	212,732	77,582
Total Expenditures and Other Financing Uses	6,038,193	5,970,882	6,184,135	6,377,541	6,663,173
Change in Fund Balance	(232,943)	(78,721)	235,565	(87,055)	92,726
Beginning Fund Balance*	758,422	903,531	667,966	749,962	657,236
Ending Fund Balance	\$ 525,479	\$ 824,810	\$ 903,531	\$ 662,907	\$ 749,962
Available Reserves**	\$ 65,376	\$ 161,744	\$ 479,661	\$ 184,918	\$ 72,382
Unassigned Reserve for Economic Uncertainties	\$ 65,376	\$ 65,376	\$ 65,376	\$ 65,376	\$ 72,382
Unassigned Fund Balance	\$ —	\$ 96,368	\$ 414,285	\$ 119,542	\$ —
Available Reserves as a Percentage of Total Expenditures and Other Financing Uses	1.08%	2.71%	7.76%	2.90%	1.09%
Total Long-Term Debt	\$17,043,793	\$16,630,225	\$16,195,638	\$15,752,067	\$11,148,319
Average Daily Attendance (ADA) at P-2 excluding regional occupational centers programs and adult programs	522,832	550,954	567,816	580,112	599,037

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, 2012
(in thousands)

	<u>General</u>	<u>Bond Interest and Redemption</u>
June 30, 2012 Unaudited Actual Financial Reports		
Fund Balances	\$ 824,593	\$ 689,862
Adjustment:		
To accrue legal liability for outstanding cases	(3,551)	—
To close prior year over accruals	3,768	—
To defer revenue received for tax credit for GO Bonds	<u>—</u>	<u>(8,300)</u>
June 30, 2012 Audited Financial Statement		
Fund Balances	<u>\$ 824,810</u>	<u>\$ 681,562</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, 2012

	CDS Code	Affiliated	Fiscally Independent	Included in the District Audit
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	Colfax Charter Elementary School	19 64733 6016562	x	Yes
7	Community Magnet Charter Elementary School	19 64733 6094726	x	Yes
8	Hale Charter Academy	19 64733 6061477	x	Yes
9	Kenter Canyon Charter School	19 64733 6017701	x	Yes
10	Marquez Charter School	19 64733 6018063	x	Yes
11	Open Magnet Charter School	19 64733 6097927	x	Yes
12	Palisades Charter Elementary	19 64733 6018634	x	Yes
13	Pomelo Community Charter School	19 64733 6018774	x	Yes
14	Revere (Paul) Charter Middle School	19 64733 6058267	x	Yes
15	Riverside Drive Charter School	19 64733 6018923	x	Yes
16	Sherman Oaks Elementary Charter School	19 64733 6019186	x	Yes
17	Topanga Learn-Charter Elementary	19 64733 6019525	x	Yes
18	Welby Way Charter Elementary & Gifted High Ability Magnet Center	19 64733 6019855	x	Yes
19	Westwood Charter School	19 64733 6019939	x	Yes
20	Academia Moderna	19 64733 0120097	x	No
21	Academia Semillas del Pueblo	19 64733 6119929	x	No
22	Accelerated Elementary School (ACES)	19 64733 0100743	x	No
23	Accelerated School, The (TAS)	19 64733 6112536	x	No
24	Alliance College-Ready Academy High School #16	19 64733 0123141	x	No
25	Alliance Technology & Math Science High School *	19 64733 0121293	x	No
26	Anahuacelmecac University Preparatory High School	19 64733 0118158	x	No
27	Animo Charter High School #1 – Jordan Campus	19 64733 0124883	x	No
28	Animo Charter Middle School #3 *	19 64733 0124016	x	No
29	Animo Charter Middle School #4 *	19 64733 0124024	x	No
30	Animo Jackie Robinson Charter High School	19 64733 0111583	x	No
31	Animo Jefferson Charter Middle School	19 64733 0122481	x	No
32	Animo Locke Charter High School #1	19 64733 0118588	x	No
33	Animo Locke Charter High School #2	19 64733 0118596	x	No
34	Animo Locke Technology Charter High School	19 64733 0111617	x	No
35	Animo Pat Brown Charter High School	19 64733 0106849	x	No
36	Animo Ralph Bunche Charter High School	19 64733 0111575	x	No
37	Animo South Los Angeles Charter Senior High	19 64733 0102434	x	No
38	Animo Venice Charter High School	19 64733 0106831	x	No
39	Animo Watts #2 Charter High School	19 64733 0111625	x	No
40	Animo Westside Charter Middle School	19 64733 0122499	x	No
41	Annenberg (Wallis) High School	19 64733 0100750	x	No
42	Antecello Preparatory Academy	19 64733 0122846	x	No
43	Ararat Charter School	19 64733 0121079	x	No
44	Arts in Action Community Charter School	19 64733 0123158	x	No
45	Aspire Antonio Maria Lugo Academy	19 64733 0109660	x	No
46	Aspire Firestone Academy Charter School *	19 64733 0122622	x	No
47	Aspire Gateway Academy Charter School *	19 64733 0122614	x	No
48	Aspire Huntington Park Charter School	19 64733 0117960	x	No
49	Aspire Inskeep Academy *	19 64733 0124800	x	No
50	Aspire Juanita Tate Academy *	19 64733 0124792	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, 2012

	CDS Code	Affiliated	Fiscally Independent	Included in the District Audit
51	Aspire Pacific College Preparatory Academy	19 64733 0122721	x	No
52	Aspire Slauson Academy *	19 64733 0124784	x	No
53	Bert Corona Charter School	19 64733 0106872	x	No
54	Birmingham Community Charter High School	19 64733 1931047	x	No
55	Bright Star Secondary Charter Academy	19 64733 0112508	x	No
56	California Academy for Liberal Studies Early College High School	19 64733 0109553	x	No
57	California Academy for Liberal Studies Middle School	19 64733 6118194	x	No
58	Camino Nuevo Academy 2-Harvard	19 64733 0122861	x	No
59	Camino Nuevo Charter Academy	19 64733 6117667	x	No
60	Camino Nuevo Charter Academy #4 *	19 64733 0124826	x	No
61	Camino Nuevo Charter High School	19 64733 0106435	x	No
62	Camino Nuevo Elementary School #3 *	19 64733 0122564	x	No
63	Celerity Cardinal Charter School	19 64733 0123984	x	No
64	Celerity Dyad Charter School	19 64733 0115766	x	No
65	Celerity Nascent Charter School	19 64733 0108910	x	No
66	Celerity Octavia Charter School	19 64733 0122655	x	No
67	Celerity Palmati Charter School	19 64733 0123166	x	No
68	Celerity Troika Charter School	19 64733 0115782	x	No
69	Centennial College Preparatory Academy	19 64733 0112128	x	No
70	Center For Advanced Learning	19 64733 0115139	x	No
71	Central City Value High School	19 64733 0100800	x	No
72	Charter High School of Arts Multimedia/ Performing High School (CHAMPS)	19 64733 0108878	x	No
73	Chime Charter Middle School	19 64733 0101634	x	No
74	Chime Institute Schwarzenegger Community School	19 64733 6119531	x	No
75	Christine O'Donovan Middle School (CRMS #3)	19 64733 0116533	x	No
76	Citizens of the World Charter Hollywood	19 64733 0122556	x	No
77	College-Ready Academy High School #5	19 64733 0111492	x	No
78	College-Ready Academy High School #7	19 64733 0114942	x	No
79	College-Ready Academy High School #11	19 64733 0121285	x	No
80	College-Ready Middle Academy #4	19 64733 0120030	x	No
81	College-Ready Middle Academy #5	19 64733 0120048	x	No
82	College-Ready Middle Academy #7	19 64733 0121277	x	No
83	Community Charter Early College High School	19 64733 0109876	x	No
84	Community Charter Middle School	19 64733 6116750	x	No
85	Community Harvest Charter	19 64733 1996636	x	No
86	Crenshaw Arts-Technology Charter High School (CATCH)	19 64733 0101659	x	No
87	Crown Preparatory Academy	19 64733 0121848	x	No
88	Culture & Language Academy of Success Affirmation	19 64733 0100768	x	No
89	Dantzler (Lou) Preparatory Charter Elementary School	19 64733 0117945	x	No
90	Dantzler (Lou) Preparatory Charter High School	19 64733 0112540	x	No
91	Dantzler (Lou) Preparatory Charter Middle School	19 64733 0112227	x	No
92	De La Hoya (Oscar) Animo Charter High School	19 64733 0101675	x	No
93	Discovery Charter Preparatory School #2	19 64733 1995253	x	No
94	Douglass (Frederick) Academy Elementary School	19 64733 0117952	x	No
95	Douglass (Frederick) Academy High School	19 64733 0112557	x	No
96	Douglass (Frederick) Academy Middle School	19 64733 0112433	x	No
97	Downtown Value School	19 64733 6119903	x	No
98	Dr. Olga Mohan High School	19 64733 0111500	x	No
99	Early College Academy for Leaders & Scholars (ECALS) *	19 64733 0124933	x	No
100	El Camino Real Charter High School	19 64733 1932623	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, 2012

	CDS Code	Affiliated	Fiscally Independent	Included in the District Audit
101 Endeavor College Preparatory Charter School	19 64733 0120014		x	No
102 Environmental Science & Technology High School	19 64733 0117606		x	No
103 Equitas Academy Charter School	19 64733 0119982		x	No
104 Excel Academy	19 64733 0112201		x	No
105 Extera Public School	19 64733 0124198		x	No
106 Fenton Avenue Charter School	19 64733 6017016		x	No
107 Fenton Primary Center	19 64733 0115048		x	No
108 Film and Theatre Arts	19 64733 0122762		x	No
109 Full Circle Learning Academy	19 64733 0115311		x	No
110 Futuro College Preparatory Elementary School	19 64733 0120667		x	No
111 Gabriella Charter School	19 64733 0108886		x	No
112 Garr Academy of Mathematics and Entrepreneurial Studies (GAMES)	19 64733 0112334		x	No
113 Gertz-Ressler Academy High School	19 64733 0106864		x	No
114 Global Education Academy	19 64733 0114967		x	No
115 Goethe International Charter School	19 64733 0117978		x	No
116 Granada Hills Charter High School	19 64733 1933746		x	No
117 Health Services Academy High School	19 64733 0117598		x	No
118 Heritage College-Ready Charter High School	19 64733 0108894		x	No
119 High Tech High – Los Angeles	19 64733 0100677		x	No
120 Huntington Park College-Ready Academy High School	19 64733 0108936		x	No
121 ICEF Vista Elementary Academy	19 64733 0117937		x	No
122 ICEF Vista Middle Academy	19 64733 0115287		x	No
123 Ivy Academia Charter School	19 64733 0106351		x	No
124 Ivy Bound Academy	19 64733 0115113		x	No
125 Jardin De la Infancia	19 64733 0106880		x	No
126 Jordan (James) Middle School	19 64733 0109884		x	No
127 KIPP Academy of Opportunity	19 64733 0101444		x	No
128 KIPP Comienza Community Preparatory	19 64733 0121707		x	No
129 KIPP Empower Academy	19 64733 0121699		x	No
130 KIPP LA College Preparatory	19 64733 0100867		x	No
131 KIPP Raices Academy	19 64733 0117903		x	No
132 Lakeview Charter Academy	19 64733 0102442		x	No
133 Lakeview Charter High School	19 64733 0122606		x	No
134 Larchmont Charter School	19 64733 0108928		x	No
135 Larchmont Charter School, West Hollywood	19 64733 0117929		x	No
136 Locke (Alain Leroy) Charter High School	19 64733 1935154		x	No
137 Los Angeles Academy of Arts & Enterprise Charter (LAAAE)	19 64733 0110304		x	No
138 Los Angeles Leadership Academy	19 64733 1996610		x	No
139 Los Angeles Leadership Primary Academy	19 64733 0124818		x	No
140 Los Feliz Charter Schools for the Arts	19 64733 0112235		x	No
141 Magnolia Science Academy	19 64733 6119945		x	No
142 Magnolia Science Academy 2	19 64733 0115212		x	No
143 Magnolia Science Academy 3	19 64733 0115030		x	No
144 Magnolia Science Academy 4	19 64733 0117622		x	No
145 Magnolia Science Academy 5	19 64733 0117630		x	No
146 Magnolia Science Academy 6	19 64733 0117648		x	No
147 Magnolia Science Academy 7	19 64733 0117665		x	No
148 Magnolia Science Academy 8 (Bell) *	19 64733 0122747		x	No
149 Marshall (Thurgood) Charter Middle School	19 64733 0125261		x	No
150 Media Arts & Entertainment High School	19 64733 0116509		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, 2012

	CDS Code	Affiliated	Fiscally Independent	Included in the District Audit
151 Merkin (Richard) Middle Academy	19 64733 0108902		x	No
152 Milagro Charter Elementary School	19 64733 0102426		x	No
153 Monsenor Oscar Romero Charter Middle School	19 64733 0114959		x	No
154 Montague Charter Academy	19 64733 6018204		x**	No
155 Multicultural Learning Center	19 64733 6119044		x	No
156 N.E.W. Academy Canoga Park	19 64733 0102483		x	No
157 N.E.W. Academy of Science & Arts	19 64733 0100289		x	No
158 New Designs Charter School	19 64733 0102541		x	No
159 New Designs Charter School – Watts	19 64733 0120071		x	No
160 New Heights Charter School	19 64733 0111211		x	No
161 New Los Angeles Charter School	19 64733 0117614		x	No
162 New Millennium Secondary School	19 64733 0117911		x	No
163 New Village Charter High School	19 64733 0111484		x	No
164 North Valley Charter Academy	19 64733 0100776		x	No
165 Nueva Esperanza Charter Academy	19 64733 0120055		x	No
166 Ocean Charter School	19 64733 0102335		x	No
167 Ouchi (William & Carol) Charter High School	19 64733 0111641		x	No
168 Our Community Charter School	19 64733 0109934		x	No
169 Pacoima Charter School	19 64733 6018642		x	No
170 Palisades Charter High School	19 64733 1995836		x	No
171 Para Los Ninos Charter Middle School	19 64733 0117846		x	No
172 Para Los Ninos Charter School	19 64733 6120489		x	No
173 Para Los Ninos – Evelyn Thurman Gratts Primary Center *	19 64733 0122630		x	No
174 Port of Los Angeles High School (POLAH)	19 64733 0107755		x	No
175 Puente Charter School	19 64733 6120471		x	No
176 Renaissance Arts Academy	19 64733 0101683		x	No
177 Santa Monica Boulevard Community Charter School	19 64733 6019079		x	No
178 Santa Rosa Charter Academy	19 64733 0119974		x	No
179 Skirball (Jack H) Middle School	19 64733 0111518		x	No
180 Stella Middle Charter Academy	19 64733 0100669		x	No
181 Stern (Marc & Eva) Math & Science School	19 64733 0111658		x	No
182 Synergy Charter Academy *	19 64733 0106427		x	No
183 Synergy Kinetic Academy *	19 64733 0117895		x	No
184 Synergy Quantum Academy *	19 64733 0124560		x	No
185 TEACH Academy of Technologies	19 64733 0122242		x	No
186 Triumph Academy	19 64733 0112193		x	No
187 Triumph Charter High School	19 64733 0122598		x	No
188 Valley Charter Elementary School	19 64733 0122754		x	No
189 Valley Charter Middle School	19 64733 0122838		x	No
190 Valor Academy Charter School	19 64733 0120022		x	No
191 Vaughn Next Century Learning Center	19 64733 6019715		x	No
192 View Park Preparatory Accelerated Charter School	19 64733 6117048		x	No
193 View Park Preparatory Accelerated High School	19 64733 0101196		x	No
194 View Park Preparatory Accelerated Middle School	19 64733 6121081		x	No
195 Vista Charter Middle School	19 64733 0122739		x	No
196 Watts Learning Center Charter Middle School	19 64733 0120527		x	No
197 Watts Learning Center Charter School	19 64733 6114912		x	No
198 Westside Innovative School House	19 64733 0121012		x	No

* PSC = Public School Choice

** Fiscally Independent except Special Education Program

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to State Compliance Information

Year Ended June 30, 2012

(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, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Grantor or Pass-Through Entity ID Number	Program Cluster Expenditures	Total Federal Expenditures
U.S. Department of Agriculture:				
Passed through California Department of Education:				
Child Nutrition School Programs Breakfast	10.553	PCA#13525, 13526	\$ 48,437,421	
Child Nutrition School Programs Lunch	10.555	PCA#13523, 13524	144,307,312	
Child Nutrition School Programs Snack	10.555	PCA#13755	8,545,585	
Donated Food Commodities	10.555	Not Available	533,735	
Child Nutrition Summer Food Services				
Program Operations	10.559	PCA#13004	2,916,507	
Child Nutrition Summer Food Services Program				
Sponsor Administration	10.559	PCA#13006	308,278	
Subtotal expenditures – Child Nutrition Cluster				\$ 205,048,838
Child Nutrition Child Care Food Program Claims	10.558	PCA#13529		9,488,391
Child Nutrition Child Care Food Program – Cash				
in Lieu of Commodities	10.558	PCA#13534		495,075
Subtotal CFDA 10.558				9,983,466
Passed through California Department of Health Services				
Child Nutrition Network	10.561	10-10072	1,296,713	
Network 4 Healthy California	10.561	10-10072	4,606,342	
Subtotal expenditures – SNAP Cluster				5,903,055
Forest Reserve	10.665	Not Available	35,852	
Subtotal expenditures – Forest Service Sch and Road Cluster				35,852
Subtotal Pass-Through Programs				220,971,211
Total U.S. Department of Agriculture				220,971,211
U.S. Department of Commerce:				
Passed through Corporation for Public Broadcast				
Public Broadcasting Programs	11.550	06-02-N10084		8,698
Total U.S. Department of Commerce				8,698
U.S. Department of Defense:				
Flood Control Projects	Not Available	Not Available		3,701
Reserve Officer Training Corps Vitalization Act	Not Available	Not Available		2,456,167
Startalk: Exploring Arabic Through Technology,				
Visual Arts and Photography	12.900	H98230-11-1-0079		84,527
Subtotal Direct Programs				2,544,395
Total U.S. Department of Defense				2,544,395
U.S. Department of Housing & Urban Development:				
Passed through County of Los Angeles				
Community Development Block Grant	14.218	106156	5,950	
Passed through City of Carson				
Carson Guidance	14.218	MOU	17,352	
Subtotal expenditures – CBDG Entitlement Grants Cluster				23,302
Total U.S. Department of Housing and Urban Development				23,302
U.S. Department of Justice:				
Step Program Secondary Schools	16.684	2011-GW-AX-K008		107,122
Total U.S. Department of Justice				107,122
U.S. Department of Labor:				
Passed through Employment Development Department:				
Employment Development Department Trade Act				
East Los Angeles Skill Center	17.245	990089		69
East Los Angeles Occupational Center	17.245	200344		1,675
Emerson Adult Learning Center	17.245	200566		541
Harbor Occupational Center	17.245	200348		25,291
North Valley Occupational Center	17.245	200522		18,979
West Valley Occupational Center	17.245	200458		102,389
Maxine Waters Employment Preparation Center	17.245	200469		523
A Friedman Occupational Center	17.245	200462		967
Subtotal CFDA 17.245				150,434

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Grantor or Pass-Through Entity ID Number	Program Cluster Expenditures	Total Federal Expenditures
Passed through Watts Labor Community Action Committee: Workforce Investment Act – One Stop WorkSource – Adult	17.258	T4963	\$ 62,401	
Workforce Investment Act – One Stop WorkSource – Dislocated Worker	17.278	T4963	12,880	
Workforce Investment Act – Youth	17.259	T4978	80,000	
Passed through City of Long Beach: ARRA-Workforce Investment Act – Pacific Gateway HOC	17.258	200590	44,346	
Passed through South Bay WorkSource Center Workforce Investment Act – Adult – I Train	17.258	200467	43,356	
Passed through City of Los Angeles: Workforce Investment Act – Youth Program-Harbor	17.259	119094	638,719	
Passed through Para Los Ninos Workforce Investment Act – Youth	17.259	T4316	108,241	
Passed through Archdiocesan Youth Employment Services: Workforce Investment Act – Youth	17.259	T5006	72,826	
Subtotal expenditures – Workforce Investment Act Cluster				\$ 1,062,769
Subtotal Pass-Through Programs				1,213,203
Total U.S. Department of Labor				1,213,203
National Science Foundation: Wide Chge. Experimental Study	47.076	0070 G ND220		83,706
Total National Science Foundation				83,706
U.S. Environmental Protection Agency: Environmental Protection Agency–In-Home Asthma Trigger Ed	66.034	00T60101		7,903
Total U.S. Environmental Protection Agency				7,903
U.S. Department of Education: ARRA-Regional Occupational Center College Work Study	84.033	P033A110312	24,025	
ARRA-Pell Grant	84.063	P063P105911	29,317	
Subtotal expenditures – Student Financial Assistance Cluster				53,342
Indian Education	84.060	S060A100283		192,006
Fund for Improv Edu Prog – Teach Am Hist	84.215	U215X100365		611,957
Small Learning Communities (SLC)	84.215	S215L060084		531,693
Small Learning Communities – COH 8	84.215	S215L080570		972,024
Subtotal CFDA 84.215				2,115,674
Gaining Early Awareness and Readiness for Undergraduate Programs (Gear-Up)				
Gear-Up-Project Steps	84.334	P334A050008		282,097
Gear-Up-Project Higher Learning	84.334	P334A050178		412,354
Gear-Up-Project Lasso	84.334	P334A050217		594,236
Gear-Up-District 8	84.334	P334A050205		240,469
Gear-Up-District 6	84.334	P334A060124		748,188
CA Gear Up	84.334	10-GEAR UP-1135		10,416
Gear-Up 4 LA	84.334	P334A110166		1,282,749
Gear-Up-Project Steps	84.334	P334A110159		658,204
Subtotal CFDA 84.334				4,228,713
ARRA-I3 Fund LA'S Bold Competition	84.396	U396C100336		1,596,440
Subtotal Direct Programs				8,186,175
Passed through California Department of Education: Workforce Investment Act – Adult Basic Ed/ESL	84.002	PCA#14508		12,668,515
Workforce Investment Act – Adult Secondary Ed	84.002	PCA#13978		1,014,795
Policy2 Perform Pilot Proj Grant	84.002	PCA#13970		73,929
Subtotal CFDA 84.002				13,757,239

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Grantor or Pass-Through Entity ID Number	Program Cluster Expenditures	Total Federal Expenditures
Elementary and Secondary Education Act, Title I	84.010	PCA#14329	\$ 274,177,967	
CE-NCLB T1 NPS	84.010	PCA#14329	8,454,466	
Elementary and Secondary Education Act, Title I Delinquent	84.010	PCA#14357	1,669,405	
Elementary and Secondary Education Act, Title I Neglected	84.010	PCA#14329	2,391,862	
CE-NCLB-Parent /Cluster resource	84.010	PCA#14329	1,689,497	
TI-A NCLB Supplemental Service	84.010	PCA#14329	53,787,018	
CE-NCLB T1 Professional Development-RTI	84.010	PCA#14329	3,264,645	
CE-NCLB T1-Reservations Schools	84.010	PCA#14329	1,359,171	
CE-NCLB-T1-Professional Development-ten schools	84.010	PCA#14329	2,461,058	
CE-NCLB-T1-Program Improvement School	84.010	PCA#14329	21,495,214	
CE-NCLB T1-Capital expenditure reimbursement NPS	84.010	PCA#14329	629,627	
NCLB-T1-Central Office	84.010	PCA#14329	9,325,084	
CE-NCLB T1-Professional Development	84.010	PCA#14329	6,976,276	
CE-NCLB-T1-Literacy Adoption	84.010	PCA#14329	98,450	
CE-NCLB-Public School Choice	84.010	PCA#14329	1,047,497	
ARRA-NCLB: T1	84.389	PCA#15005	12,578,616	
ARRA-NCLB: T1	84.389	PCA#15009	318,416	
Subtotal expenditures – Title I, Part A Cluster				\$ 401,724,269
Migrant Ed – Regular & Summer	84.011	PCA#14326		1,460,218
Special Ed: IDEA Basic Local Assistance Entitlement	84.027	11-13379-6473-01	115,656,578	
Special Ed: IDEA Local Assistance, Private School ISPs	84.027	11-13379-6473-01	1,282,636	
Special Ed: IDEA Mental Health Allocation Plan	84.027	11-14468-6473-01	4,741,671	
Special Ed: IDEA Federal Preschool Grant	84.173	PCA#13430	4,781,608	
Special Ed: IDEA Pre-School Local Assistance Entitlement	84.027	PCA#13682	10,862,103	
Special Ed: ARRA IDEA Part B, Sec 611, Preschool Local Entitlement	84.391	PCA#15002	878,836	
Special Ed: ARRA IDEA Local Assistance	84.391	09-15003-6473-01	15,819,645	
Special Ed: ARRA IDEA Loc. Assistance Private Sch. ISPs	84.391	09-15003-6473-01	24,215	
IDEA Preschool	84.173	PCA#14688	157,754	
Preschool Expansion Grant	84.027	PCA#13431	55,467	
ARRA IDEA Part B, Sec 619, Preschool Grants	84.392	PCA#15000	648,078	
Subtotal expenditures – Special Education Cluster				154,908,591
Carl D. Perkins – SEC INSTR	84.048	PCA#14894		5,584,664
Carl D. Perkins – Vocational and Technical Education	84.048	PCA#14893		2,487,945
Subtotal CFDA 84.048				8,072,609
Magnet Schools Assistance	84.165	U165A100057		3,131,151
Early Intervention Funds – Part C	84.181	PCA#23761	1,165,755	
Subtotal expenditures – Early Intervention Services Cluster				1,165,755
Title IV – Safe and Drug Free Schools & Community- National-Readiness Emergency Mgt 4 Schs.	84.184	Q184E100145		371,347
Title IV – Safe and Drug Free Schools-Healthy Student	84.184	Q184L080226		2,289,043
Subtotal CFDA 84.184				2,660,390
Title IV – Safe and Drug Free Schools & Community- State	84.186	Q186A090005		80,600
Homeless Education Project	84.196	PCA#14332	123,972	
Subtotal expenditures – Education of Homeless Children & Youth Cluster				123,972
Twenty-first Century Learning Centers	84.287	PCA#14349		7,166,154
Twenty-first Century Learning Centers	84.287	PCA#14535		13,242,939
Twenty-first Century Learning Centers	84.287	PCA#14603		136,342
Twenty-first Century Learning Centers	84.287	PCA#14350		35,000
Subtotal CFDA 84.287				20,580,435
No Child Left Behind (NCLB) Title II – Enhancing Education Through Technology-Competitive	84.318	PCA#14368	286,360	
No Child Left Behind Title II – Enhancing Education Through Technology – Formula	84.318	PCA#14334	2,212,894	
ARRA-No Child Left Behind Title II – Enhancing Education Through Technology	84.386	PCA#15019; 15126	7,167,078	
Subtotal expenditures – Education Technology State Grants Cluster				9,666,332

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Grantor or Pass-Through Entity ID Number	Program Cluster Expenditures	Total Federal Expenditures
Advanced Placement	84.330	S330B110037;PCA14831		\$ 1,563,800
Transition Teaching Program	84.350	U350A070039		490,828
Arts in Edu Model Dev & Dissem	84.351	U351D100117		323,140
Reading First	84.357	PCA#14328		673,708
School Dropout Prevention Program	84.360	S360A100054		2,726,311
Title III, Limited English Proficient Professional Development	84.365	PCA#14346		5,470,212
Title III, Limited English Proficient Coaches PD Loc	84.365	PCA#14346		18,365,523
Subtotal CFDA 84.365				<u>23,835,735</u>
No Child Left Behind Title II-B – Math	84.366	PCA#14512		834,848
No Child Left Behind Title II-A – Teacher Quality	84.367	PCA#14341		48,482,024
No Child Left Behind Title II-A – CPEC-ITQ Project Frame	84.367	PCA#14341/ITQ-10-708		73,752
Subtotal CFDA 84.367				<u>48,555,776</u>
School Improvement grant	84.377	PCA#15127	\$ 1,257,893	
ARRA-School Improvement grant	84.388	PCA#15020	14,409,195	
Subtotal expenditures – School Improvement Grants Cluster				15,667,088
Education Jobs Bill	84.410	PCA#25152		114,128,550
Passed through State Department of Rehabilitation:				
Rehab-Transition Partnership Program/Trans Part-Greater LA	84.126	27973	1,240,671	
Subtotal expenditures – Vocational Rehabilitation Cluster				1,240,671
Passed through Center for Collaborative Education				
Principal Residency Network	84.363	MOA		226,795
Subtotal Pass-Through Programs				<u>827,598,811</u>
Total U.S. Department of Education				<u>835,784,986</u>
U.S. Department of Health & Human Services:				
SBHCC-Roosevelt HS Health Center	93.501	1C12CS21892-01-00		58,709
School Health Program	93.938	5U87DP001201-04		547,896
CMS-Cycle II Chipra Outreach	93.767	1Z0CMS330872-01-00		190,682
Subtotal Direct Programs				<u>797,287</u>
Passed through Dibble Institute				
Dibble Inst-BldgBrighter Future	93.086	90FM0010-01-00		47,213
Passed through County of Los Angeles:				
ARRA-Department of Public Health-Renew/Trust	93.724	PH-001123; PH-001130		993,779
ARRA-Los Angeles Cnty Office of Ed-Shape/Trust	93.724	078891:10:11; 078196:10:11		321,108
Subtotal CFDA 93.724				<u>1,314,887</u>
Passed through California Department of Education:				
General Child Care Center-Block Grant	93.575	PCA#15136	12,643,322	
General Child Care Center-Mandatory & Matching Fund	93.596	PCA#13609	23,100,440	
Subtotal expenditures – Child Care Development Fund Cluster				35,743,762
Passed through Los Angeles County Office of Education:				
ARRA-Head Start	93.708	C-11724	21,845	
ARRA-Early Head Start	93.709	C-11730	2,935	
Subtotal expenditures – Head Start Cluster				24,780
Passed through University of California				
ARRA-NIMH School based Mental Program Research	93.701	1647 G NA105		19,841
Passed through Rand Corporation:				
CalServe Regional	94.004	PCA#14939		12,801
Passed through Los Angeles County Office of Education:				
Medi-Cal Administrative Activity	93.778	C-10606:08:09	5,372,111	
Subtotal expenditures – Medicaid Cluster				<u>5,372,111</u>
Subtotal Pass-Through Programs				<u>42,535,395</u>
Total U.S. Department of Health & Human Services				<u>43,332,682</u>
Corporation for National and Community Service	94.013	11VSPCA014		
AmeriCorps-Vista Transportation Grant				3,998
Total Corporation for National and Comm Service				<u>3,998</u>

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Grantor or Pass-Through Entity ID Number	Program Cluster Expenditures	Total Federal Expenditures
U.S. Department of Homeland Security:				
Passed through Governors Office of Emergency Services:				
Public Assistance – Disaster/FEMA 1810	97.039	OES ID #037-91146		\$ 17,780
Public Assistance – Hazard Mitigation/FEMA 1731	97.039	FIPS #037-91146		1,223,184
Subtotal CFDA 97.039				<u>1,240,964</u>
Public Assistance – Fire Management Asst 2728	97.046	OES ID #037-91146		963
Public Assistance – Legislative Predisaster Mitigation	97.047	OES ID #037-91146		332,082
Subtotal Pass-Through Programs				<u>1,574,009</u>
Total U.S. Department of Homeland Security				<u>1,574,009</u>
Total Expenditures of Federal Awards				<u><u>\$ 1,105,655,215</u></u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

(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) \$533,735 of donated food commodities received from the U.S. Department of Agriculture, passed-through the State of California, during the year ended June 30, 2012.

(4) Subrecipient Awards

Of the federal expenditures presented in the schedule of expenditures of federal awards, the District provided a significant amount of funding to various subrecipients. Due to the extensive number of federal programs and volume of subrecipients, it is not practical to display the detailed subrecipient information in the schedule of expenditures of federal awards.



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

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

www.simpsonandsimpsoncpas.com

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on An Audit of Financial Statements Performed in Accordance with Government Auditing Standards

The Honorable Board of Education
Los Angeles Unified School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Los Angeles Unified School District** (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 14, 2012. 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 the California Code of Regulations (CCR), Title 5, Education, Section 19810, et seq.

Internal Control Over Financial Reporting

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

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as FS-12-01, FS-12-02 and FS-12-03 that we consider to be significant deficiencies in internal control over financial reporting. 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.



Compliance and Other Matters

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

We noted certain matters that we reported to management of the District, in a separate letter dated December 14, 2012.

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

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

A handwritten signature in dark ink, appearing to read 'Simpson & Simpson', written in a cursive, flowing style.

Los Angeles, CA
December 14, 2012



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

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

www.simpsonandsimpsoncpas.com

**Report on Compliance with Requirements That Could Have a Direct And
Material Effect on Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133**

Independent Auditor's Report

The Honorable Board of Education
Los Angeles Unified School District

Compliance

We have audited the compliance of the **Los Angeles Unified School District** (the District) with the types of compliance requirements described in the *(OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

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

Compliance requirement	Program Name and Catalog of Federal Domestic Assistance (CFDA) number	Finding number
Allowable Costs	Education Technology State Grants Cluster, CFDA No. 84.318	F-12-01
Eligibility	Child Care Development Fund Cluster, CFDA No. 93.575 and 93.596	F-12-02
Equipment Management	Title I Basic Grants to LEAs, CFDA No. 84.010	F-12-03



Compliance requirement	Program Name and Catalog of Federal Domestic Assistance (CFDA) number	Finding number
	Workforce Investment Act, Title II: Adult Education and Family Literacy Act, CFDA No. 84.002 Education Technology State Grants Cluster, CFDA No. 84.318	
Matching	Bold Competition, CFDA No. 84.396	F-12-05
Earmarking	Vocational Education Basic Grants to States, CFDA No. 84.048	F-12-06
Reporting	Vocational Education Basic Grants to States, CFDA No. 84.048	F-12-09
Reporting	Twenty-First Century Community Learning Centers, CFDA No. 84.287	F-12-09
Special Tests and Provisions	English Language Acquisition Grants, CFDA No. 84.365	F-12-10

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

In our opinion, except for the noncompliance described in the table above, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items: F-12-01, F-12-02, F-12-03, F-12-04, F-12-07, and F-12-08.

Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.



A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items F-12-01, F-12-02, F-12-03, F-12-05, F-12-06, F-12-08, F-12-09, and F-12-10 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-12-01, F-12-02, F-12-03, F-12-07, and F-12-10 to be significant deficiencies.

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

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

A handwritten signature in dark ink, appearing to read 'Simpson E. Simpson'. The signature is written in a cursive, flowing style.

December 14, 2012
Los Angeles, California



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

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

www.simpsonandsimpsoncpas.com

Independent Auditor's Report on State Compliance

The Honorable Board of Education
Los Angeles Unified School District

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 2011-2012* (the Guide) for the year ended June 30, 2012. The District's programs are identified in the table below. Compliance with the requirements of the state laws and regulations applicable to each program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the *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. 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:

	Number of Procedures in Education Audit Appeals Panel Audit Guide, Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-12	Procedures performed
Attendance Accounting:		
Attendance Reporting	6	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Instructional Time for:		
School Districts	6	Yes
County Office of Education	3	Not applicable



	Number of Procedures in Education Audit Appeals Panel Audit Guide, Standards and Procedures for Audits of California K-12 Local Education Agencies 2011-12	Procedures performed
Instructional Materials General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not applicable
Gann Limit calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing requirement – Receipt of Funds	1	Yes
Juvenile Court Schools	8	Not applicable
Exclusion of Pupils – Pertussis Immunization	2	Yes
Class Size Reduction:		
General Requirements	7	Yes
Option One	3	Yes
Option Two	4	Not applicable
Districts or Charter School with only One School Serving K-3	4	Not applicable
After School Education and Safety Program:		
General Requirements	4	Yes
After School Program	5	Yes
Before School Program	6	Yes
Contemporaneous Records of Attendance for Charter Schools	3	Yes
Mode of Instruction, for Charter Schools	1	Yes
Nonclassroom-Based Instruction/Independent Study, for Charter Schools	15	Not applicable
Determination of Funding for Nonclassroom- Based Instruction, for Charter Schools	3	Not applicable
Annual Instructional Minutes – Classroom Based for Charter Schools	4	Yes



In our opinion, except for the noncompliance described in the accompanying schedule of findings and questioned costs as items S-12-01 to S-12-05, 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, 2012.

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

A handwritten signature in cursive script, reading 'Sinyson E. Sinyson'.

December 14, 2012

Los Angeles, California

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? None
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

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

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

CFDA #	Name of Federal Program	Opinion
	Department of Agriculture – Child Nutrition Cluster:	Unqualified
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	Unqualified
	Department of Education – Title I, Part A Cluster:	Unqualified
84.010	Title I Grants to Local Educational Agencies	
84.389	Title I Grant to Local Educational Agencies, Recovery Act	
84.048	Department of Education – Vocational Education Basic Grants to States (Perkins IV)	Unqualified

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

CFDA #	Name of Federal Program	Opinion
	Department of Education – Special Education Cluster:	Unqualified
84.027	Special Education Grants to States (IDEA, Part B);	
84.173	Special Education Preschool Grants (IDEA Preschool);	
84.391	Special Education Grants to States (IDEA, Part B), <i>Recovery Act</i> ;	
84.392	Special Education Preschool Grants (IDEA, Part Preschool), <i>Recovery Act</i> .	
84.410	Department of Education –Education Jobs Fund	Unqualified
84.396	Department of Education – Bold Competition	Qualified
84.287	Department of Education – Twenty-First Century Community Learning Centers	Unqualified
	Department of Education – Education Technology State Grants Cluster:	Qualified
84.318	Education Technology State Grants	
84.386	Education Technology State Grants, <i>Recovery Act</i>	
84.334	Department of Education – Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	Unqualified
	Department of Education – School Improvement Grants Cluster	Unqualified
84.377	School Improvement Grants	
84.388	School Improvement Grants, Recovery Act	
84.365	Department of Education – English Language Acquisition Grants	Unqualified
84.002	Department of Education – Workforce Investment Act, Title II: Adult Education and Family Literacy Act	Unqualified
84.367	Department of Education – Improving Teacher Quality State Grants	Unqualified

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

CFDA #	Name of Federal Program	Opinion
	Department of Health and Human Services – Child Care Development Fund Cluster:	Unqualified
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	Unqualified
•	Any audit findings disclosed which are required to be reported in accordance with Section 510(a) of Circular A-133:	Yes
•	Dollar threshold used to distinguish between type A and type B programs:	\$3,316,966
•	Auditee qualified as low risk auditee	No
State Awards		
	Type of auditor's report issued on compliance for state programs:	Unqualified

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
June 30, 2012

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

FS-12-01 - Developer Access to Payroll Transactions - Significant Deficiency

State Audit Guide Finding Code: 30000

Criteria

A division of roles and responsibilities that reduces the possibility for a single individual to subvert a critical process or complete a transaction without secondary or management approval should exist. Management should ensure personnel are performing only authorized duties relevant to their respective jobs and positions.

Condition

We obtained and reviewed the access list for both Time Keeping (t-code CAT2) and Time Approval (customized t-code ZCATS_APPR_LITE) functions to ensure adequate segregations of duties (SOD). Upon review, we noted that there are six (6) HR/PR personnel with access to the Time Keeping transaction (t-code CAT2) and Time Approval transaction (customized t-code ZCATS_APPR_LITE), which would enable them to approve their own time.

A BTS HCM Segregation of Duties Exception Request was provided for four (4) of the users' access for the remaining two users was subsequently deleted by ITD management.

Cause and Effect

Unauthorized payroll transactions may be processed resulting in improper or fraudulent payroll disbursements.

Recommendation

Management should remove conflicting access for the users identified in a timely manner. Also, prior to assigning access to a 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.

View of Responsible Officials and Planned Corrective Action

ITD management agrees with this recommendation. We have implemented GRC with Payroll Services Branch (PSB) and staff is approving requests based on SOD in GRC. If an exception is made by PSB, an exception form is submitted to ITD to be added to GRC module.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

FS-12-02 – Lack of Sufficient Authorization for SAP Program Changes – 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 reviewed a sample of 40 SAP Transports processed during the audit year. We obtained SAP migration request forms for our samples and noted the following:

- One (1) form had no signature for a Business Sponsor, QA tester and Data Validation.
- Two (2) forms had the designated backup for the Business Sponsor sign as the primary Business Sponsor instead of themselves.
- Two (2) forms' Data Validation and Business Sponsor signatures were missing.
- Four (4) forms had an ITD Functional Analyst or ITD Associate Computer Application Specialist sign as User Acceptance Tester.
- One (1) form had an ITD Associate Computer Application Specialist sign as Business Sponsor.

Cause and Effect

Insufficient management approval of program changes could cause unauthorized programs and invalid data being introduced into the SAP production environment.

Recommendation

SAP Transport Request forms should be consistently approved by the appropriate business management personnel (i.e., business sponsor) prior to implementing a transport request into production.

View of Responsible Officials and Planned Corrective Action

ITD management agrees with the recommendation. Critical application programs and infrastructure configuration changes should have UAT sign off and Sponsorship signatures.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
June 30, 2012

FS-12-03 - Lack of Sufficient Authorization for IFS Program Changes - 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 reviewed all 23 IFS Change Request forms processed during the audit year and noted the following.

- One (1) form was missing a Business Sponsor Signature.
- Seventeen (17) forms had ITD personnel signed as the Business Sponsor

Cause and Effect

Insufficient management approval of program changes could cause unauthorized programs and invalid data being introduced into the IFS production environment.

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.

View of Responsible Officials and Planned Corrective Action

ITD management agrees with this recommendation. IFS is being replaced by June 2013 with SAP. As such, going forward, we will be following the standard SAP approval process across all modules.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

Program Identification

Finding Reference Number:

F-12-01

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

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.

Compliance Requirement:

Cost Principles

State Audit Guide Finding Code:

30000 and 50000

Criteria

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

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.

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.

Title II, Part D, Enhancing Education Through Technology (CFDA No. 84.318): In our sample of 25 payroll expenditures, we noted that 5 employees totaling \$52,972 provided signed semiannual certifications; however, the certifications were signed and dated subsequent to our requests.

Total exceptions amounted to \$52,972 of the \$142,973 sampled from the \$3,380,858 of total payroll expenditures for the fiscal year ended June 30, 2012.

Special Education Cluster (CFDA No. 84.027): In our sample of 60 payroll expenditures, we noted that 4 employees totaling \$35,749 provided signed semiannual certification; however, the certification was not dated. As such, we were unable to determine if the certification was prepared timely.

Total exceptions amounted to \$35,749 of the \$399,907 sampled from the \$73,295,098 of total payroll expenditures for the fiscal year ended June 30, 2012.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

Child Care and Development Fund: In our sample of 60 payroll expenditures, we noted that 3 employees totaling \$3,575 provided semiannual certifications; however, the certifications were signed and dated subsequent to our request.

Total exceptions amounted to \$3,575 of the \$237,790 sampled from the \$80,930,559 of total payroll and benefit expenditures for the fiscal year ended June 30, 2012.

Child Nutrition Cluster: In our sample of 60 payroll expenditures, we noted that 2 employees totaling \$2,647 provided signed semiannual certification; however, the certifications were signed and dated subsequent to our request.

Total exceptions amounted to \$2,647 of the \$191,951 sampled from the \$88,441,966 of total payroll and benefit expenditures for the fiscal year ended June 30, 2012.

Vocational Education Basic Grants to States (Perkins IV): In our sample of 40 payroll expenditures, we noted the following:

- 1 employee totaling \$262 provided a timesheet; however, the hours reported on the timesheets did not support all hours recorded on the SAP payroll record.
- 1 employee totaling \$433 was unable to provide either multi-funded timesheets or semiannual certifications.

Total exceptions amounted to \$695 of the \$137,681 sampled from the \$2,823,506 of total payroll and benefit expenditures for the fiscal year ended June 30, 2012.

Cause and Effect

The condition appears to be isolated situations where employees did not follow the District's policies and procedures.

This is a repeat finding from Fiscal Years 2004-05 to 2010-11 (F-05-01, F-06-01, F-07-01, F-08-01, F09-01, F-10-01, and F-11-01).

Questioned Costs: \$95,638 (see summary below):

- **Title II, Part D, Enhancing Education Through Technology:** \$52,972 – untimely
- **Special Education Cluster:** \$35,749 – certification was not dated
- **Child Care and Development Fund:** \$3,575 – untimely
- **Child Nutrition Cluster:** \$2,647 – untimely
- **Vocational Education Basic Grants to States (Perkins IV):** \$695 (\$262 inadequate support, \$433 semiannual certification or multi-funded timesheet was not provided)

Recommendation

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

We recommend that the District continue to provide ongoing training to appropriate personnel on the updated procedures.

View of Responsible Officials, Planned Corrective Action, Contact Information

The District will continue to provide information to appropriate personnel on time and effort requirements.

Various District schools and departments

Telephone: (213) 241-1000

Program Identification

Finding Reference Number:

F-12-02

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 (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.

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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

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;
 - 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.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

- 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 60 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 that the household income in 3 out of the 60 samples (cases) had been erroneously calculated resulting in incorrect eligibility determination where the child/children were classified as eligible for free meals instead of reduced-price meals. Additionally, income had been erroneously calculated for 2 out of 60 cases, but the inaccurate calculation did not have an impact on the eligibility status.

Upon inquiry, we noted that it was the District's policy to have a supervisory review for packages for which verification had resulted in a change in eligibility (either an improvement or reduction in benefits); however, no supervisory review was performed for cases for which eligibility did not change upon verification. We noted, in all 5 of the above-mentioned cases, that the person performing the verification had determined the eligibility before and after verification to be the same, therefore, no supervisory review was required to be performed.

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 100 participants, from 10 out of 100 Early Education Child Care Centers, and requested the children files such as annual recertification forms, pay stubs or letter to determine if the eligibility status recorded in the Early Education Student Information System (EESIS) was accurate and supported.

During our review of the family files, we noted that the program personnel did not sign and date the Confidential Application for Child Development Services and Certification of Eligibility for 11 files to certify the eligibility and document the review process. Certification is required to be signed and dated in order to complete the process of the eligibility.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

Additionally, we also noted that the family income for 15 files was erroneously calculated; as a result, the respective family fee was not properly calculated and collected. In 13 cases, family income was under-reported resulting in assessment of lower family fees.

Of the total sampled files, we also noted following:

- 17 files lacked documentation supporting the single parent status
- 4 files were missing birth certificates of the child's sibling
- 1 file was missing proof of income
- 1 file was missing the form CD9600
- 3 files did not have sufficient proof of income (other than self-certification)

This is a repeat finding from Fiscal Years 2009-10 to 2010-11 (F-10-03 and F-11-03).

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.

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.

Questioned Costs

Child Nutrition Cluster: The questioned cost is \$1,200 based on the number of meals claimed for the 3 students for the school year 2011-12.

Child Care and Development Fund: The questioned cost could not be assessed for the exceptions noted for the Confidential Application for Child Development Services and Certification of Eligibility that were not either signed or dated because it may or may not have any impact on the family's eligibility status.

The family fee that was erroneously under-billed for 13 families and over-billed for 2 families amounted to \$6,222 and \$1,284, respectively. The questioned cost was estimated by multiplying the rate at which the center under-charged the families by the total number of program operation days from corresponding date of re-certification up to June 30, 2012.

The questioned cost for missing proof of income is \$8,645 based on the contract rate of \$35.14 per day multiplied by the total number of program operation days from the corresponding date of re-certification up to June 30, 2012.

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.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

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.

Views of responsible Officials and Planned Corrective Actions, and Contact Information

Child Nutrition Cluster: As part of our verification process, each file will be reviewed by a Supervisor to ensure that all files have been processed accurately. The file will be signed off by the reviewing official.

Meal Compliance clerks are being retrained on calculating monthly and annual incomes to prevent any future errors from occurring.

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 conducted training on eligibility documentation for new Principals and Office Managers at Early Education Centers (EEC). This training included an exercise that identified all documents that are to be included in the family file. Specific attention was given to documents requiring signatures and dates.

Additionally, ECE Directors, who oversee and monitor EEC's, have also been trained. This training included how to conduct monitoring visits, how to review family files and how to fill out a monitoring checklist which is reviewed by ECE administration. The Directors are to visit each EEC by June 30, 2013.

Name: Maureen Diekmann
Title: Executive Director
Telephone: (213) 241-7511

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

Program Identification

Finding Reference Number:

F-12-03

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

Title I Grants to Local Educational Agencies, U.S. Department of Education (USED), Passed through 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 (USED), Passed through the California Department of Education, CFDA No 84.048, Grant Agreements 11-14893-6473; 11-14893-7443;

Workforce Investment Act (WIA), Title II: Adult Education and Family Literacy Act, U.S. Department of Education (USED), 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 (USED), Passed through the California Department of Education, CFDA No. 84.318, Grant Agreement No: 14334-6473, 14368-64733.

Compliance Requirement:

Equipment Management

State Audit Guide Finding Code:

20000, 30000, and 50000

Criteria

Code of Federal Regulations, Title 34 – Education, Part 80 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments – Subpart C – Post – Award Requirements, Section 80.32, Equipment, Part (d):

- Management Requirement – Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:
 - (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

- (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: 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”. Use object codes 4501 and 4310 for items with a unit cost below \$500.

BUL-3508.3 Section B - Inventory Form and Equipment Inventory Database: School or location is required to submit a Categorical Equipment Inventory (CEI) by June 30 to Federal and State Education Programs.

BUL-3508.3 Section D: Letter of Certification requires school or location to submit a Principal Certification if no equipment was purchase with categorical funds during the school year.

BUL-3508.3 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 30 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. 3508.3, “Inventory of Equipment Purchased through Categorical Programs”, for guidelines on maintaining inventory records.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

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-3508.3), 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 noted the following exceptions for Title I Grants to LEAs:

1. During our review of the inventory log maintained by the Federal and State Education Programs (FSEP) to track the status of school's submission of Principal Certification (PC) and Categorical Equipment Inventory (CEI), 191 out of 631 schools did not submit either PC or CEI.
2. We also noted that there were a total of 235 out of the 631 schools that submitted a PC to certify that no equipment was purchased for fiscal year 2011-12. However, based on our review of the detailed expenditures recorded in the Integrated Financial System (IFS), we noted that 2 out of 60 schools we sampled purchased equipment above \$500. As such, those schools should have submitted the CEI, instead of the PC.
3. We sampled another 60 schools that submitted the CEI and verified if the CEI was completed in accordance with the policies. The following summarizes the components missing from the Inventory for a total 5 schools:

Missing Required Component	Number of Schools
Description	1
Serial Number	1
Purchase Date	1
Location	3
Cost	2
Delivery Date	2
Funding	2
Current Condition	2

4. During our review of the inventory log maintained by the Federal and State Education Programs (FSEP) to track the status of school's submission of Categorical Inventory Physical Check (Log), we noted that 166 out of the 631 schools did not submit the Logs.

Vocational Education Basic Grants to States (Perkins IV)

Section 132 – ROC/P Adult Vocational Education Basic Grants (contract numbers 11-14893-6473 and 11-14893-7443): According to the publication "Management of Career Technical Education Equipment", issued by CDE in 2007 for Vocational Education Basic Grants, grantees are required to include information on the inventory log such as description, serial number, identification number, funding source, acquisition cost, acquisition date, location, equipment usage, current condition, and inspection date. In our procedures performed to test the equipment management for all 29 schools and 1 central

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

office, we noted that certain equipment reported on the inventory logs did not contain all required components for 2 schools. The following summarizes the components missing from the inventory logs:

<u>Missing Required Component</u>	<u>Number of Schools</u>	<u>Number of Equipment</u>
Serial Number	1	2
Acquisition Cost	1	1
Inspection Date	1	6

In addition, we also noted that one (1) school did not submit an administrative assurance, which is required to be submitted by the schools certifying that physical inventory was taken at the respective school/location during FY 2011-12 by an assigned school administrator to be reviewed and verified by the central office.

Workforce Investment Act, Title II: According to the equipment management guideline issued by the District's Division of Adult and Career Education (DACE), schools and offices funded with WIA are required to submit the WIA Equipment Inventory Sheet to the Division of Adult and Career Education.

We performed procedures related to the equipment inventory for 29 schools and noted the following non-compliances:

1. 1 out of 29 schools did not submit the WIA Equipment Inventory Sheet
2. Based on our review of the WIA Equipment Inventory Sheets, we noted that certain information is missing for the following required components from 18 schools:

<u>Missing Required Component</u>	<u>Number of Schools</u>
Acquisition Price	9
Acquisition Date	6
Model/Serial Number	12
Condition	2
WIA ID	2

Title II, Part D, Enhancing Education Through Technology, and American Recovery and Reinvestment Act, Enhancing Education Through Technology: Through discussions with the District's responsible personnel, we noted that equipment purchased with Education Technology funds were centrally ordered at the District's central office, and equipment inventory management is decentralized, so detailed inventory logs are kept at each individual school and office rather than at the District. It is also our understanding that schools and offices are required to be compliant with the District's policies, "Control of Site Equipment" (BUL-953.1), "Equipment Purchased through Categorical Programs" (BUL-3508.3), and/or "Site Computer Inventory" (MEM-4170.2), depending on the type of equipment purchased, and the funding sources.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

In our procedures performed to determine if the schools were in compliance with those policies and procedures, we sampled 11 purchase orders for a total of 13 schools/offices, and reviewed their equipment inventory documentation. We noted the following exceptions:

1. The inventory logs did not contain the required components for 2 schools:

Missing Required Component	Number of Schools *
Serial Number	1
Location	1
Purchase Price	1
Funding	1
Condition	1
Deposition	1
Delivery Date	1

** The components were omitted entirely from the inventory logs.*

2. Based on our review of the inventory logs, we noted that a total of 11 schools reported incomplete inventory as to the following required components:

Missing Required Component	Number of Schools
Status	5
Model	5
Serial Number	1
Manufacturer	7
Asset Tag	11
Purchase Date	11

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 is a repeat finding from Fiscal Years 2008-09 to 2010-11 (F-09-06, F-10-04, and F-11-04).

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.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

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:

For the 2013-14 year, it is anticipated that during budget development schools will not be able to fund equipment with Title I. Schools that have not submitted 2012-2013 documentation will work with the ESC Title I Coordinator to submit the appropriate equipment documentation.

Name: Deborah Ernst
Title: Director, Federal and State Education Programs
Telephone: (213) 241-6990

Vocational Education Basic Grants to States (Section 132):

The Division standardized the inventory form and issued instructions both in writing and at administrative meetings that no data fields are to be unfilled.

Name: Judy De LA Torres
Title: Specialist, Career Technical Education
Telephone: (213) 241-3800

Workforce Investment Act, Title II:

The District agrees with the finding. The Division of Adult Education has instructed Principals that all information must be listed on the inventory forms and that no column can be left blank. The instructions will be followed up with reviews of selected inventory logs that will be completed by June 30, 2013.

Name: Laura Chardiet
Title: WIA Specialist
Telephone: (213) 241-3830

Title II, Part D, Enhancing Education Through Technology, and American Recovery and Reinvestment Act, Enhancing Education Through Technology:

The funding for this program has ended, so there will not be any purchases of equipment under this program in the future. For schools that have not submitted 2012-2013 documentation, ITD will work with the schools to ensure the appropriate equipment documentation is submitted for items previously purchased.

Name: Themy Sparangis
Title: Chief Technology Director
Telephone: (213) 241-3837

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

Program Identification

Finding Reference Number: **F-12-04**

Federal Catalog of Domestic Assistance Number: 84.010

Federal Program Title: Title I Grants to LEAs, U.S. Department of Education (USED)

Pass-Through Entity: California Department of Education

Award Number: Grant Agreement 14329-6473

Compliance Requirement: Earmarking – Targeting Funds for Choice-Related Transportation and Supplemental Education Services

State Audit Guide Finding Code: 50000

Criteria

Title 34: Education – Part 200: Title I Improving The Academic Achievement of the Disadvantaged Subpart A—Improving Basic Programs Operated by Local Educational Agencies LEA and School Improvement

§200.45 (b) (1) Supplemental Educational Services: *Only students from low-income families are eligible for supplemental educational services.* (2) The LEA must determine family income on the same basis that the LEA uses to make allocations to schools under subpart A of this part.

§200.45 (c) (1) If an LEA identifies a school for a second year of improvement under § 200.32, corrective action under § 200.33, or restructuring under § 200.34, the LEA must arrange, consistent with paragraph (d) of this section, for each eligible student in the school to receive supplemental educational services from a State-approved provider selected by the student's parents.

(2) Except as described in §§ 200.32(d) and 200.33(c), if a school was in school improvement status for two or more consecutive school years or subject to corrective action on January 7, 2002, the State must ensure that the LEA makes available, consistent with paragraph (d) of this section, supplemental educational services to all eligible students not later than the first day of the 2002-2003 school year.

Condition

The District's Supplemental Education Services (SES) funded by the Title I Basic grant under the 20% set-aside provision is over-seen by the Beyond the Bell Division (BTB). To determine the student eligibility for the SES program, BTB collects the data provided by the Food Services Branch (FSB), a department of the District that operates the National Breakfast Program and the National School Lunch Program (SBP) funded by the U.S. Department of Agriculture (USDA). FSB is required for school year 2011-2012 to verify the eligibility of a minimum sample of 1,000 households selected from applications that has been approved for the free and reduced price meals. The data for the student eligibility is then

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

updated automatically on November 1st to reflect the status changes. Notifications must be provided to households by November 15th. On September 29th, BTB requests the updated eligibility data through the District's Information Technology Department (ITD) and uses it as the base to determine the final eligibility for the SES program. If the eligibility status of the student changes, BTB would notify the student's parents and remove those students from the SES program accordingly.

In our procedures performed to review expenditures charged to SES, we obtained a list of all students selected by the FSB for eligibility verification and noted that the eligibility status of 1,137 students was being adjusted to a "denied" status, i.e. ineligible for the SBP program. Furthermore, we compared those 1,137 students with the roster that BTB obtained from ITD on September 29th and noted that 22 of those ineligible students were included in the BTB list and were provided SES services.

In another procedure of reviewing the eligibility for SES, we noted that 7 out of 22,719 students who received SES services were attending schools that were not an eligible PI school in fiscal year 2011-12. As such, the SES service should not be provided to the students funded by the 20% set-aside. The total SES costs for services provided to the 7 students amounted to \$8,466.

Cause and Effect

The District was aware of the above issue concerning the ineligible students from audit finding cited in the prior year 2010-11. However, the SES program was already under way and a significant number of students had already completed the program or were about to complete the program for the 2011-12 when it was brought to the District's attention. Therefore, the corrective action was too late for the 2011-12 school year.

This is a repeat finding from Fiscal Year 2010-11 (F-11-06).

Questioned Costs

Based on the schedule maintained by BTB to track the SES hours and rates by student, the total SES cost resulting from the 22 ineligible students amounted to \$32,598, and \$8,466 for the 7 students' whose attending schools were ineligible schools.

Recommendation

We recommend that the District update its procedures to ensure that the data used for the SES eligibility determination is from the most updated file based on the SBP verification.

Views of Responsible Officials and Planned Corrective Actions, and Contact Information

In order to strengthen its monitoring process to ensure that schools are compliant with the submission of the principal certification requirement, the District will:

- Implement an electronic principal certification form
- Examine the submission date of the principal certification forms

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

Name: Luis Mora

Title: SES Coordinator

Telephone: (213) 241-3082

Program Identification

Finding Reference Number:

F-12-05

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

Bold Competition – Turning Around and Operating Its Low-Performance Schools, U.S. Department of Education (USED), CFDA No. 84.396, Grant Agreement U396C100336

Compliance Requirement:

Matching

State Audit Guide Finding Code:

30000 and 50000

Criteria

Code of Federal Regulations – Title 34 – Education, Part 80 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments – Subpart C – Post-Award Requirements, Section 80.24, Matching or cost sharing:

- Records. Costs and third-party in-kind contributions counting toward satisfying a cost sharing or matching requirement must be verifiable from the records of grantees and subgrantee or cost-type contractors. These records must show how the value placed on third-party in-kind contributions was derived. To the extent feasible, volunteer services will be supported by the same methods that the organization uses to support the allocability of regular personnel costs.

Federal Registration – Volume 75, 12062: *Cost Sharing or Matching*: To be eligible for an award, an eligible applicant must demonstrate that it has established one or more partnerships with an entity or organization in the private sector, which may include philanthropic organizations, and that the entity or organization in the private sector will provide matching funds in order to help bring project results to scale. An eligible applicant must obtain matching funds or in-kind donations equal to at least 20 percent of its grant award.

Condition

We reviewed the District's annual performance report for the period October 1, 2010 through September 30, 2011 (due December 31, 2011), and noted that the District reported matching for the grant period totaling \$306,665. Through inquiry with the program coordinator, the match was provided by UNITE – LA, one of the Official Partners who provided services to the program. However, the District did not maintain any supporting documentation for the amount claimed as matching to ensure the services

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

provided by UNITE-LA met the compliance requirements. Therefore, we were unable to determine if the District was in compliance with the grant's matching requirements.

Subsequent to the request, the District provided a spreadsheet which tracked the matching contributions. However, supporting documentation to support the "numbers" in the excel spreadsheet was not provided. As such, we are unable to form an opinion (or to conclude) whether or not the "numbers" in the spreadsheet were supported and allowable in accordance with the OMB Circulars.

Cause and Effect

There appears to be a lack of policies and procedures to ensure that cost sharing or matching provided to the District by third parties for this grant meets the federal matching.

Questioned Costs

The District's total grant expenditures for the period October 1, 2010 through September 30, 2011 amounted to \$881,951. The minimum amount for the matching (i.e. 20% of the grant expenditures) is \$176,390.

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.

Views of responsible Officials, Planned Corrective Actions, Contact Information

Documentation supporting (spreadsheet) the match from UNITE-LA for the period October 1, 2010 through September 30, 2011 has been obtained, and our review has shown that the matching expenditures of \$306,665 were allowable for the program.

Matching supporting documentation has been requested for the period of October 1, 2011 through September 30, 2012. We will review the information received to ensure its accuracy and compliance with the grant's matching requirements.

In addition, our office will conduct quarterly reviews of the matching funds pertaining to the i3 grant to ensure that the way in which the funds are expended are in compliance with the requirements of the grant.

Name: Monique Epps

Title: Director

Telephone: (213) 213-2554

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

Program Identification

Finding Reference Number:

F-12-06

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

Vocational Education Basic Grants to States (Perkins IV), U.S. Department of Education (USED), Passed through the California Department of Education , CFDA No. 84.048, Grant Agreements 11-14893-7443-00, 11-14893-6473-00 and 11-14894-6473-00.

Compliance Requirement:

Earmarking

State Audit Guide Finding Code:

30000 and 50000

Criteria

IV. Program and Administrative Requirements - Perkins IV and Chapter Five of the State Plan establish the requirements for local administration and the use of funds and policies for secondary and postsecondary CTE programs that will be assisted with Perkins IV funds. These policies and requirements must be followed by all LEAs receiving Perkins IV funds. This section is divided into three parts: Use of Perkins IV Funds; Program Requirements; and Assurances, Certifications, Terms, and Conditions.

The text that follows for Part A (Use of Perkins IV Funds) and Part B (Program Requirements) is taken directly from chapter five of the State Plan.

A. Use of Perkins IV Funds - Required Local Educational Agency Use of Section 131 and 132 Funds: Policy. No less than 85 percent of the LEA's Section 131 or 132 allocation must be expended to improve or expand CTE programs and courses approved in the local plan and annual application for funds.

Up to 5 percent of the allocation may be charged to direct or indirect costs for expenditures incurred in activities required administering the grant.

Up to 10 percent of the allocation may be expended to support other CTE activities that are consistent with the purpose of the Act. These activities include, but are not limited to the following:

- Involving parents, businesses, and labor organizations as appropriate, in the design, implementation, and evaluation of the CTE programs assisted with the funds
- Providing career guidance and academic counseling for students participating in CTE programs
- Developing and expanding program offerings for adults at times and in formats that are accessible for students, including working students
- Developing and supporting small, personalized, career-themed learning communities
- Providing CTE programs for adults and school dropouts to complete secondary education, or update the technical skills of the adults and school dropouts
- Providing CTE program completers and leavers with placement assistance in jobs and advanced education and training
- Supporting training and activities such as mentoring and outreach in nontraditional fields

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

Condition

During our procedures performed to test the amounts charged to the program coded as earmarking for other CTE activities (category called Guidance and Counseling “G&C”), we noted that both Adult and Secondary Vocational Education programs used an estimated percentage of the program costs to allocate the G&C; however, the estimated percentage was not adequately supported. As such, we were unable to determine if the District’s other CTE activities met the requirements in accordance with the purpose of the program.

Section 131 – Secondary Vocational Education (contract number 11-14894-6473-00):

Effective February 2012, the Career Technical Education Unit (CTEU) required all CTE Advisors to prepare a Monthly Activity Log to document their activity information. The CTEU summarizes all activities into a Time Report based on the Monthly Activity Logs gathered for each month. Based on our review of the Time Report prepared for the months of February through June 2012, we noted that the Monthly Activity Logs did not provide the day and hour breakdown for daily activities; as such, we were unable to verify the activities summarized on the Time Report based on the Monthly Activity Logs. In addition, in our procedures to verify the amount reported for the G&C, we noted that the amount was not supported by these Time Reports. Based on our discussion with the Coordinator and the Specialist, the G&C amount reported was estimated based on the “Need Assessment”; however, no documentation was provided to support such analysis.

The total G&C expenditure of \$502,843 was reported for the program year 2011-12, which represented less than 10% of the total program cost of \$5,145,761. Although the amount reported for G&C cost did not exceed the 10% limitation, the allocation between G&C and non-G&C activities was not supported with any verifiable data (such as personnel activity logs or time study).

Section 132 – ROC/P Adult Vocational Education Basic Grants (contract numbers 11-14893-6473-00 and 11-14893-7443-00): Based on our discussion with the Program Analysis, the total G&C expenditures were computed and reported based on 5% of the total certificated salaries and benefits; however, the percentage was not adequately supported. The reported G&C expenditures for the program year 2011-12 was 1% of the program costs for contract number 11-14893-7443-00, and 2% of the program costs for contract number 11-14893-6473-00.

Cause and Effect

Existing policies and procedures do not provide adequate support for the percentage used in meeting the earmarking provision.

This is a repeat finding from Fiscal Year 2010-11 (F-11-05).

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

Questioned Costs

Section 131 – A questioned cost could not be determined as the total G&C expenditures of \$502,843 and \$31,009 for Sections 131 and 132, respectively, could not be traced back to the total hours associated with the G&C and non-G&C activities recorded in the Monthly Activity Log.

Recommendation

The District should strengthen policies and procedures to ensure that the percentages used to allocate costs are adequately supported in accordance with the federal guidelines.

Views of responsible Officials, Planned Corrective Actions, and Contact Information

Section 131 – Secondary Vocational Education: We are not aware or have not been informed of any California Dept. of Education (CDE), Perkins CTE Secondary Grant and/or Federal guidelines and regulations that require or provide methodology or procedure in allocating or identifying direct program salary costs to the seven Perkins Object Classifications or Categories (Instruction, Curriculum Development, Special Population, Guidance & Counseling, etc.).

A planned set of program objectives and monthly activity logs were required by CTEU for each CTE adviser (certificated employee) and monthly summary reports of allocation and compliance by the advisers. Accounting and documenting on a daily basis for the hours spent by the advisers is impractical and not cost efficient. These are compounded by the difficulty and confusion of classifying each action or work performed in an hourly basis or fraction thereof and wherein such work may be interpreted or viewed as Instruction, Curriculum Development, or Special Population by one employee but different by another employee.

CTEU will prepare a “Time Study” for, say, three months in FY2012-13 showing daily activity or allocation of hours spent by the advisers on, among others, Guidance & Counseling. CTEU will obtain prior approval from CDE of this Time Study project which will be the basis of compliance on supporting documents to be required by the auditors in the future.

Name: Kathy Halsey
Title: Coordinator
Telephone: (213) 241-5687

Section 132 – ROC/P Adult Vocational Education Basic Grant: The Division will provide instructions, monitoring and follow-up support to ensure that the percentages used to allocate costs are adequately supported. Written information will be shared with school administrators and all appropriate staff by June 2013. Adjustments, if necessary, to the planning budget, will be submitted to CDE for approval.

Name: Judy De La Torres
Title: Specialist, Career Technical Education
Telephone: (213) 241-3800

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

Program Identification

Finding Reference Number:

F-12-07

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

Vocational Education Basic Grants to States (Perkins IV), U.S. Department of Education (USED), Passed through the California Department of Education, CFDA No. 84.048, Grant Agreement 11-14894-6473-00;

Child Care and Development Fund: Child Care and Development Block Grant, and Child Care Mandatory and Matching Funds of the Child Care and Development Fund, Department of Health and Human Services, Passed through the California Department of Education, CFDA Nos. 93.575 and 93.596, Grant Agreement Nos. CCTR-0124 and CSPP-0227;

Twenty-First Century Community Learning Centers, U.S. Department of Education (USED), 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.

Compliance Requirement:

Earmarking

State Audit Guide Finding Code:

30000 and 50000

Criteria

Vocational Educational Basic Grants to States: United States Code Title 20 – Education, Chapter 44 – Vocational and Technical Education, Subchapter I – Vocational and Technical Education Assistance to the States, Part C – Local Provisions, Section 2355, Local uses of funds, d) Administrative costs:

- Each eligible recipient receiving funds under this part shall not use more than 5% of the funds for administrative costs associated with the administration of activities assisted under this section.

Child Care and Development Fund: CCTR-9129 General Child Care and Development (Center-based) Funding Terms and Conditions and Program Requirements states:

- V.C. Administrative Costs – Contractors may claim administrative costs as defined in Section I above which are directly related to the provision of child care and development services. Reimbursement of administrative costs shall not exceed fifteen percent (15%) of net reimbursable program costs or actual administrative costs and audits, whichever is less. The fifteen percent (15%) includes any

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

allowance for indirect costs and audits. Contractors shall maintain written documentation of the rationale used in determining direct and administrative costs.

- CSPP 9233 California State Preschool Program Funding Terms and Conditions and Program Requirements states:
- V.C. Administrative Costs – Contractors may claim administrative costs as defined in Section I above which are directly related to the provision of child care and development services. Reimbursement of administrative costs shall not exceed fifteen percent (15%) of net reimbursable program costs or actual administrative costs and audits, whichever is less. The fifteen percent (15%) includes any allowance for indirect costs and audits. Contractors shall maintain written documentation of the rationale used in determining direct and administrative costs.

21st Century Community Learning Centers: California Department of Education (CDE), 21st Century Community Learning Centers Program Budget and Information Packet, After School Partnerships Office, October 2005, Budget Information, Administrative and Indirect Costs:

- No more than 15% of paid grant funds may be used for administrative costs each year. Indirect costs are included in administrative costs, and cannot exceed an agency's CDE-approved indirect cost rate or 5%, whichever is less.

Condition

Vocational Educational Basic Grants to States: *Section 131 – Secondary Vocational Education (contract number 11-14894-6473-00):* During our procedures performed over program earmarking requirements, we noted that the District's administrative cost was separately accounted for in the IFS program code 3347. Based on our review of the program cost reported, we noted that the following positions (81 employees) totaling \$46,522 appear to be an administrative function but their salaries were not included in the program code 3347. However, their salaries were included in the program expenditures for the fiscal year 2011-12.

Clerk	\$ 648
Financial Manager	437
School Accounting Clerk	1,295
School Administrative Assistant	18,717
Office Technicians	13,011
Senior Office Technician	12,414
	<u>\$ 46,522</u>

We further sampled 18 employees totaling \$17,350 out of the positions in question and requested documentation to determine if their activities claimed were direct program related and supported; however, the Program Coordinator explained to us that these employees were not instructed to fill out any activity report to support the program activity.

The District's claim for the administrative expenditures amounted to \$244,492 for the fiscal year 2011-12. The maximum allowed administrative cost amounted to \$245,063 which is 5% (excluding the

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

administrative costs) of the total direct program expenditures of \$4,901,268 (including obligations) for the fiscal year 2011-12. Therefore, the expenditures in question listed above would cause the District to exceed its administrative earmarking limitation by \$45,951 (46,522+244,492-245,063) for the fiscal year ended June 30, 2012.

Child Care and Development Fund: During procedures performed over program earmarking requirements, we noted that the District's Early Childhood Education Division designated certain program codes to account for administrative costs. The Division's claim for the administrative costs amounted to \$299,498 on the final CDFS 9500 (CCTR-0124) and \$3,067,495 on the final CDFS 8501 (CSPP-0227) for the fiscal year ended June 30, 2011 (which was due in February 2012).

Based upon our additional analysis, we identified positions including Secretary, Accounting Technician, Clerk, and Office Technician, whose salaries totaled \$1,489,819 which appeared to be administrative functions, but their salaries were included in the program expenditures for the fiscal year 2010-11.

The maximum allowed amount for administrative cost amounted to \$19,533,012 which is 15% of the combined total direct program expenditures of \$130,220,081, (\$11,583,222 for CCTR-0124 and \$118,636,859 for CSPP-0227) for the fiscal year 2010-11. Therefore, the un-reported administrative expenditures in question may not have caused the District to exceed its administrative earmarking limitation for the fiscal year ended June 30, 2011. However, our estimate only included the salaries and benefits recorded in the District's payroll system and did not include any non-personnel costs (object codes 4000 – 7000) related to the administrative functions, if any.

Twenty-First Century Community Learning Centers: The District tracked the administrative costs on a spreadsheet to support the earmarking provision. In our review of the expenses recorded on the spreadsheet used for program classes 7G364 and 7L365, the District's calculated administrative costs did not exceed its 15% administrative earmarking limitation for those grants awarded in the fiscal year. However, based on our review of the detailed expenses on the spreadsheet, the salary expenditures for two (2) Coordinators' salaries totaling \$122,666 were split between program and administrative; However, the allocation was based on predetermined percentages and no other supporting documentation was provided to support these percentages.

It is not uncommon that an employee is assigned to more than just one activity between direct and indirect or administrative and program direct. Such multiple functions/activities must be accounted for adequately and supported properly to meet the time documentation requirements for allowable activity as well as the earmarking provisions.

Cause and Effect

Vocational Educational Basic Grants to States: The Program Director explained further to us that these positions were "supplemental" (that is, outside of their normal day to day work duties). Their time funded by this grant is to gather information from the students for the E2 reporting and these activities are allowable program direct costs. To substantiate that these activities were in fact performed by the positions in question; the Program Coordinator provided us with the E2 survey completed by the

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

employees. These surveys contain the preparer's name, the date of the data entry, and the data collected from the students. However, these surveys were not certified (signed and dated) by the employees and/or the supervisor, as such, these surveys may not be used in lieu of personnel activity logs to support the activities performed by the employees.

The District's policy (BUL2643.5) requires an employee who works on more than one function to fill out the daily activity log to support the allowed activity. It appears that such policy was not strictly adhered to by the department that operates the grant.

Child Care and Development Fund: Starting fiscal year 2011-12, the District had set up a separate program code to account for all administrative costs for reporting purposes. The District had also established policies requiring all positions that may appear to be administrative position to prepare activity logs when performing program activities. Since such implementation was not effective until 2011-12, the condition noted is a repeat finding for the program year 2010-11.

Twenty-First Century Community Learning Centers: The District's policy (BUL2643.5) requires an employee who works on more than one function to fill out the daily activity log to support the allowed activity. It appears that such policy was not strictly adhered to by the department that operates the grant.

This is a repeat finding from Fiscal Years 2006-07 to 2010-11 (F-07-15, F-08-07, F-09-08, F-10-07, and F-11-07).

Questioned Costs

Vocational Educational Basic Grants to States: \$45,951

Child Care and Development Fund: The questioned cost may not be applicable as our estimate is below the limitation of the administrative cost.

Twenty-First Century Community Learning Centers: Not applicable as the claimed administrative cost and the questioned administrative cost together did not exceed the required limitation.

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 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

Schedule of Findings and Questioned Costs

June 30, 2012

Views of responsible Officials, Planned Corrective Actions, and Contact Information

Vocational Educational Basic Grants to States:

We will have personnel that are doing overtime to make phone calls to students sign their survey summary.

Name: Kathy Halsey
Title: Coordinator
Telephone: (213) 241 -5687

Child Care and Development Fund: The District agrees with the finding. Early Childhood Education (ECE) Fiscal Services will annually work with the District's accounting department prior to submission of the final report to correctly identify administrative cost that should be included in the report. ECE Division will also require individuals that are in positions that appear to be administrative (office technician, secretary, etc.) but are actually performing program activities to complete monthly activity reports as outlined in the District's policy bulletin BUL-5399.0.

Name: Maureen Diekmann
Title: Executive Director
Telephone: (213) 241-7511

Twenty-First Century Community Learning Centers: The following is a summary of the corrective measures implemented to ensure the programs comply with the requirement in the Education Code.

Beyond The Bell Branch agrees with the audit finding. Consequently we will implement the following procedures effective January 1, 2013 to ensure we provide "Time and Effort Reporting" training. Furthermore, as a result of future training, personnel will be aware of "Direct vs. Indirect" (Ed Code 63001) documentation procedures.

1. Beyond the Bell Branch program personnel will be required to attend an annual **"Time & Effort Reporting"** training. Extensive training on **"Direct vs. Indirect"** documentation will be offered during this meeting.
2. Beyond the Bell Branch Program Management will periodically evaluate personnel functions and determine personnel funding source based on requirements per LAUSD District's policy (BUL5399.0).

We will continue to monitor these changes in protocol to ensure that the procedures are followed and all information is reported accurately and documented as necessary for auditing purposes. Should problems arise in any area for staff, Beyond the Bell will alter and refine the process accordingly to ensure continuous improvement in operations.

Name: Harry Talbot
Title: Administrative Coordinator
Telephone: (213) 241-7900

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

Program Identification

Finding Reference Number:

F-12-08

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

Title I Grants to Local Educational Agencies, U.S. Department of Education (USED), Passed through the California Department of Education, CFDA Nos. 84.010 and 84.389; Grant Agreements 14329-6473 and 15005-6473;

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 10-14894-64733 and 11-14893-7443;

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: 09-14368-64733;

American Recovery and Reinvestment Act of 2009, Enhancing Education Through Technology, U.S. Department of Education (USED), 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 (USED), Passed through the California Department of Education, CFDA No. 84.391, Grant Agreement No: 09-15003-6473-01.

Compliance Requirement:

Procurement, Suspension and Debarment

State Audit Guide Finding Code:

30000 and 50000

Criteria

Code of Federal Regulations, Title 34 – Education, Part 80 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments – Subpart C – Post-Award Requirements, Section 80.36, Procurement:

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

- Procurement standards:
 - i. Grantees and subgrantees will use their own procurement procedures, which reflect applicable state and local laws and regulations, provided that the procurements conform to applicable federal law and the standards identified in this section.
 - ii. Grantees and subgrantees will maintain records sufficient to detail the significant history of a procurement. These records will include, but are not necessarily limited to the following: Rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.
- Methods of procurement to be followed:
 - i. Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source, or after solicitation of a number of sources, competition is determined inadequate.
 - a. Procurement by noncompetitive proposals may be used only when the award of a contract is infeasible under small purchase procedures, sealed bids or competitive proposals and one of the following circumstances applies:
 - (A) The item is available only from a single source;
 - (B) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
 - (C) The awarding agency authorizes noncompetitive proposals; or
 - (D) After solicitation of a number of sources, competition is determined inadequate.
 - ii. Cost analysis, i.e., verifying the proposed cost data, the projections of the data, and the evaluation of the specific elements of costs and profits, is required.

Condition

In our procurement sample testing of 83 transactions, 66 samples were related to purchases of supplies and equipment through a master contract between the District and the vendors. In our procedures performed to verify if contract rates were properly applied, we noted that items purchased for 45 transactions totaling \$6,065,200 were not covered in the master contracts. These items were quoted separately with a discounted price; however, the quotation presented only the discounted price and it did not include the original price.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

Program Name	CFDA	Program Code	# of Samples ¹	# of Exceptions	Transaction Amount
Title I Basic	84.010	1046, 1047, 2070	37	31	\$ 1,011,547
Title I Basic ²	84.389	3166	37	1	330,000
Vocational Education	84.048	3339, 3227	4	3	209,149
Ed Tech-ARRA	84.386	3327	8	1	173,095
Ed Tech ²	84.318	3197	8	1	119,826
Special Education - ARRA	84.391	2162	17	8	4,221,583
					<u>\$ 6,065,200</u>

¹ Samples related to Master Contract/Agreement² not a separate set of samples**Cause and Effect**

The District's current policies do not include procedures to ensure that purchases through master contracts are subject to the normal competitive bid process if the items were not covered in the contracts when originally procured.

This is a repeat finding from Fiscal Year 2010-11 (F-11-10).

Questioned Costs

Not applicable. This is an internal control issue over procurement procedures for purchases through the master agreement.

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 was not covered/listed in the master contract.

Views of Responsible Officials, Planned Corrective Actions, and Contact Information

We agree with the finding and will modify our appropriate desktop procedures to require procurement staff to validate discounts received. Additionally, and as a result of the upcoming SAP implementation, scheduled to begin July 1, 2013, new tools and technology will be available to target available discounts more efficiently and accurately, whereby once Procurement has included the discount information in SAP, the discount will be applied to the purchase order.

Name: Duane Johnson

Title: Director of Compliance, Grants, and Strategic Contracting

Telephone: 213 241-3087

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

Program Identification

Finding Reference Number:

F-12-09

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

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 Agreement 11-14894-6473-00, 11-14893-7443-00, 11-14893-6473-00;

Twenty-First Century Community Learning Centers, U.S. Department of Education (USED), Passed through the California Department of Education, CFDA No 84.287, Grant 11-14535-6473-4A, 11-14535-6473-5A, 11-14349-6473-5A, 11-14535-6473-4A.

Compliance Requirement:

Reporting

State Audit Guide Finding Code:

30000 and 50000

Criteria

Code of Federal Regulations Title 34 – Education, Part 80 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, Subpart C – Post – Award Requirements, Section 80.20, Standards for financial management systems:

- A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:
- Permit preparation of reports required by this part and the statutes authorizing the grant, and
- Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions or applicable statutes.

The financial management systems of other grantees and subgrantees must meet the following standards:

- Financial reporting: Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- Accounting records: Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

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:

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

- A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:
- Permit preparation of reports required by this part and the statutes authorizing the grant, and
- Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions or applicable statutes.

The financial management systems of other grantees and subgrantees must meet the following standards:

- Financial reporting: Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- Accounting records: Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

Condition

Vocational Education Basic Grants to States:

Section 131 - Secondary Vocational Education Basic Grants (contract number 10-14894-6473-00): In our procedures performed over programmatic reporting, we noted that the District compiled CDE Form 101: E1 Report of Career Technical Education Enrollment and Program Completion (CDE Form 101 or E1) for secondary education by retrieving data submitted by individual schools and the Student Information System (SIS). Further, we noted that the District class code was converted to the CBED code for secondary education.

In order to test the accuracy of the data reported on the E1, for Secondary Vocational Education, we selected 10 CBEDs and traced student population data reported on the E1 to SIS and noted discrepancies between the numbers of the students reported. In the E1 report for school year 2009-2010, we were unable to reconcile the data on 2 CBEDs to the baseline information from SIS. The discrepancies noted in E1 were also carried forward to the numbers of the students reported in E2 because numbers of students reported on E1 was the basis for the E2 report.

CBED	CTE Category	SIS School Data	E1 Report	Over-Reported
4400	12 th Grade Concentrators Ethnicity	649	782	133
4400	12 th Grade Concentrators Special	679	816	137
5707	Concentrators in Capstone course receiving a "C" or better Special	461	464	3

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

Section 132 – ROC/P Adult Vocational Education Basic Grants (contract numbers: 11-14893-7443-00 and 11-14893-6473-00): In our procedures performed over the accuracy of the data reported on the CDE From 101 Form, (called E1), we selected 71 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:

- **CBED 4050** (sample size: 26 students)
 - Registration form was not signed by a District employee i.e. either an administrator of the Perkins or instructional staff for one (1) student.
 - Course number for 1 student was erroneously reported on the E1.
 - Carl D. Perkins Declaration Eligibility forms were not provided for 9 students
 - Adult-weekly Attendance Forms were not signed by the instructor to support the completer status for 3 students
- **CBED 4400** (sample size: 5 students)
 - Registration form was not signed by a District employee i.e. either an administrator of the Perkins or instructional staff for one (1) student
- **CBED 5510** (sample size: 20 students)
 - Registration Form was not signed by one (1) student
 - Carl D. Perkins Eligibility Form was not provided for 8 students
 - One (1) student did not qualify for economically disadvantaged status per Carl D. Perkins Declaration Eligibility form for FY 2010-11.
 - Adult-weekly Attendance Forms were not signed by the instructor to support the completer status for 15 students
- **CBED 5755** (sample size: 2 students)
 - Carl D. Perkins Declaration Eligibility form was not provided for one (1) student
- **CBED 4280** (sample size: 8 students)
 - Adult-weekly Attendance Form was not signed by the instructor to support the completer status for one (1) student
- **CBED 5555** (sample size: 1 student)
 - Adult-weekly Attendance Form was not signed by the instructor to support the completer status for one (1) student
- **CBED 5706** (sample size: 2 students)
 - Adult-weekly Attendance Forms were not signed by the instructor to support the completer status for two (2) students

In another procedure performed over the E2 report submitted to CDE, we selected 10 CBEDs and noted that the number of students reported for the following categories were not supported by the data recorded in the SIS system:

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

CBED	CTE Category	SIS School Data	CDE E2 Report	Variance Over/(Under)
4050	Ethnicity	0	33	33
4050	Special Population	0	4	4
4226	Ethnicity	20	94	74
4226	Special Population	24	97	73
4267	Ethnicity	18	54	36
4267	Special Population	7	32	25
4280	Ethnicity	11	21	10
4280	Special Population	11	24	13
4400	Ethnicity	0	26	26
4400	Special Population	0	31	31
5561 ROCP Adult	Ethnicity	6	21	15
5561 ROCP Adult	Special Population	8	23	15
5561 ROCP Sec.	Ethnicity	0	21	21
5561 ROCP Sec.	Special Population	0	2	2
5759	Ethnicity	1	15	14
5759	Special Population	0	8	8

Twenty-First Century Community Learning Centers: In our procedure performed over the attendance reported by the District's sub-recipients funded by 21st CCLC, we obtained the Monthly Attendance Reports (MAR) submitted by the agencies for 30 schools and compared the attendance information to the attendance documentation (sign-in/out sheets) for 120 students for a sample day. The following are the details of the exceptions:

- **Bell Senior High** –1 student signed in, but did not properly sign out for one (1) day.
- **Carson High** – 2 students' sign-in/out sheets did not specify a time of arrival and departure for one (1) day.
- **Susan Miller Dorsey Senior High** – 2 students' sign-in/out sheets did not specify a time of arrival or departure for one (1) day each. 1 student did not meet the time requirements to satisfy a "present" status for one (1) day.
- **Venice High School** - 1 student's sign-in/out sheets did not specify a time of arrival or departure.
- **San Pedro High School** – 1 student did not stay throughout the required time duration to meet the attendance status as present.
- **Jefferson High School** – 1 student did not stay throughout the required time duration to meet the attendance status as present.
- **Normont Elementary** – 4 students' sign-in/out sheets did not specify "sign-in" time for one (1) day each.

In addition, the District's attendance reporting was contracted out to an outside vendor to compile the data for the District starting 2011-12. The vendor provided attendance reports to the District for reporting to CDE. However, through our discussions with the program director of the program, the District has not

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

established any policies and procedures to review or monitor its contracted vendor to ensure that the attendance provided is reliable.

Cause and Effect

Section 131 – Secondary Vocational Education Basic Grants: The cause of the above condition was attributed to a formula problem in the data extraction from SIS and human error in failing to detect errors.

Section 132 – ROC/P Adult Vocational Education Basic Grants: The District's policy does not require reconciliation between the information submitted by the individual schools and SIS and human error in inputting data in SIS.

This is a repeat finding from Fiscal Years 2005-06 to 2010-11 (F-06-25, F-07-25, F-08-18, F-09-15, F10-11, and F-11-12).

Twenty-First Century Community Learning Centers: The exceptions above could have over-reported the attendance to CDE.

This is a repeat finding from Fiscal Years 2005-06 to 2010-11 (F-06-36, F-07-33, F-08-22, F-09-20, F-10-12, and F-11-12).

Questioned Costs

Vocational Education Basic Grants to States: 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.

Twenty-First Century Community Learning Centers: Questioned cost is not applicable as the payments for this program is not made based on the basis of attendance.

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.

Views of Responsible Officials, Planned Corrective Actions, and Contact Information

Section 131 - Secondary Vocational Education Basic Grants: In the future, the report will be reviewed by another staff for accuracy or correctness.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

Name: Kathy Halsey

Title: Coordinator

Telephone: (213) 241-5687

Section 132 – ROC/P Adult Vocational Education Basic Grants: The Division will implement “corrective action” to ensure that these important procedural items on data collection for the E-1 report are addressed by:

1. Written explanations of these oversights plus written steps to be taken will be shared with appropriate school administrators and program staff now and at the beginning of each program year;
2. Specific attention will be paid to these items by staff who monitor and review program files.

With regards to the specific findings related to the E2 report submitted to CDE, the numbers and data reported to CDE are accurate; the report created locally for audit purposes will be re-programmed to increase accuracy for next year.

Name: Judy De La Torre

Title: Specialist

Telephone: (213) 241-3800

Twenty-First Century Community Learning Centers: Beyond The Bell Branch has implemented the following procedures effective July 1, 2012 to ensure we monitor agencies on the implementation on attendance policies and procedures at the sites to ensure documentation of reported attendance figures is readily available and accurate for auditing purposes. In addition, Beyond the Bell Branch has implemented procedures to strengthen our control procedures to closely monitor outside vendors and City-Span, Beyond the Bell’s outside vendor contracted to compile data for the district, to ensure attendance data is compiled and reported accurately in accordance with State requirements.

1. Contractors and agency program personnel are required to attend a **Federal Program Monitoring (FPM)** training. The FPM training reflects the CDE’s Program Dimensions. Extensive training on “attendance documentation” is offered during this meeting.
2. Through the Federal Program Monitoring (FPM) process, Beyond the Bell Branch conducts **“Random Reviews/Audits of Monthly Attendance Reports”** to examine agency sign-in/sign-out procedures. During this process, agencies must produce documentation that reflects the most current submitted attendance documentation and is reconciled with attendance documentation collected from City-Span.
3. Effective immediately, through the Federal Program Monitoring (FPM) process, Beyond the Bell Branch will begin conducting **“Random Reviews/Audits of Monthly Attendance Reports”** to

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

examine agency sign-in/sign-out procedures to ensure attendance data submitted semi-annually is reconciled with attendance documentation collected and reported by City-Span.

We will continue to monitor these changes in protocol to ensure that the procedures are followed and all information is reported accurately and documented as necessary for auditing purposes. Should problems arise in any area for contractors or staff, Beyond the Bell will alter and refine the process accordingly to ensure continuous improvement in operations.

Name: Harry Talbot
Title: Administrative Coordinator
Telephone: (213) 241-7900

Program Identification

Finding Reference Number:

F-12-10

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

Title I Grants to LEAs, U.S. Department of Education (USED), Passed through the California Department of Education , CFDA No. 84.010, Grant Agreement 14329-6473;

English Language Acquisition Program, U.S. Department of Education (USED), Passed through the California Department of Education, CFDA 84.365, Grant Agreement 14346-64733.

Compliance Requirement:

Special Tests and Provisions – Highly Qualified Teachers and Paraprofessionals

Special Tests and Provisions – Parental Notifications (Annual & Initial and AMAO)

State Audit Guide Finding Code:

30000 and 5000

Criteria

Title 34 – Education, Secondary Education, Department of Education, Part 200 – Title I – Improving the Academic Achievement of the Disadvantaged, Subpart A – Improving Basic Programs Operated by Local Educational Agencies, Section 200.58, Qualifications of paraprofessionals:

- New paraprofessionals. A paraprofessional covered under paragraph (a) of this section, who is hired after January 8, 2002, must have:
 - (1) Completed at least two years of study at an institution of higher education;
 - (2) Obtained an associate's or higher degree; or
 - (3) (i) Met a rigorous standard of quality, and can demonstrate through a formal State or local academic assessment knowledge of, and the ability to assist in instructing, as appropriate:

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

- (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.

MEM-5633: F – Principal Certification Form for the 2011-2012 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, 2011.

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:

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

- A. Detailing:
 - The right that parents have to have their child immediately removed from such program upon their request and
 - The options that parents have to decline to enroll their child in such program or to choose another program or method of instruction, if available and
- B. Assisting parents in selecting among various programs and methods of instruction, if more than one program or method is offered by the eligible entity.
- b. Separate Notification – In addition to providing the information required to be provided under subsection (a), each eligible entity that is using funds provided under this title to provide a language instruction educational program, and that has failed to make progress on the annual measurable achievement objectives described in Section 3122 for any fiscal year for which part A is in effect, shall separately inform a parent or the parents of a child identified for participation in such program, or participating in such program, of such failure not later than 30 days after such failure occurs.
- c. Receipt of Information – The information required to be provided under subsections (a) and (b) to a parent shall be provided in an understandable and uniform format and, to the extent practicable, in a language that the parent can understand.
- d. Special rule applicable during school year for a child who has not been identified for participation in a language instruction educational program prior to the beginning of the school year, the eligible entity shall carry out subsections (a) through (c) of this section with respect to the parents of the child within 2 weeks of the child being placed in such a program.

Condition

Title I Grants to LEAs: In our procedures of verifying the schools' compliance of the Principal Attestation over the certifications and notices on teacher and paraprofessional qualifications, on March 13, 2012, we obtained a log maintained by the Certificated Workforce Management & Qualification Division (Division) and noted 178 out of 829 schools had not submitted the annual Principal Certification Form (PCF) to the Division as required by MEM-5633.0. Subsequent to March 2012, the Division collected all of the 178 annual PCFs, which represented late submission over 120 days.

We further sampled 80 PCFs that were submitted prior to our request on March 13, 2012 and we noted that 30 schools submitted their annual Principal Certification Forms to the Division after December 2, 2011.

- 01-30 days late: 2 schools
- 31-60 days late: 23 schools
- 61-90 days late: 5 schools

English Language Acquisition Program: 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 2011-2012 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:

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

- 5 schools did not issue the AMAO Certification Form before September 23, 2011.
- 1 school could not locate the AMAO certification for the FY12 school year.

In our sample of 51 participating students for Annual parent notifications, we noted the following:

- 6 annual parent notifications were not provided by the schools.
- 10 annual parent notifications were issued after 30 days of the beginning of the school year (September 6, 2011)/or not within 2 weeks from the program enrollment.
- 1 annual parent notification was issued with a “blank” Notification date and was therefore indeterminable if it was sent on time.

In our sample of 47 participating students for Initial parental notification, we noted the following:

- 6 initial parent notifications were not located by the schools and were so confirmed by the schools’ checklist.
- 6 initial parent notifications, schools issued the certification after 30 days of the beginning of the school year/or not within 2 weeks from the program enrollment.
- 2 initial notifications contained no issue date per Notification Letter and were indeterminable as to time sent.
- 3 initial notifications were not provided. Instead 2 were for the school year 2012-13 and 1 initial notification was provided for the school year 2010-11.
- 3 initial notifications were classified incorrectly by the schools, should have been marked as “Annual”.

Cause and Effect

Title I Grants to LEAs: There does not appear to be internal control procedures over compliance with timely submission of the Principal Certification Form and follow-up procedures with the schools who did not report by the due date.

This is a repeat finding from Fiscal Year 2010-11 (F-11-17).

English Language Acquisition Program:

Although the schools have made an effort to maintain proper records regarding 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 2010-11 (F-06-36, F-07-33, F-08-22, F-09-20, F-10-18, and F-11-18).

Questioned Costs

Title I Grants to LEA: Not applicable. The finding related to the Principal Attestation is a programmatic non-compliance issue and it does not constitute any questioned costs.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

English Language Acquisitions: 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.

Recommendation

Title I Grants to LEA: We recommend that the District strengthen its monitoring process to ensure that schools are compliant with the principal attestation requirement and submit accurate certifications timely.

English Language Acquisitions: 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.

Views of Responsible Officials and Planned Corrective Actions, and Contact Information

Title I Grants to LEAs: In order to strengthen its monitoring process to ensure that schools are compliant with the submission of the principal certification requirement the District will:

- Implement an electronic principal certification form
- Examine the submission date of the principal certification forms

Name: Derek Ramage

Title: Director, Certificated Workforce Management and Qualifications

Telephone: (213) 241-4663

English Language Acquisitions: We concur that the District should continue to strengthen its policies and procedures to ensure all schools comply with the requirement that parental notifications are made in a timely manner and the required documentation is on file in support of the schools' compliance for EL Programs through the following actions:

1. MMED Compliance staff, in conjunction with the Educational Service Center English Learner (EL) coordinators, will use the 2011-12 Single Audit findings along with the data provided by schools to the District's *English Learner Online Accountability System* to monitor and provide support to schools not meeting the parental notification timelines.
2. Provide additional training on the *English Learner Master Plan* to include training on the use of a *Accountabilities Time-Task calendar* to ensure timeliness of implementation of parental notification policies and procedures.
3. Review existing parental notification policies to include explicit guidelines regarding the mandates and procedures pertaining to parental notification. These policies will be posted on the District's *Inside LAUSD* and *Multilingual & Multicultural Education* websites and will be

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

accessible to all employees. Reference to these policies will be included in the follow-up *English Learner Master Plan* professional development to all school-site administrators and EL Coordinators (Refer to timeline referenced in Item 4).

4. Monitor the use of the *English Learner Online Accountability System* by the principal and EL Coordinator to ensure and follow-up with implementation and evidence of compliance through random internal audits.

Professional Development

Title III Master Plan Institute

Monthly Professional Development (School-site Coordinators)

Training Date

July, August, September 2013

September 2013-May 2014

5. Ensure that Educational Service Center EL coordinators provide professional development in August 2013 to school-site EL Coordinators that focuses on federal and state mandates regarding initial and annual parent notification.

Name: Valerie Brewington

Title: English Learner Coordinator

Telephone: (213) 241-5582

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

Section III – 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

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 42,625 days of attendance tested, 769 days of absences, we noted the following findings.

- **Burton Street Elementary School** - Of 1,919 days of attendance and 40 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.
- **Anatola Elementary School** - Of 1,330 days of attendance and 25 absences sampled, we noted the following exception:

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

- 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.
- **Kingsley Elementary School** - Of 1,007 days of attendance and 14 absences sampled, we noted the following exception:
 - One 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.
- **San Jose Elementary School** - Of 1,843 days of attendance and 41 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, 2011 (S-11-1) but for different schools.

Questioned Costs

4 days / 121 days = 0.033 ADA overstated * \$5,209.39 = \$172

- **Burton Elementary School** – 1 days overstated/121 days in single track school year
- **Anatola Elementary School** – 1 day overstated/121 days in single track school year
- **Kingsley Elementary School** – 1 day overstated/121 days in single track school year
- **San Jose Elementary School** – 1 day overstated/121 days in single track school year

Recommendation

We recommend that the District continue to strengthen its controls over implementing District policies over student attendance reporting. Furthermore, we recommend that the District continue to provide adequate attendance reporting training to the schools so that proper attendance reporting procedures are adhered to.

Views of Responsible Officials and Planned Corrective Actions

District staff will work with the administrators of these schools to ensure in-service training is provided to staff regarding proper recording and clearing of absences, as well as to ensure that procedures to monitor accuracy of attendance reporting are in place.

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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

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.

We selected a sample of 18,045 days of attendance and 409 absences for testing and noted the following findings:

- **Southgate Middle School** - Of 4,726 days of attendance and 75 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 were recorded as present in the school's weekly attendance summary.
- **Southeast High School** - Of 1,224 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, 2011 (S-10-02) but for different schools.

Questioned Costs

3 days / 121 days = 0.025 ADA overstated * \$5209.39 = \$129

- **Southgate Middle School** - 2 days overstated/121 days in single track school year

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

- **Southeast High School** - 1 day overstated/121 days in single track school year

Recommendation

We recommend that the District continue to strengthen its controls over implementing District policies over student attendance reporting. Furthermore, we recommend that the District continue to provide adequate attendance reporting training to the schools so that proper attendance reporting procedures are adhered to.

Views of Responsible Officials and Planned Corrective Actions

District staff will work with the administrators of these schools to ensure in-service training is provided to staff regarding proper recording and clearing of absences, as well as to ensure that procedures to monitor accuracy of attendance reporting are in place.

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

Criteria

Title 5, California Code of Regulations, Section 401(d) – in all classes for adults, continuation schools, and classes, and regional occupational centers and programs, attendance shall be reported to the supervising administrator at least once each school month.

California Education Code, Section 46300(a) – in computing average daily attendance of a school district or county office of education, there shall be included the attendance of pupils while engaged in educational activities required of those pupils and under the immediate supervision and control of an employee of the district or county office who possessed a valid certification document, registered as required by law.

California Education Code, Section 46170 – In continuation high schools and continuation education classes, a day of attendance is 180 minutes of attendance but no pupil shall be credited with more than 15 hours of attendance per school per week, proportionately reduced for those school weeks having weekday holidays on which classes are not held.

Condition, Cause and Effect

In our sample of two (2) continuation schools, we traced the total on *Worksheet for Completing the Statistical Report* and compared the totals to the monthly school's *Statistical Report* totals, which in turn were traced to the *Second Principal Report* (P2) and the *Annual Principal Report* (P3) for the third school month. We also employed the same sample of two continuation schools and traced the days reported on the *Monthly School Statistical Report* and compared the totals to the Student Apportionment Attendance Cards and the supporting attendance records maintained by the selected teachers.

We noted the following findings:

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

- **Evergreen High School** – Of the 1,047 hours (349 days) of attendance, 30 days of absences sampled and tested, we noted the following finding:
 - Attendance for 24 students was overstated by 60 hours or 20 days.
- **Phoenix High School** – Of the 1,928 hours (643 days) of attendance, 30 days of absences sampled and tested, we noted the following finding:
 - Attendance for 62 students was overstated by 408 hours or 136 days.

These findings are repeat findings, having been reported previously at June 30, 2011 (S-11-03) but for different schools.

Questioned Costs

156 days/126 days = 1.24 ADA overstated * \$5209.39 = \$6,450

- **Evergreen High School** - 20 days overstated/126 days in single track school year
- **Phoenix High School** - 136 days overstated/126 days in single track school year

Recommendation

We recommend that the District strengthen its review process over the compilation of the *Monthly Statistical Reports* to ensure that the reports accurately reflect student attendance data.

Views of Responsible Officials and Planned Corrective Actions

District staff will work with the administrators of these schools to provide in-service training regarding the proper recording of attendance for continuation schools, the proper reporting of attendance for apportionment, as well as ways to review and monitor attendance records for accuracy.

S-10-04 – After School Education and Safety Program

State Audit Guide Finding Codes: 40000

School Affected

- | | |
|---|--|
| • Arminia Elementary School | • Broadway Elementary School |
| • Madison Elementary School | • Leland Elementary School |
| • 75th Street Elementary School | • Rosewood Elementary School |
| • Solano Elementary School | • Olive Vista Middle School |
| • White Elementary School | • Peary Middle School |
| • 10th Street Elementary School | • Stevenson Middle School |
| • Camellia Elementary School | • Romer Middle School |
| • Evergreen Elementary School | • San Fernando Middle School |
| • President Elementary School | • Berendo Middle School |
| • Gardena Elementary School | • Clinton Middle School |
| • South Gate Middle School | • Middleton Middle School |
| • State Street Elementary School | • Los Angeles Academy Middle School |
| • 59th Street Elementary | |

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

Criteria

California Education Code 8483(a) – (1) Every after school component of a program established pursuant to this article shall commence immediately upon the conclusion of the regular school day, and operate a minimum of 15 hours per week at least until 6:00 on every regular school day. Every after school component of the program shall establish a policy regarding reasonable early daily release of pupils from the program. For those programs or school sites operating in a community where early release policy does not meet the unique requirements of that community or school, or both, documented evidence may be submitted to the department for an exception and a request for approval of an alternative plan.

(2) It is the intent of the Legislature that elementary school pupils participate in the full day of the program every day during which pupils participate and that pupils in middle school or junior high school attend a minimum of nine hours a week and three days a week to accomplish program goals.

California Education Code 8483.1 (a) – (1) Every before school program component established pursuant to this article shall in no instance operate for less than one and one-half hours per regular school day. Every program shall establish a policy regarding reasonable late daily arrival of pupils to the program.

(2) (A) It is the intent of the Legislature that elementary school pupils participate in the full day of the program every day during which pupils participate and that pupils in the middle or junior high school attend a minimum of six hours a week or three days a week to accomplish program goals, except when arriving late in accordance with the late arrival policy or as reasonably necessary.

(2) (B) A pupil who attends less than one-half of the daily program hours shall not be accounted for the purposes of the attendance.

California Education Code 8482 – The purpose of this program is to create incentives for establishing locally driven before and after school enrichment programs both during schooldays and summer, intersession, or vacation days that partner public schools and communities to provide academic and literacy support and safe, constructive alternatives for youth. The term public school includes charter schools.

Condition, Cause and Effect

On a sample basis, we tested attendance documentation of 40 schools and 2,360 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 32 schools and 2,166 students who participated in the after school component of the After School Education and Safety Program.

There were a total of two (2) students in one (1) school who did not have complete sign-in and sign-out time on the sign-in/sign-out sheets. Due to the missing sign-out time, we were unable to determine whether the elementary school students participated in the full day of after school program

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

on every day during which students participated except as consistent with the established early release policy. The following are the details of the exceptions:

- **Arminta Elementary School** – two (2) students signed in, but did not properly sign out for a total of 33 days.

There were 75 students in nine (9) schools that did not comply with the established early release policy. As a result, the following elementary schools had students that did not participate in the full day of the after school program on every day during which pupils participated, and the following middle schools had students that participated less than nine hours a week and three days a week:

- **Madison Middle School** - 20 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.
- **Olive Vista Middle School** - 13 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.
- **Peary Middle School** – 18 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.
- **Stevenson Middle School** - 15 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 to explain why such requirement was not complied with.
- **Romer Middle School** – two (2) 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 to explain why such requirement was not complied with.
- **San Fernando Middle School** - two (2) 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 to explain why such requirement was not complied with.
- **75th Street Elementary School** – one (1) student did not participate in the full period of the after school program for one (1) day that he participated and there was no early release forms to explain why such requirement was not complied with.
- **Solano Elementary School** – one (1) student did not participate in the full period of the after school program for a total of five (5) days that he participated and there were no early release forms to explain why such requirement was not complied with.
- **White Elementary School** – three (3) students did not participate in the full period of the after school program for a total of seven (7) days that they participated and there were no 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 sample week during the school year 2011-2012. 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:

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

- **Madison Middle School** – MAR was understated by 84 days, compared to the sign-in sheets. We also noted two (2) students marked present for two (2) days in the sign-in sheets were not found on the MAR.
- **Olive Vista Middle School** - MAR was understated by 215 days, compared to the sign-in sheets. We also noted 20 students marked present for a total of 20 days in the sign-in sheets were not found on the MAR.
- **Peary Middle School** - MAR was understated by 122 days, compared to the sign-in sheets. We also noted two (2) students marked present for two (2) days in the sign-in sheets were not found on the MAR.
- **Stevenson Middle School** - MAR was understated by 26 days, compared to the sign-in sheets. We also noted one (1) student marked present for one(1) day in the sign-in sheets was not found on the MAR.
- **10th Street Elementary School** – MAR was understated by three (3) days, compared to the sign-in sheets. We also noted three (3) students marked present for a total of three (3) days in the sign-in sheets were not found on the MAR.
- **75th Street Elementary School** – MAR was understated by three (3) days, compared to the sign-in sheets.
- **Camellia Elementary School** – MAR was understated by two (2) days, compared to the sign-in sheets.
- **Evergreen Elementary School** – One (1) student marked present for a total of one (1) day in the MAR was not found in the sign in sheets. We also noted four (4) students marked present for a total of four (4) days in the sign-in sheets were not found on the MAR.
- **President Elementary School** – MAR was understated by 12 days, compared to the sign-in sheets. In addition, four (4) students marked present for a total of four (4) days in the MAR were not found in the sign in sheets. We also noted one (1) student marked present for a total of one (1) day in the sign-in sheets was not found on the MAR.
- **Solano Elementary School** – MAR was understated by 25 days, compared to the sign-in sheets. We also noted three (3) students marked present for a total of three (3) days in the sign-in sheets were not found on the MAR.
- **Gardena Elementary School** – MAR was understated by seven (7) days, compared to the sign-in sheets. In addition, four (4) students marked present for a total of four (4) days in the MAR were not found in the sign in sheets.
- **White Elementary School** – MAR was understated by nine (9) days, compared to the sign-in sheets. In addition, two (2) students marked present for a total of two (2) days in the MAR were not found in the sign in sheets. We also noted one (1) student marked present for a total of one (1) day in the sign-in sheets was not found on the MAR.
- **Berendo Middle School** – MAR was overstated by one (1) day, compared to the sign-in sheets
- **Clinton Middle School** – MAR was understated by six (6) days, compared to the sign-in sheets. We also noted one (1) student marked present for a total of one (1) day in the sign-in sheets was not found on the MAR.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

- **Romer Middle School** – MAR was understated by eleven (11) days, compared to the sign-in sheets.
- **San Fernando Middle School** – MAR was overstated by 40 days, compared to the sign-in sheets. In addition, six (6) students marked present for a total of six (6) days in the MAR were not found in the sign in sheets.
- **Middleton Elementary School** – MAR was understated by eight (8) days, compared to the sign-in sheets. We also noted one (1) student marked present for a total of one (1) day in the sign-in sheets was not found on the MAR.
- **Los Angeles Academy Middle School** – MAR was understated by seven (7) days, compared to the sign-in sheets.
- **South Gate Middle School** – MAR was understated by 35 days, compared to the sign-in sheets. In addition, one (1) student marked present for a total of one (1) day in the MAR was not found in the sign in sheets. We also noted four (4) students marked present for a total of four (4) days in the sign-in sheets were not found on the MAR.
- **State Street Elementary School** – MAR was understated by three (3) days, compared to the sign-in sheets. In addition, one (1) student marked present for a total of one (1) day in the MAR was not found in the sign in sheets.
- **59th Street Elementary School** – MAR was understated by three (3) days, compared to the sign-in sheets.
- **Broadway Elementary School** – MAR was understated by two (2) days, compared to the sign-in sheets. We also noted two (2) students marked present for a total of two (2) days in the sign-in sheets were not found on the MAR.
- **Leland Elementary School** – One (1) student marked present for a total of one (1) day in the MAR was marked absent in the sign in sheets.
- **Rosewood Elementary School** – MAR was understated by 68 days, compared to the sign-in sheets. In addition, five (5) students marked present for a total of five (5) days in the MAR were marked absent in the sign in sheets. We also noted four (4) students marked present for a total of four (4) days in the sign-in sheets were marked absent on the MAR.

Before School Component of the Program

Condition, Cause and Effect

On a sample basis, we tested the attendance documentation of eight (8) schools and 194 students who participated in the before school component of the After School Education and Safety Program.

There were four (4) students in two (2) schools that did not comply with the established late arrival policy.

- **Gridley Elementary School** - Three (3) students did not participate in at least one-half of the before school program for a total of nine (9) days that they participated and there were no late arrival forms to explain why such requirement was not complied with. The students were counted as present in the attendance summary.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

- **Vinedale Elementary School** – One (1) student did not participate in at least one-half of the before school program for a total of two (2) days that they 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.

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 2011-2012. 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:

- **107th Elementary School** – MAR was understated by 10 days, compared to the sign in sheets. We also noted two (2) students marked present for a total of two (2) days in the sign-in sheets was not found on the MAR.
- **135th Elementary School** – MAR was understated by five (5) days, compared to the sign in sheets. We also noted one (1) student marked present for a total of one (1) day in the sign-in sheets was not found on the MAR.
- **Gridley Elementary School** – MAR was understated by 16 days, compared to the sign in sheets. We also noted one (1) student marked present for a total of one (1) day in the sign-in sheets were not found on the MAR.
- **Breed Elementary School** – MAR was overstated by four (4) days, compared to the sign in sheets.
- **Dena Elementary School** – MAR was understated by nine (9) days, compared to the sign in sheets. We also noted one (1) student marked present for a total of one (1) day in the sign-in sheets was not found on the MAR.
- **Hooper Elementary School** – MAR was understated by 20 days, compared to the sign in sheets. We also noted one (1) student marked present for a total of one (1) day in the sign-in sheets was not found on the MAR.
- **Sheridan Elementary School** – MAR was overstated by one (1) day, compared to the sign in sheets.
- **Vinedale Elementary School** – MAR was understated by 87 days, compared to the sign in sheets.

Questioned Costs

As a result of the above testing, the total under reporting of attendance was 774 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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

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

LAUSD - Beyond The Bell Branch has implemented the following procedures effective July 1, 2011 to ensure that we are providing training on attendance policies and procedures as well as how we are monitoring how the procedures are being implemented at the sites to ensure documentation of reported attendance figures is readily available and accurate for auditing purposes.

1. Agency contractors and program personnel attended **“Start-Up Meeting”** held August 10, 2011. Extensive training on attendance documentation was offered during this meeting.
2. Contractors and agency program personnel were required to attend an annual **“Policies and Procedures/Risk Management”** training. As a result of the audit finding and reflection on best practices, Beyond the Bell has developed an attendance documentation training implemented for the 2011 – 2012 year. The training was offered on a monthly basis. The following **“Policies and Procedures/Risk Management”** training dates were scheduled for the 2011 – 2012 year (NOTE: Attendance Documentation has been implemented as a result of previous audit findings):
 - 8/30/11, 8/31/11, 9/6/11, 9/21/11, 10/22/11, 11/19/11, 12/14/11, 1/21/12, 2/16/12, 3/14/12, 4/21/12, 5/19/12, & 6/13/12
3. Contractors and agency program personnel attended a Federal Program Monitoring (FPM) training. The FPM training reflects the CDE’s Program Dimensions. Extensive training on attendance documentation was offered during this meeting.
4. Beyond the Bell conducted **“site visits”** to monitor program quality and student attendance through:
 - Field Office administrators
 - Certified Administrators conducted site visits to evaluate and monitor agency program implementation. Attendance documentation was closely monitored during these visits.
 - Field Office Travelling Playground Supervisors
 - Classified/Unclassified Travelling Playground Supervisors conducted weekly visits to evaluate and monitor agency program implementation. Attendance documentation to ensure appropriate staff-to-student ratio and observation of sign in/sign out procedures was closely monitored during these site visits.
 - Central Office Administrators
 - Central Office Administrators conducted site visits to evaluate and monitor agency program implementation. In addition to program quality and compliance, attendance documentation was closely monitored during these visits.
5. Beyond the Bell Branch conducted **“random reviews/audits of monthly attendance reports”** to examine agency sign in/sign out procedures.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

Beyond the Bell will continue to monitor these changes in protocol to ensure that the procedures are followed and all information is reported accurately and documented as necessary for auditing purposes. Should problems arise in any area for contractors and staff, Beyond the Bell will alter and refine its processes accordingly to ensure continuous improvement in operations.

S-12-05 - Exclusion of Pupils – Pertussis Immunization

State Audit Guide Finding Codes: 10000, 30000 and 40000

Schools Affected

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

Southeast High School

Criteria

California Health and Safety Code Section 120335 - (a) As used in this chapter, "governing authority" means the governing board of each school district or the authority of each other private or public institution responsible for the operation and control of the institution or the principal or administrator of each school or institution.

(d) The governing authority shall not unconditionally admit or advance any pupil to the 7th grade level of any private or public elementary or secondary school unless the pupil has been fully immunized against pertussis, including all pertussis booster appropriate for the pupil's age.

California Health and Safety Code Section 120335.1 (a) Notwithstanding Section 120335, the county office of education, the governing board of a school district of attendance, or the governing body of a charter school may allow a pupil, advancing to or enrolled in any of grades 7 to 12, inclusive, to conditionally attend school for up to 30 calendar days, commencing with the pupil's first day of attendance in the 2011-12 school year for that county office of education or school district, if that pupil has not been fully immunized with all pertussis boosters appropriate for the pupil's age and if all of the following conditions are met:

(1) The pupil was enrolled in the county office of education or school district in the prior year, and is continuing in the same or advancing to the next grade level.

(2) The pupil's first day of attendance in the 2011-12 school year for that county office of education or school district occurs on or before the sixth Friday following the first day on which classes are

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

offered at the school in which the pupil is enrolled.

(3) The county office of education or school district work with the pupil's parent or legal guardian so that the pupil receives all immunizations or boosters necessary for continued attendance.

(b) It is the intent of the Legislature that any pupil allowed to conditionally attend pursuant to subdivision (a) be fully immunized pursuant to this chapter on or before the 30th day of conditional attendance allowed.

(c) This section shall become inoperative on July 1, 2012, and as of January 1, 2013, is repealed, unless a later enacted statute that is enacted before January 1, 2013, deletes or extends the dates on which it becomes inoperative and is repealed.

California Code Of Regulations Title 17, Division 1, Chapter 4 - (a) The required immunizations for admission to and attendance at a public or private elementary or secondary school, child care center, day nursery, nursery school, family day care home, or developmental center shall be those set forth, according to age, in Table 1.

Table 1 states that 1) Pupils must have received at least one dose of Tdap prior to admission or advancement into the 7th through 12th grades. 2) If DTP was given on or after age 7 years instead of Tdap, this dose may also be counted as a valid dose for this requirement.

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 obtained from the 13 sampled secondary schools the immunization records filed for all the students in attendance for the sampled teachers for month four (4), to test whether the students had the proper pertussis immunization and that the District appropriately filed the students' immunizations records, as required by California Health and Safety Code and California Code of Regulations. In addition, we also obtained immunization records filed at the District's central office for the same sampled students. We noted the following exceptions:

Mt. Gleason G/HA Mag– Out of the 88 students we tested, we noted two (2) students who were appropriately immunized but the District has no evidence that their immunization records were on file by the 30th calendar day after the students' first day of attendance in school year 2011-12. We also noted 24 students who were appropriately immunized but their records were filed subsequent to the 30th calendar day after the students' first day of attendance in school year 2011-12.

South Gate Middle School – Out of the 91 students we tested, we noted three (3) students who were appropriately immunized but their records were filed subsequent to the 30th calendar day after the students' first day of attendance in school year 2011-12.

Apex Academy - Out of the 94 students we tested, we noted one (1) student who did not have pertussis immunization and four (4) students who were appropriately immunized but their records

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

were filed subsequent to the 30th calendar day after the students' first day of attendance in school year 2011-12.

Leadership Ent MA – Out of the 69 students we tested, we noted one (1) student who did not have pertussis immunization, one (1) student who was immunized before his 7th birthday, and three (3) students who were appropriately immunized but their records were filed subsequent to the 30th calendar day after the students' first day of attendance in school year 2011-12.

Fremont Science and Magnet School - Out of the 69 students we tested, we noted one (1) student who was immunized before his 7th birthday and eight (8) students who were appropriately immunized but their records were filed subsequent to the 30th calendar day after the students' first day of attendance in school year 2011-12.

Huntington Park High School – Out of the 116 students we tested, we noted five (5) students who were appropriately immunized but their records were filed subsequent to the 30th calendar day after the students' first day of attendance in school year 2011-12.

Valley Academy Arts and Science – Out of the 88 students we tested, we noted two (2) student who were appropriately immunized but the District has no evidence that his immunization records were on file by the 30th calendar day after the students' first day of attendance in school year 2011-12 and one (1) student who was appropriately immunized but his records were filed subsequent to the 30th calendar day after the student's first day of attendance in school year 2011-12.

Gage Middle School - Out of the 211 students we tested, we noted 12 students who were appropriately immunized but their records were filed subsequent to the 30th calendar day after the students' first day of attendance in school year 2011-12.

Burbank Middle School - Out of the 115 students we tested, we noted one (1) student who was appropriately immunized but his records were filed subsequent to the 30th calendar day after the students' first day of attendance in school year 2011-12.

Nimitz Middle School - Out of the 60 students we tested, we noted one (1) student who was appropriately immunized but the District has no evidence that their immunization records were on file by the 30th calendar day after the students' first day of attendance in school year 2011-12.

Southeast High School – Out of the 107 students we tested, we noted one (1) student who was immunized before his 7th birthday.

Questioned Costs

We examined the attendance records of the students who were not properly immunized or whose immunization records were not filed by the District, for the entire school. For the students whose immunization records were filed subsequent to the 30-calendar-day requirement, we examined their attendance records from the day after the 30th calendar day after the students' first day of attendance,

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2012

to the date when the related immunization records were filed. From the attendance records examined, we calculated the overstated ADA claimed by the District accordingly.

For single track schools – 1,516 days / 126 days = 12.03 ADA overstated * \$5,209.39 = **\$62,678**

For three-track schools (C) – 351 days / 138 days = 2.54 ADA overstated * \$5,209.39 = **\$13,250**

For three-track schools (B) – 180 days / 119 days = 1.51 ADA overstated * \$5,209.39 = **\$7,880**

For the early start school - 232 days / 141 days = 1.65 ADA overstated * \$5,209.39 = **\$8,571**

- **Mt. Gleason** -941 days overstated/126 days in a single track school
- **South Gate Middle School** -123 days overstated/ 126 days in a single track school
- **Apex Academy** - 101 days overstated/ 126 days in a single track school
- **Leadership** - 232 days overstated/ 141 days in an early start school
- **Fremont Science & Magnet School** -338 days overstated/138 days in a three-track school (C)
- **Huntington Park High School** -13 days overstated/ 138 days in a three- track school (C)
- **Valley Academy Arts and Science** -157 days overstated/ 126 days in a single track school
- **Gage Middle School** -180 days overstated/ 119 days in a three- track school (B)
- **Nimitz Middle School** -104 days overstated/ 126 days in a single track school
- **Burbank Middle School** -3 days overstated/ 126 days in a single track school
- **Southeast High School** - 87 days overstated/ 126 days in a single track 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.

Views of Responsible Officials and Planned Corrective Actions

The District acknowledges that five (5) students did not receive the appropriate immunizations. The corresponding questioned cost for these five (5) students equals \$15,263.51 (2.93 ADA * \$5,209.39).

For the remaining students, the appropriate immunization was obtained; however, the input date into the District's student information system was after the 30 day requirement. The District believes that schools had the immunization records in a timely manner, but due to workloads and other school site priorities, the clerical work of the data input was delayed.

INDEPENDENT AUDITOR'S MANAGEMENT LETTER



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

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

www.simpsonandsimpsoncpas.com

December 14, 2012

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, 2012, and have issued our report thereon dated December 14, 2012. In planning and performing our audit of the basic financial statements of the District, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider items FS-12-01, FS 12-02 and FS 12-03 to be significant deficiencies in internal control.

Although not considered to be significant deficiencies or material weaknesses, we also noted certain items during our audit, which we would like to bring to your attention. These comments are summarized in the following report to management on pages 298 to 304.

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 others within the entity 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, reading "Simpson E. Simpson". The ink is dark and the signature is written in a fluid, connected style.

Current Year Management Letter Comments

ML-12-01 - ISIS Access at School Site Visits

Observation

We reviewed a sample of 30 ISIS users and noted two (2) inactive (i.e., one terminated and one retiree) employees formally assigned to Canoga High School still had ISIS access.

Impact

Unauthorized or erroneous changes to student data may not be prevented, potentially resulting in an over/understatement of attendance reporting.

Recommendation

Principals or Assistant Principals should review ISIS access periodically (e.g., monthly) to remove inappropriate access in a timely manner.

Management Response

In lieu of increased workload on school-sites to manually perform a periodic review, ITD will strive to maintain the integrity of the daily HRMF interface, which automatically grants and removes access to ISIS as appropriate. As a compensating review, ITD Security will perform quarterly audits of ISIS access.

ML-12-02 - Developer Access to Payroll Production Data

Observation

There is one (1) ITD development personnel (i.e., Associate Computer Application Specialists) with update access to production payroll infotypes (e.g., 0000 Maintain HR Data, 0014 Recurring Payments, 0015 Additional Payments), this presents a segregation of duties condition. We were informed that this person requires such access to convert employee basis status (from 12 to 11 months) for a one time project via the use of SAP's LSMW utility. The person's access was subsequently deleted by ITD management upon completion of the project.

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

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 Year Management Letter Comments

Management Response

Access is approved and assigned on a limited basis and then access is removed. There is no long term access to production maintenance of infotypes.

ML-12-03 - Construction in Progress and Transfers to Depreciable Capital Assets

Observation

Every year, the District undertakes numerous construction projects to either modernize existing school facilities or build new ones. Facilities Program Support Services, a branch within the District's Facilities Services Division (FSD) facilitates the proper accumulation and recording of the costs related to these construction projects. Also, part of the FSD Branch's responsibilities is to inform the General Accounting Branch whenever a construction of an asset is completed. The General Accounting Branch is in charge of the proper accounting of these assets, once they are put in service.

Construction in progress (CIP) is a District general ledger account that refers to the temporary classification of capital assets that are being built/assembled before being placed in service. The District tracks all its costs related to the building/assembly of such assets until the asset is completed. When the asset is completed or substantially completed, all these accumulated costs are transferred to another account, to indicate that such assets are ready to be put in service and as such, are to be depreciated. Subsequently, depreciation is accounted for using the most appropriate method to properly account for the asset's wear and tear.

Upon testing the correctness of the amounts accumulated in CIP and subsequently transferred to depreciable capital assets, we noted \$ 182.6 million in CIP for New Construction, Existing Facilities and Library Services that were transferred as depreciable capital assets but were confirmed to be not completed as of year-end. Depreciation expense of about \$ 9.7 Million related to these assets was recorded for the year and about \$2.6 Million was recorded in prior years.

Impact

Lack of proper coordination between the Facilities Services Division and the General Accounting Branch resulted in a misstatement of construction in progress, depreciable capital assets and depreciation expenses.

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

Current Year Management Letter Comments

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.

Management Response

Management concurs with the recommendation. Facilities and General Accounting Branch has already begun the process of cleaning the data in the Fixed Asset System for conversion to SAP. This is a higher degree of analysis than was required in the past. Facilities Services Division has found limitations due to master data setup and the continuous manual adjustment processes required in the legacy system.

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 but not yet formally documented with management sign-offs.

ML-11-02 - Computer Operations Procedures

Recommendation

Data Center procedures should be compiled and made accessible to ITD Computer Operations personnel either via storage on a shared network directory or distribution of multiple copies.

Current Status

Corrective action(s) implemented. A copy of the procedures has been made available to Data Center personnel.

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) not implemented. An IT asset inventory system has not been implemented

Status of Prior Year Management Letter Comments

ML-11-05 - Wireless Encryption

Recommendation

WPA encryption should be implemented for the district's Administration wireless network.

Current Status

Corrective action(s) implemented. WPA encryption has been implemented for the District's Administration wireless network.

ML-11-06 - Wireless Access Point Security

Recommendation

Wireless network war driving should be performed on a periodic basis; either by ITD personnel or by a contracted consultant incorporated into a periodic independent network vulnerability assessment.

Current Status

Corrective action(s) implemented. An IT vendor has been contracted to provide war driving services.

ML-11-07 - Mainframe Utility Management

Recommendation

Inappropriate access to mainframe system utilities should be deleted and RACF access profiles with such access should be reviewed and approved on a periodic basis (e.g., every 6 to 12 months).

Current Status

Corrective action(s) implemented. Inappropriate access has been deleted for mainframe system utility access.

ML-11-08 - Mainframe System Dataset Access

Recommendation

Inappropriate access to mainframe system utilities to production datasets should be deleted. Also, RACF access profiles for ZOS system production datasets should be reviewed and approved on a periodic basis (e.g., every 6 to 12 months).

Status of Prior Year Management Letter Comments

Current Status

Corrective action(s) implemented. RACF accounts for retirees have been removed/deleted.

ML-11-09 - IFS Dataset Access

Recommendation

Inappropriate access to IFS production datasets should be deleted. Also, RACF access profiles for IFS production datasets should be reviewed and approved on a periodic basis (e.g., every 6 to 12 months).

Current Status

Corrective action(s) implemented. Inappropriate IFS access removed.

ML-11-10 - SMF Logging

Recommendation

ITD management should consider the logging and review of the SMF record type 14 (INPUT Data Set Activity) subsequent to an appropriate assessment of any potential resource impact to the system.

Current Status

Corrective action(s) implemented. SMF record 14 type logging enabled.

ML-11-11 - 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 and Existing Facilities projects and that ITD perform a similar analysis of costs for ITD 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.

Status of Prior Year Management Letter Comments

Current Status

FSD still considers the “Notice of Completion” document as the best and most consistent trigger point in determining whether a capital project has been completed to the point that the owner has received the benefits of the asset. ITD and Library Services have provided their lists of completed projects for this fiscal year to General Accounting Branch. The activities in the above management response are partially implemented. Continuing analysis is required for all completed projects and amounts in CIP and other fixed assets accounts.

ML 11-12 – Ineffective Accrual Process for Construction-Related Expenditures

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 should be made responsible and held accountable to coordinate with Facilities Services Division and Accounts Payable in determining ongoing projects for which services have been rendered but have not been billed at year-end. Alternatively, project managers may be assigned the responsibility to coordinate with third party vendors to encourage timely submission of billings. Actual billings can then be the basis for the amount of expenditures to be accrued at year-end.

Current Status

FSD conferred with Accounts Payable and General Accounting Branch and implemented and succeeded with a more refined accrual process, as compared to prior year. FSD trained staff in January and coordinated accruals with Accounts Payable in June. FSD relied wholly on FSD Invoice Tracker data capture for the accruals data submitted in August to General Accounting Branch. Preliminary results for the audit of the accruals process reported no audit adjustments for FSD contract payables.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Status of Prior Year Findings and Recommendations
June 30, 2012

Findings Related to the Basic Financial Statements Reported in Accordance with *Government Auditing Standards*

FS-11-01 - IFS Change Control – Significant Deficiency

State Audit Guide Finding Code: 30000

Recommendation

IFS Migration Request Forms should be consistently approved by the appropriate business management personnel (i.e., business sponsor) prior to a changed or new program's operational use.

Current Status

Corrective action(s) implemented. Business sponsor signatures were obtained for IFS Migration Request Forms.

FS-11-02 - ISIS Change Control – Significant Deficiency

State Audit Guide Finding Code: 30000

Recommendation

ISIS Change tickets should be consistently approved by both the appropriate business management (i.e., business sponsor) and technical personnel prior to implementing the changed or new program.

Current Status

Corrective action(s) implemented. ISIS program changes currently adhere to change management procedures.

FS-10-01 - Lack of IFS Security Reporting

State Audit Guide Finding Code: 30000

Recommendation

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

Current Status

Corrective action(s) implemented. IFS security reports developed.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2012

1. Finding F-11-01 – Allowable Costs – Payroll Certifications and Documentation for Specially Funded Employee Positions

Program Identification:

Title I Grants to Local Educational Agencies: U.S. Department of Education (USDE), Passed through the California Department of Education, CFDA Nos. 84.010 and 84.389, Grant Agreements 14329, 14981, and 15005 (Recovery Act);

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 10-13379-6473-01;

English Language Acquisition Grants, U.S. Department of Education (USDE), Passed through the California Department of Education, CFDA No. 84.365, Grant Agreement 10-10084-6473;

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, Contracts CCTR-0124 and CSPP-0227;

Workforce Investment Act, 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 10-Multiple-64733;

Medical Assistance Program, U.S. Department of Health & Human Services, Passed through the California Department of Health Services, CFDA No. 93.778, Grant Agreement C-10606:08:09;

Head Start and Early Head Start (Recovery Act), Department of Health and Human Services (HHS), Los Angeles County Office of Education (LACOE), CFDA Nos. 93.708 and 93.709, Grant Agreements C-11730:10:11 and C-11724:10:11.

Recommendation

We recommend that the District continue to provide ongoing training to appropriate personnel on the updated procedures.

Current Status

Implemented

2. Finding F-11-02 – Allowable Costs – Not Allowable Activities and Unsupported Documentation to NonPayroll Expenditures

Program Identification:

Title I Grants to Local Educational Agencies: U.S. Department of Education (USDE), Passed through the California Department of Education, CFDA Nos. 84.010 and 84.389, Grant Agreements 14329, 14981, and 15005 (Recovery Act);

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2012

School Improvement Grants, Recovery and Reinvestment Act: U.S. Department of Education (USDE), Passed through the California Department of Education, CFDA No. 84.388 Grant Agreement 10-15020-6473;

English Language Acquisition Grants, U.S. Department of Education (USDE), Passed through the California Department of Education, CFDA No. 84.365, Grant Agreement 10-10084-6473.

Recommendation

We recommend that the District provide additional guidance/training to ensure appropriate documentation is maintained to support expenditures charged to federally funded programs. The District should also strengthen its controls over its charges to the federally funded programs to ensure that the reimbursement is in accordance with federal guidelines.

Current Status

Implemented

3. Finding F-11-03 – Eligibility- Lack of Effective and Timely Monitoring of CCTR Centers

Program Identification:

Child Care and Development Fund: Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fun, Department of Health and Human Services, and ARRA – Child Care and Development Block Grant.

Recommendation

We recommend the District strengthen its monitoring process to ensure that student files are reviewed on a regular basis in order to comply with the contract and records provision. The District should also continue to provide training sessions for the center managers to ensure that they are aware of the federal requirements in relation to eligibility and that the required documentation is being maintained.

Current Status

Implemented

4. Finding F-11- 04– Equipment – Equipment Management Policies

Program Identification:

Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children, U.S. Department of Agriculture (USDA), Passed through the California Department of Education, CFDA Nos. 10.553, 10.555, and 10.559, Grant Agreement 19-64733-0000000-01;

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2012

Child and Adult Care Food Program, U.S. Department of Agriculture (USDA), Passed through the California Department of Education, CFDA No. 10.558, Grant Agreement 19-2016-3A,

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 11-14329-6473 and 11-14981-6473,

Vocational Education Basic Grants to States (Perkins IV), U.S. Department of Education (USDE), California Department of Education, CFDA No 84.048, Grant Agreements 10-14894-64733-00; 10-14893-64733 and 10-14893-7435-00;

Workforce Investment Act, 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 10-Multiple-64733;

Fund for the Improvement of Education (FIE), U.S. Department of Education (USDE), CFDA No. 84.215, Grant Agreement Nos. S215L060084 and V215L052108.

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

Child Nutrition Cluster: Implemented per CDE.

Child and Adult Care Food Program: Implemented per CDE.

Title I: Implemented

Vocational Education Basic Grants to States (Section 131 – Secondary): Implemented

Vocational Education Basic Grants to States (Section 132 – Adult): Implemented

Workforce Investment Act (Title II): Implemented

Fund for the Improvement of Education: Implemented

5. Finding F-11-05 – Matching, Level of Effort and Earmarking – Earmarking

Program Identification:

WIA Youth Activities – Department of Labor (DOL), City of Los Angeles - Community Development Department, CFDA No. 17.259, Grant Agreement T4685 (117892);

Vocational Education Basic Grants to States (Perkins IV), U.S. Department of Education (USDE), California Department of Education (CDD), CFDA No. 84.048, Grant Agreements 10-14894-64733-00, 10-14893-64733 and 10-14893-7435-00;

ARRA – Head Start and ARRA Early Head Start, Department of Health and Human Services, Los Angeles County Office of Education (LACOE), CFDA Nos. 93.708 and 93.709, Grant Agreements C-11730:10:11 and C-11724:10:11.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2012

Recommendation

WIA Youth Activities: The District should implement policies and procedures to allocate and report the program costs between in-school and out-of-school programs separately.

Vocational Education Basic Grants to States: 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.

ARRA – Head Start and ARRA Early Head Start: The programs ended on September 30, 2011 and the contracts with LACOE were not extended. As such, no recommendation would be applicable.

Current Status

WIA Youth Activities: Implemented

Vocational Education Basic Grants to States: Partially Implemented

ARRA – Head Start and ARRA Early Head Start: No applicable status. The programs ended on September 30, 2011.

6. 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

For the 2011-12 school year, the status was partially implemented. By the time the SES office received information about the findings, the SES program was already under way and a significant number of students had already completed the program or were about to complete the program. However, the office was able to remove from the SES list the students that had not started the program and had become ineligible for any of the following reasons:

1. Attending an ineligible school
2. Not qualifying for the free/reduced price meal program
3. Enrollment status was inactive

For the 2012-13 school year, the status will be fully implemented. On the one hand, the SES program will not start until December 1st, so the SES office does not expect this to be an issue any more. On the other hand, the SES office have requested from ITD monthly updates regarding SES eligibility,

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2012

so they can monitor student status and drop any ineligible student from the program before services start.

7. 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 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 (HHS), 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-9129 and CSPP-9233;

Head Start and Early Head Start (Recovery Act), Department of Health and Human Services (HHS), Los Angeles County Office of Education (LACOE), CFDA Nos. 93.708 and 93.709, Grant Agreements C-11730:10:11 and C-11724:10:11.

Recommendation

Vocational Educational Basic Grants to States: We recommend that the District should enforce the Secondary Programs to follow the District's BUL-5399, in which, schools and offices are required to document their activities if the position is administrative function including fiscal personnel.

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.

Head Start and Early Head Start (Recovery Act): The Head Start and Early Head Start programs ended on September 30, 2011 and the contracts with LACOE were not extended. As such, no recommendation would be applicable.

Current Status

Vocational Education Basic Grants to States: Partially Implemented.

Child Care and Development Fund: Implemented for fiscal year 2011-12, which is to be submitted to CDE in fiscal year 2012-13.

Head Start and Early Head Start (Recovery Act): No applicable status. The programs ended on September 30, 2011.

8. Finding F-11-08 – Matching, Level of Effort, Earmarking, and Reporting – Matching Funds Reported

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2012

Program Identification:

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP), U.S. Department of Education (USDE), CFDA NO. 84.334, Grant Agreements P334A050178 and P334A060124;

Head Start and Early Head Start (Recovery Act), Department of Health and Human Services (HHS), Los Angeles County Office of Education (LACOE), CFDA Nos. 93.708 and 93.709, Grant Agreements C-11730:10:11 and C-11724:10:11.

Recommendation

GEAR-UP: District should monitor and review the electronic spreadsheets used for tracking matching costs more closely to ensure that supporting documentation for matching is accurately filled out and summarized for inclusion in the APR.

Head Start and ARRA Early Head Start (Recovery Act): The ARRA Head Start and ARRA Early Head Start programs ended on September 30, 2011 and the contracts with LACOE were not extended. As such, no recommendation would be applicable.

Current Status

GEAR-UP: Implemented

Head Start and ARRA Early Head Start (Recovery Act): No applicable status. The programs ended on September 30, 2011.

9. Finding F-11-09 – Period of Availability – Expenses Not Claimed in Proper Period and Liquidation of Obligations

Program Identification:

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

Recommendation

We recommend that the District continue to closely monitor the expenditures charged to an appropriate grant award period.

Current Status

Implemented

10. Finding F-11-10— 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 11-14329-6473 and 11-14981-6473.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2012

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

11. Finding F-11-11 – Program Income – Not Sufficient Controls over Timely Collection of Parent Fees

Program Identification:

Child Care and Development Fund Cluster: Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund; U.S. Department of Health and Human Services, Passed through the California Department of Education, CFDA Nos. 93.575 and 93.596, Contracts CCTR-0124 and CSPP-0227.

Recommendation

We recommend the District implement an adequate system to monitor the collection of the parent fees timely and to ensure that the follow-up action is taken to comply with the Notice of Delinquency rule.

Current Status

Implemented

12. 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 09-14894-64733-00,

ARRA – Head Start, Department of Health and Human Services, Los Angeles County Office of Education (LACOE), CFDA No. 93.708, Grant Agreement C-11724:10:11;

Twenty-First Century Community Learning Centers, U.S. Department of Education (USDE), California Department of Education (CDE), CFDA No 84.287, Grant Nos. 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.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2012

ARRA – Head Start: The Head Start and Early Head Start programs ended on September 30, 2011 and the contracts with LACOE were not extended. As such, no recommendation would be applicable.

21st CCLC: The District should strengthen its procedures on attendance documentation to ensure that the agencies performing the services for these programs are aware of the District's policies, specifically on maintaining accurate attendance records. The District should also continue to perform monitoring site visits to review closely the attendance report process of its agencies.

The District should strengthen its controls to ensure attendance data is compiled and reported accurately. The District should also maintain sufficient documentation to support its results of the reconciliation between the SAR and MAR.

Current Status

Vocational Education Basic Grants to States: Partially Implemented

ARRA – Head Start: No applicable status. The program ended on September 30, 2011.

Twenty-First Century Community Learning Centers: Implemented

13. Finding F -11- 13 – Reporting – Insufficient Controls over Meal Count Reconciliation

Program Identification:

Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children, U.S. Department of Agriculture (USDA), Passed through the California Department of Education, CFDA Nos. 10.553, 10.555, and 10.559, Grant Agreement 19-64733- 0000000-01.

Recommendation

We recommend the District train its POS operators to be more diligent and careful while recording meal counts. This will ensure meals are claimed only for those students that were actually present. We recommend that the District strengthen its controls regarding the meal count reconciliation process to include a standard set of procedures, as well as the need to maintain documentation of analyses performed.

Current Status

Implemented per CDE.

14. Finding F-11-14 – Reporting – Insufficient Controls over Preparation of Schedule of Expenditure of Federal Award (SEFA)

Program Identification:

Federally Funded Programs: All Pass-through entities

Recommendation

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2012

The District should implement policies and procedures to strengthen its controls over the preparation and review of the SEFA, to ensure that all federal grant information and awarded amounts are accurately reconciled and correctly reported.

Current Status

Implemented

15. Finding F-11-15 – Reporting – Financial Reporting

Finding F-10-13 – Reporting

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 and 14981;

Vocational Education Basic Grants to States: U.S. Department of Education (USDE), Passed through the California Department of Education, CFDA No. 84.048, Grant Agreement 09-14894-64733-00;

Medical Assistance Program (Medicaid; Title XIX), Department of Health Services, Passed through the California Department of Education, CFDA 93.778, Grant Agreement C-10606:08:09.

Recommendation

Title I Basic Grants to LEAs: We recommend that the District amend its existing policies and procedures to require any adjustments made subsequent to the reporting period (September 30) for the Title I be communicated to the Budget Division timely for proper carryover calculations and reporting. The District should update its current accounting procedures to include timely refunding of any unspent grant funds be returned to grantors.

Vocational Education Basic Grants to States: We recommend that the District amend its existing current accounting procedures to include timely refunding of any unspent grant funds be returned to grantors.

Medical Assistance Program: The District should implement policies and procedures to strengthen its controls over reporting to ensure that reports are accurately reconciled to the accurate data and for the proper reporting period. We recommend that the District implement policies and procedures for the inclusion if any of journal entries recorded in the IFS to be part of the claims process to ensure all activities are accounted for.

Current Status

Implemented

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2012

16. Finding F-11-16 – Subrecipient Monitoring – Monitoring Procedures Performed

Finding F-10-16 – Subrecipient Monitoring – Monitoring Procedures Performed

Finding F-09-17 – Subrecipient Monitoring – Monitoring Procedures Performed

Finding F-08-21 – Subrecipient Monitoring – Monitoring Procedures Performed

Finding F-07-29 – Subrecipient Monitoring – Monitoring Procedures Performed

Finding F-06-28 – Subrecipient Monitoring – Monitoring Procedures Performed

Finding F-05-30 – Subrecipient Monitoring – Monitoring Procedures over Subrecipients

Program Identification:

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP), U.S. Department of Education (USDE), CFDA No. 84.334, Grant Agreements P334A050008, P334A050217, P334A050178;

Twenty-First Century Community Learning Centers, U.S. Department of Education (USDE), California Department of Education (CDE), CFDA No. 84.287, Grant Agreements 07-14349-6473-4A, 07-14535-6473-4A, 08-14349-6473-3A, 08-14349-6473-3B, 08-14349-6473-4A, 08-14349-6473-5A, 08-14535-6473-3A, 08-14535-6473-3B, 08-14535-6473-3C, 08-14535-6473-4A, 08-14535-6473-5A, 09-14349-6473-4A, 09-14349-6473-5A, 09-14535-6473-4A, 09-14535-6473-5A, 09-14535-6473-6A, 09-14535-6473-6B, 09-14535-6473-6C, 09-14535-6473-6D, 09-14603-6473-6B, 09-14603-6473-6C, 09-14603-6473-6D, 10-14349-6473-4A, 10-14349-6473-5A, 10-14535-6473-4A, 10-14535-6473-5A, 10-14535-6473-6A, 10-14535-6473-6B, 10-14535-6473-6C, 10-14535-6473-6D, 10-14603-6473-6B, 10-14603-6473-6C, 10-14603-6473-6D.

Recommendation

GEAR-UP: We recommend that the District finalize and implement the policies and procedure immediately to ensure that the subrecipient monitoring compliance requirement be met with the federal requirements.

Twenty-First Century Community Learning Centers: We recommend that the District establish policies and procedure to ensure compliance with the federal requirements for subrecipient monitoring.

Current Status

Implemented

17. Finding F-11-17 – Special Tests and Provisions (Highly Qualified Teachers and Paraprofessionals) – Qualifications

Program Identification:

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2012

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 strengthen its monitoring process to ensure that schools are compliant with the principal attestation requirement and submit the accurate certifications timely.

Current Status

Teachers: Partially Implemented

Paraprofessionals: Implemented

18. Finding F-11-18 – Special Tests and Provisions (Parent Notification Letters) – Support for Notifications

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 11-14346-64733-00.

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.

Current Status

The Multilingual and Multicultural Education Department (MMED), formally known as Language Acquisition Branch (LAB), developed a Corrective Action Plan to ensure that procedures are in place for schools to notify parents within the appropriate timeline and maintain supporting documentation. Below is the status and supporting documentation of the Corrective Action Plan.

1. Use 2010-11 Single Audit findings along with the data provided by schools to the *English Learner Online Accountability System*, the Language Acquisition Branch, in conjunction with Local District English Learner staff, to provide support to schools not meeting the parental notification timelines.

Status: Implemented

Documentation: The *English Learner Online Accountability System* has guidelines for schools to ensure parents receive notification within the appropriate timeline. Schools must document that notifications were sent to parents within the timeline; EL Coordinators attended the Master Plan

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2012

Institute to review the parental notification timelines; Monthly EL Coordinator meetings supported school site coordinators with providing documentation to parents.

2. Rewrite the District's *Master Plan for English Learners* and include explicit guidelines regarding the mandates and procedures pertaining to parental notification. This publication will be distributed to all schools and professional development will be provided to all school-site, local district (Educational Service Centers), and central office staff.

Status: Partially Implemented

Documentation: The *English Learner Master Plan* was reviewed and approved by the LAUSD Board of Education in June 2012. Chapter 1 of this plan includes explicit guidelines pertaining to parental notification; the plan was distributed to all schools and is available on the MMED website; professional development was provided to ESC Superintendents, Instructional Directors, principals, teachers, EL Coordinators, and central office staff with a completion date of November 30, 2012.

3. Revise existing parental notification policies to include explicit guidelines regarding the mandates and procedures pertaining to parental notification. These policies will be posted on the District's *InsideLAUSD* website and will be accessible to all employees. Reference to these policies will be included in the *English Learner Master Plan* professional development to all schools (Refer to timeline referenced in Item 4).

Status: Partially Implemented

Documentation: The existing parental notification policies are currently in the revision stages to address the updates in the *English Learner Master Plan*. Upon completion, updated policies will be available on the District's *InsideLAUSD* and MMED websites; professional development on the *English Learner Master Plan* is being provided to ESC Superintendents, Instructional Directors, principals, EL Coordinators, and central office staff with a completion date of November 30, 2012. School site administrators will provide training to teachers on the *English Learner Master Plan* by November 30, 2012 in the form of four modules.

4. Provide professional development that is designed to ensure that school-site principals, EL Coordinators and teachers receive comprehensive training on federal and state mandates, as well as the District's instructional programs for ELs.

Professional Development
Title III Master Plan Institute

Training Date
June 2012

English Learner Master Plan (all schools)

May-June 2012
September-October 2012

Status: Implemented

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2012

Documentation: Professional Development consisting of 4 modules for school site and ESC Coordinators on the *English Learner Master Plan* during the Master Plan Institutes (July 2012, August 2012, October 2012); School site administrators will provide training to all staff on the *English Learner Master Plan* by November 30, 2012 in the form of four modules.

5. Continue to work collaboratively with local district (Educational Service Center) staff to provide on-going professional development to school-site EL Coordinators that focuses on federal and state mandates. Each local district (Educational Service Center) meets with school-site EL Coordinators on a monthly basis.

Status: Implemented

Documentation: MMED Staff meets with Educational Service Centers EL Coordinators twice a month to provide on-going professional development; In addition, monthly EL Coordinator meetings at the Educational Service Centers for school-site EL Coordinators.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Questioned Costs

June 30, 2012

Findings and Questioned Costs Related to State Awards

S-11-01 Regular and Special Day Classes – Elementary Schools – Attendance Computations

State Audit Guide Finding Codes: 10000 and 40000

Schools Affected

- Hooper Elementary School
- Alta California Elementary School
- Bandini Elementary School
- Monlux Elementary School
- Saticoy Elementary School
- Lane Elementary School
- Norwood Elementary School
- Mount Washington Elementary School
- Raymond Avenue Elementary School
- Beckford Elementary School
- Harvard Elementary School
- Cabrillo 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

Corrective actions were implemented by the subject schools.

S-11-02 Regular and Special Day Classes – Secondary Schools – Attendance Computations

State Audit Guide Finding Codes: 10000 and 40000

Schools Affected:

- Carver Middle School
- Orchard Academies #2B
- Bethune Middle School
- Olive Vista Middle School
- Hale Middle School
- Marshall High School
- Bell High School
- San Pedro High School
- Torres ELA Performing Arts High School
- San Fernando High School
- Bravo Medical Magnet High School

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Questioned Costs

June 30, 2012

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

Corrective actions were implemented by the subject schools.

S-11-03 Attendance Accounting – Continuation Education – Attendance Computations

State Audit Guide Finding Codes: 10000 and 40000

School Affected

- Metropolitan High School

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

Corrective action was implemented by the subject school.

S-11-04 Attendance Accounting – Dependent Charter School – Attendance Computations

State Audit Guide Finding Codes: 10000 and 40000

School Affected

- Kenter Canyon Elementary School

Recommendation

We recommend that the District strengthen its review process over dependent charter schools to ensure accuracy of supporting documentation in order for proper reporting of attendance.

Current Status

Corrective action was implemented by the subject school.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Questioned Costs

June 30, 2012

S-11-05 – After School Education and Safety Program

State Audit Guide Finding Codes: 40000

Schools Affected

- Analee Elementary School
- Wilmington Elementary School
- Patrick Henry Middle School
- Herrick Elementary School
- Griffith Middle School
- Heliotrope Elementary School
- Apperson Elementary School
- Holmes Middle School
- 116th Elementary School
- 20th Elementary School
- Grape Elementary School
- Griffin Elementary School
- Bridge Elementary School
- Millikan Middle School
- San Fernando Middle School
- Commonwealth Elementary School
- Gulf Elementary School
- Edison Middle School
- Lilian Elementary School
- 66th Street Elementary School
- Angeles Mesa Elementary School
- Cimarron Elementary School
- Colfax Elementary School
- Ford Boulevard Elementary School
- 28th Elementary School
- Dyer Elementary School
- Richland Elementary School
- Eshelman Elementary School
- Audubon Middle School
- Dodson Middle School
- Drew Middle School
- Carver Middle School
- Gage Middle School
- Chavez Elementary School
- Lizarraga Elementary School
- Alta Loma Elementary School
- Grant Elementary School
- Burton Elementary School
- Fair Avenue Elementary School
- Gridley Elementary School
- State Street Elementary School
- Sylmar Elementary School
- Sylvan Elementary School
- West Vernon Elementary School
- Leo Politi Elementary School
- Barton Hill Elementary 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

Corrective actions partially implemented. LAUSD - Beyond The Bell Branch has implemented the following procedures effective July 1, 2011 to ensure that we are providing training on attendance policies and procedures as well as how we are monitoring how the procedures are being implemented at the sites to ensure documentation of reported attendance figures is readily available and accurate for auditing purposes.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Questioned Costs

June 30, 2012

1. Agency contractors and program personnel attended **“Start-Up Meeting”** held August 10, 2011. Extensive training on attendance documentation was offered during this meeting.
2. Contractors and agency program personnel were required to attend an annual “Policies and Procedures/Risk Management” training. As a result of the audit finding and reflection on best practices, Beyond the Bell has developed an attendance documentation training implemented for the 2011 – 2012 year. The training was offered on a monthly basis. The following “Policies and Procedures/Risk Management” training dates were scheduled for the 2011 – 2012 year (NOTE: Attendance Documentation has been implemented as a result of previous audit findings):
 - 8/30/11, 8/31/11, 9/6/11, 9/21/11, 10/22/11, 11/19/11, 12/14/11, 1/21/12, 2/16/12, 3/14/12, 4/21/12, 5/19/12, & 6/13/12
3. Contractors and agency program personnel attended a Federal Program Monitoring (FPM) training. The FPM training reflects the CDE’s Program Dimensions. Extensive training on attendance documentation was offered during this meeting.
4. Beyond the Bell conducted “site visits” to monitor program quality and student attendance through:
 - Field Office administrators
 - Certified Administrators conducted site visits to evaluate and monitor agency program implementation. Attendance documentation was closely monitored during these visits.
 - Field Office Travelling Playground Supervisors
 - Classified/Unclassified Travelling Playground Supervisors conducted weekly visits to evaluate and monitor agency program implementation. Attendance documentation to ensure appropriate staff-to-student ratio and observation of sign in/sign out procedures was closely monitored during these site visits.
 - Central Office Administrators
 - Central Office Administrators conducted site visits to evaluate and monitor agency program implementation. In addition to program quality and compliance, attendance documentation was closely monitored during these visits.
5. Beyond the Bell Branch conducted “random reviews/audits of monthly attendance reports” to examine agency sign in/sign out procedures.

S-11-06 After School and Safety Program

State Audit Guide Finding Codes: 40000

Schools Affected

- | | |
|-----------------------------------|--------------------------|
| • Burton Elementary School | • West Vernon El |
| • Gridley El | • 66Th St El |
| • Politi El | • Alta Loma El |
| • Sylmar El | • Angeles Mesa El |
| • Sylvan Park El | • Annalee El |

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Questioned Costs

June 30, 2012

- **Commonwealth El**
- **Dyer El**
- **Eshelman El**
- **Grant El**
- **Gulf El**
- **Heliotrope El**
- **Herrick El**
- **Heliotrope El**
- **Wilmington Park El**
- **Henry MS**
- **Edison MS**
- **Griffith MS**
- **Holmes MS**
- **Dodson MS**
- **Drew MS**
- **Hollenbeck MS**
- **Carnegie MS**
- **Irving MS**
- **Carver MS**
- **Gage MS**
- **Nimitz MS**
- **San Fernando MS**
- **Audubon MS**

Recommendation

We recommend that the District strengthen its procedures on attendance documentation for the After School Education and Safety program. The District should ensure that the agencies performing the services for these programs are aware of the district policies, specifically on maintaining accurate attendance records. We also recommend for the District to perform agency visits to make sure that the established policies are complied with.

Current Status

See Current Status for Finding S-11-05.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C

BOOK-ENTRY ONLY SYSTEM

The information in the following section entitled “DTC’s Book-Entry System” has been provided by DTC for use in securities offering documents, and the District and the County take no responsibility for the accuracy or completeness thereof. The District and the County cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners either (a) payments of interest or principal with respect to the Series B Notes or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Series B Notes, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company, New York, New York, will act as securities depository for the District’s 2012-2013 Tax and Revenue Anticipation Notes, Series B (“Series B Notes”). The Series B Notes 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 the Series B Notes in the aggregate principal amount thereof 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.

Purchases of Series B Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series B Notes 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 Series B Notes 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 Series B Notes, except in the event that use of the book-entry system for the Series B Notes is discontinued.

To facilitate subsequent transfers, all Series B Notes 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 Series B Notes 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 Series B Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series B Notes 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 Series B Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series B Notes, such as defaults and proposed amendments to the security documents. For example, Beneficial Owners of Series B Notes may wish to ascertain that the nominee holding the Series B Notes 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series B Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County 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 Series B Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Distributions and other payments on the Series B Notes 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 and the County, 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 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 and the County, 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.

If applicable, a Beneficial Owner shall give notice to elect to have its Series B Notes purchased or tendered, through its Participant, to the County's designated agent, and shall effect delivery of such Series B Notes by causing the Direct Participant to transfer the Participant's interest in the Series B Notes, on DTC's records, to the County's designated agent. The requirement for physical delivery of Series B Notes in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series B Notes are transferred by Direct Participants on DTC's records and

followed by a book-entry credit of tendered Series B Notes to the DTC account of the County's designated agent.

DTC may discontinue providing its services as depository with respect to the Series B Notes at any time by giving reasonable notice to the District and the County. 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 County Resolution with respect to certificated Series B Notes will apply.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES B NOTES, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE SERIES A NOTEHOLDERS, HOLDERS OR REGISTERED OWNERS OF THE SERIES B NOTES SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES B NOTES.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon the delivery of the Series B Notes, Hawkins Delafield & Wood LLP, Bond Counsel to the District, proposes to render its final approving opinion with respect to the Series B Notes in substantially the following form:

Board of Education of the
Los Angeles Unified School District
Los Angeles, California

Ladies and Gentlemen:

We have acted as Bond Counsel to the Los Angeles Unified School District (the “District”) in connection with the issuance of its \$780,000,000 Los Angeles Unified School District 2012-2013 Tax and Revenue Anticipation Notes, Series B (the “Series B Notes”) pursuant to and by authority of a resolution of the Board of Education of the District duly passed and adopted on April 10, 2012 (the “District Resolution”) and a resolution of the Board of Supervisors of the County of Los Angeles duly passed and adopted on May 15, 2012 (the “County Resolution” and together with the District Resolution, the “Resolutions”), and under and by the authority of Article 7.6 Chapter 4, Part 1, Division 2, Title 5 of the California Government Code.

In such connection, we have examined the Resolutions, certain estimates, expectations and assumptions made by or on behalf of the District, originals, or copies identified to our satisfaction as being true copies, of such records and proceedings of the District and the County of Los Angeles, California (the “County”) and such other documents, and other matters deemed necessary to render the opinions set forth herein.

Based on the foregoing, we are of the opinion that:

1. The Series B Notes constitute the valid and binding obligations of the District enforceable in accordance with their terms.
2. The Series B Notes are payable solely from certain taxes, income, revenues, cash receipts and other moneys of the District for the fiscal year ending June 30, 2013 and lawfully available for the payment of the Series B Notes, and the interest thereon, all as specified in the Resolutions. Pursuant to the terms of the Resolutions, the District has pledged certain amounts to such payment.

The foregoing opinions are qualified to the extent that the enforceability of the Series B Notes and the Resolutions may be limited by bankruptcy, moratorium, insolvency or other laws affecting creditor’s rights or remedies and is subject to general principles of equity (regardless of whether such enforceability is considered in equity or at law), to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities in the State of California.

We have not been requested to investigate, examine, review or opine as to any matter relating to the federal, state or local tax consequences with respect to the Series B Notes or the ownership or disposition thereof. In rendering this opinion, we are not passing upon the treatment of the Series B Notes (including interest thereon) for Federal, state or local tax purposes, we have not reviewed any matter or conducted any investigation or examination relating thereto and we take no responsibility

therefore. We express no opinion as to any Federal, state or local tax consequences arising with respect to the Series B Notes or the ownership or disposition thereof.

We render our opinion under existing statutes and court decisions as of the date hereof, and we assume no obligation to update, revise or supplement this opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances, or any change in law or in interpretations thereof, or otherwise, that may hereafter arise or occur, or for any other reason.

Very truly yours,

APPENDIX E

PROPOSED FORM OF OPINION OF SPECIAL TAX COUNSEL

Upon delivery of the Series B Notes, Sidley Austin LLP, Special Tax Counsel to the District, proposes to render its opinion with respect to the Series B Notes in substantially the following form:

February 26, 2013

Board of Education
Los Angeles Unified School District
Los Angeles, California

Members of the Board of Education:

We have acted as Special Tax Counsel to the Los Angeles Unified School District (the “District”) in connection with the issuance of the \$780,000,000 Los Angeles Unified School District 2012-2013 Tax and Revenue Anticipation Notes, Series B (the “Series B Notes”). The Series B Notes are issued under and pursuant to Article 7.6 Chapter 4, Part 1, Division 2, Title 5 of the State of California Government Code, a resolution adopted by the Board of Education of the District on April 10, 2012 (the “District Resolution”) and a resolution adopted by the Board of Supervisors of the County of Los Angeles on May 15, 2012 (the “County Resolution” and together with the District Resolution, the “Resolutions”).

We have examined originals, or copies identified to our satisfaction as being true copies, of the Resolutions, the Tax Certificate executed and delivered by the District in connection with the issuance of the Series B Notes (the “Tax Certificate”), certificates of the District and others, and such other documents, opinions and matters as we have considered necessary or appropriate under the circumstances to render the opinions set forth herein.

We have assumed the genuineness of all documents and signatures presented to us. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents we reviewed. We have also assumed the accuracy of all representations and compliance with all covenants and agreements contained in the Resolutions and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions or omissions will not cause the interest on the Series B Notes to be included in gross income for federal income tax purposes. Further, we have assumed, without independent investigation, the correctness of the opinion of Hawkins, Delafield & Wood LLP, Bond Counsel, delivered in connection with the issuance of the Series B Notes, that the Series B Notes constitute the valid and binding obligations of the District enforceable in accordance with their terms.

Based on and subject to the foregoing, as of the date hereof, we are of the opinion that, under existing law:

1. Assuming compliance by the District and the County with certain covenants in the District Resolution, the County Resolution and the Tax Certificate and requirements of the Internal Revenue Code of 1986, as amended (the “Code”), regarding the use, expenditure and investment of proceeds of the Series B Notes and the timely payment of certain investment earnings to the United States, interest on the Series B Notes is not included in gross income for purposes of federal income taxation. Failure to comply with such covenants and requirements may cause interest on the Series B Notes to be included in federal gross income retroactive to the date of issuance of the Series B Notes.

2. Interest on the Series B Notes is not treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals and corporations; however, interest on the Series B Notes owned by a corporation is included in the calculation of the corporation's federal alternative minimum tax liability.

3. Interest on the Series B Notes is exempt from personal income taxes imposed by the State of California.

In rendering the opinions set forth above, we have relied upon certifications and representations of the District with respect to certain material facts solely within the knowledge of the District, without undertaking to verify the same by independent investigation.

The Code contains other provisions that could result in tax consequences, as to which we express no opinion, as a result of ownership of the Series B Notes. Further, certain requirements and procedures contained or referred to in the Resolutions, the Tax Certificate or other documents pertaining to the Series B Notes may be changed, and certain actions may be taken or not taken under the circumstances and subject to the terms and conditions set forth in such documents with the approval of counsel nationally recognized in the area of state and local obligations. No opinion is expressed herein as to the effect on the exclusion from gross income of interest on the Series B Notes of any change to the aforementioned requirements and procedures or of any action taken or not taken after the date of this opinion without our approval.

We express no opinion on any matter other than as specifically set forth herein. The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions. Such opinions may be adversely affected by actions taken or events occurring, including a change in law, regulation or ruling (or in the application or official interpretation of any law, regulation or ruling) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or such events occur, and we have no obligation to update this opinion in light of any such actions or events.

Respectfully submitted,

APPENDIX F

PROPOSED FORM OF DISCLOSURE CERTIFICATE

This Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Los Angeles Unified School District (the “District”) in connection with the issuance of \$780,000,000 Los Angeles Unified School District 2012-2013 Tax and Revenue Anticipation Notes, Series B (the “Series B Notes”). The Series B Notes are being issued pursuant to a Resolution adopted by the Board of Education of the District on April 10, 2012 (the “District Resolution”) and a Resolution adopted by the Board of Supervisors of County of Los Angeles on May 15, 2012 (the “County 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 Series B Notes 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 County Resolution, which shall apply to any capitalized term used in this Disclosure Certificate, unless otherwise defined herein, the following capitalized terms shall have the following meanings:

“CUSIP Number” 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 Series B Notes (including persons holding Series B Notes through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series B Notes for federal income tax purposes.

“County” shall mean the County of Los Angeles, California.

“Dissemination Agent” shall mean Digital Assurance Certification, L.L.C., or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“Disclosure Counsel” shall mean an attorney-at-law, or a firm of such attorneys, of nationally recognized standing in matters pertaining to the disclosure obligations under Rule 15c-2 of the Securities and Exchange Commission of the United States of America, duly admitted to the practice of law before the highest court of any state of the United States of America.

“EMMA System” shall mean the MSRB’s Electronic Municipal Market Access system.

“Holder” shall mean either the registered owners of the Series B Notes, or if the Series B Notes 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 February 19, 2013 with respect to the Series B Notes.

“Participating Underwriters” shall mean any of the original underwriters of the Series B Notes required to comply with the Rule in connection with offering of the Series B Notes.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Transmission of Notices, Documents and Information. (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB’s Electronic Municipal Markets Access (EMMA) system, the current internet address of which is <http://emma.msrb.org>.

(b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB.

Section 6. Reporting of Listed Events.

If a Listed Event occurs, the District shall provide or caused to be provided, in a timely manner not in excess of ten (10) Business Days after the occurrence of such Listed Event, notice of such Listed Event to (i) the 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 Series B Notes:

- (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 Series B Notes, or other material events affecting the tax status of the Series B Notes.
- (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 Series B Notes, if material.
- (xi) bankruptcy, insolvency, receivership or similar event of the District (such event is considered to occur when any of the following occur: the appointment of a receiver, fiscal

agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District;

(xii) substitution of credit or liquidity providers, or their failure to perform;

(xiii) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

The District notes that items (ix), (x) and (xii) are not applicable to the Series B Notes.

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.

If the District determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the District shall promptly file a notice of such occurrence with the 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 Series B Notes pursuant to the County Resolution and District Resolution.

Section 7. CUSIP Number. Whenever providing information to the Dissemination Agent, including but not limited to notices of Listed Events, the District shall indicate the full name of the Series B Notes and the 9-digit CUSIP number for the Series B Notes 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 Series B Notes. If such termination occurs prior to the final maturity of the Series B Notes, 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 Series B Notes, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the MSRB.

Section 9. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall be Digital Assurance Certification, L.L.C. If at any time there is no designated Dissemination Agent appointed by the District, or if the Dissemination Agent so appointed is unwilling or unable to perform the duties of the Dissemination Agent hereunder, the District shall be the Dissemination Agent and undertake or assume its obligations hereunder. The Dissemination Agent (other than the District) shall not be responsible in any manner for the content of any notice or report required to be delivered by the District pursuant to this Disclosure Certificate.

Section 10. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series B Notes, or the type of business conducted; and

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of Disclosure Counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series B Notes, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

(c) The amendment or waiver either: (i) is approved by the Holders of the Series B Notes in the same manner as provided in the Paying Agent Agreement with the consent of Holders, or (ii) does not, in the opinion of Disclosure Counsel, materially impair the interests of the Holders or Beneficial Owners of the Series B Notes.

(d) In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District 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.

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, 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 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 Disclosure Certificate to update such information or include it in any future 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

Series B Notes then outstanding, shall) or any Holders or Beneficial Owners of the Series B Notes may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in the Superior Court of the State of California in and for the County of Los Angeles or in the U.S. District Court in the County of Los Angeles. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Paying Agent Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 13. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series B Notes.

Section 14. Notices. Any notices or communications to the District may be given as follows:

Los Angeles Unified School District
333 S. Beaudry Avenue, 26th Floor
Los Angeles, California 90071
Attn: Chief Financial Officer
Telephone: (213) 241-7888
Facsimile: (213) 241-6813

Section 15. 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 Series B Notes, and shall create no rights in any other person or entity.

Dated: February 26, 2013

LOS ANGELES UNIFIED SCHOOL DISTRICT

By: _____
Megan K. Reilly
Chief Financial Officer

ACKNOWLEDGED AND AGREED TO BY:

DIGITAL ASSURANCE CERTIFICATION,
L.L.C., as Dissemination Agent

By: _____
Dissemination Agent

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX G

THE LOS ANGELES COUNTY TREASURY POOL

In accordance with California Government Code Section 53600 et seq., funds are deposited with the Treasurer and Tax-Collector (the “Treasurer”) by County of Los Angeles (the “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 Series B Notes.

Los Angeles County Pooled Surplus Investments

The Treasurer has the delegated authority to invest funds on deposit in the County Treasury (the “Treasury Pool”). As of December 31, 2012, 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	\$11.635
Schools and Community Colleges	11.780
Independent Public Agencies	2.711
Total	<u>\$26.126</u>

Of these entities, the involuntary participants accounted for approximately 89.64%, and all discretionary participants accounted for 10.36% of the total Treasury Pool.

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer’s prior approval. In Los Angeles County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State of California, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the Los Angeles County Board of Supervisors on an annual basis. The Investment Policy adopted on March 20, 2012, 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 January 31,

2013, the December 31, 2012 book value of the Treasury Pool was approximately \$26.126 billion and the corresponding market value was approximately \$26.175 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 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 nonconformance with the approved Investment Policy and annual accounts for all investments.

The following table identifies the types of securities held by the Treasury Pool as of December 31, 2012.

Type of Investment	% of Pool
U.S. Government and Agency Obligations	51.56
Certificates of Deposit	17.17
Commercial Paper	29.74
Bankers Acceptances	0.00
Municipal Obligations	0.10
Corporate Notes & Deposit Notes	1.43
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 December 31, 2012 approximately 39.78% of the investments mature within 60 days, with an average of 610 days to maturity for the entire portfolio.

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

