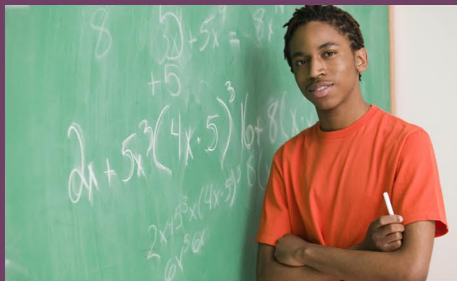
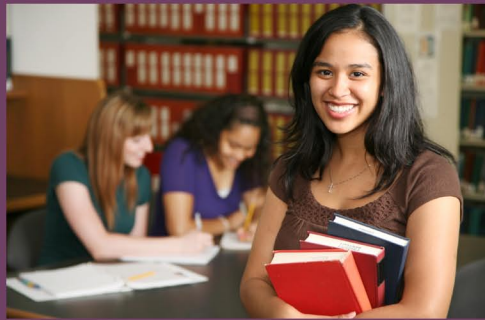


# Comprehensive Annual Financial Report

FOR FISCAL YEAR ENDED JUNE 30, 2011



# 2010-2011



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

**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2011**

**MR. JOHN E. DEASY**  
SUPERINTENDENT OF SCHOOLS  
(EFFECTIVE APRIL 18, 2011)

**MR. RAMON C. CORTINES**  
SUPERINTENDENT OF SCHOOLS  
(RETIRED EFFECTIVE APRIL 17, 2011)

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

**MS. YUMI TAKAHASHI**  
CONTROLLER  
(EFFECTIVE JULY 1, 2011)

**MR. TIMOTHY S. ROSNICK**  
CONTROLLER  
(JUNE 9, 2008 – JUNE 12, 2011)



**PREPARED BY  
ACCOUNTING AND DISBURSEMENTS DIVISION**

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



**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
 Comprehensive Annual Financial Report  
 Year Ended June 30, 2011

**Table of Contents**

<b>INTRODUCTORY SECTION</b>	<b>Page</b>
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
 <b>FINANCIAL SECTION</b>	
Independent Auditor's Report .....	1
Management's Discussion and Analysis .....	3
 <b>Basic Financial Statements:</b>	
 <b>Government-wide Financial Statements:</b>	
Statement of Net Assets .....	14
Statement of Activities .....	15
 <b>Fund Financial Statements:</b>	
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
 <b>Notes to Basic Financial Statements</b> .....	 25
 <b>Required Supplementary Information</b> .....	 68
 <b>Supplementary Information:</b>	
 <b>Combining and Individual Fund Schedules and Statements:</b>	
District Bonds Fund – Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual .....	69
County School Facilities Bonds Fund – Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual .....	70
Bond and Interest Redemption Fund – Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual .....	71

**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
 Comprehensive Annual Financial Report  
 Year Ended June 30, 2011

**Table of Contents**

<b>Supplementary Information (Continued)</b>	<b>Page</b>
<b>Nonmajor Governmental Funds :</b>	
<b>Special Revenue Funds/Debt Service Funds/Capital Projects Funds:</b>	
Nonmajor Governmental Funds – Combining Balance Sheet .....	74
Nonmajor Governmental Funds – Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	78
Special Revenue Funds – Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual .....	82
Debt Service Funds – Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual .....	86
Capital Projects Funds – Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual .....	88
<b>Internal Service Funds:</b>	
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
<b>Fiduciary Funds:</b>	
Fiduciary Funds – Agency Funds – Combining Statement of Changes in Assets and Liabilities .....	99
<b>Capital Assets Used in the Operation of Governmental Funds:</b>	
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
<b>STATISTICAL SECTION (Unaudited)</b>	
<b>Schedules of Financial Trends Information</b>	
Statement of Net Assets – Last Ten Fiscal Years .....	112
Changes in Net Assets – Last Ten Fiscal Years .....	114
Governmental Activities Tax Revenues by Source – Last Ten Fiscal Years .....	116
Fund Balances of Governmental Funds – Last Ten Fiscal Years .....	118
Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years .....	120

**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
 Comprehensive Annual Financial Report  
 Year Ended June 30, 2011

**Table of Contents**

<b>STATISTICAL SECTION (Unaudited) (Continued)</b>	<b>Page</b>
<b>Schedules of Financial Trends Information (Continued)</b>	
Governmental Fund Types – Expenditures and Other Uses by State Defined Object – Last Ten Fiscal Years .....	122
Governmental Fund Types – Expenditures and Other Uses by Goal and Function – Last Nine Fiscal Years .....	124
Governmental Fund Types – Revenues by Source (SACS Report Categories) – Last Ten Fiscal Years .....	126
<b>Schedules of Revenue Capacity Information</b>	
Assessed Value of Taxable Property – Last Ten Fiscal Years .....	127
Property Tax Rates – All Direct and Overlapping Governments – Last Ten Fiscal Years .....	128
Largest Local Secured Taxpayers .....	130
Property Tax Levies and Collections – Last Ten Fiscal Years .....	131
Revenue Limit per Unit of Average Daily Attendance – Last Ten Fiscal Years .....	132
Governmental Fund Types – Schedule of Revenues and Other Sources, Expenditures and Other Uses by State Defined Object – Last Ten Fiscal Years .....	134
<b>Schedules of Debt Capacity Information</b>	
Ratio of Annual Debt Service for General Bonded Debt and Certificates of Participation (COPs) to Total General Governmental Expenditures – Last Ten Fiscal Years .....	144
Ratio of Net General Bonded Debt and Certificates of Participation (COPs) to Assessed Value and Net Debt per Capita – Last Ten Fiscal Years .....	145
Schedule of Direct and Overlapping Bonded Debt .....	146
Legal Debt Margin Information – Last Ten Fiscal Years .....	147
<b>Schedules of Demographic and Economic Information</b>	
Demographic Statistics – Last Ten Fiscal Years .....	148
Principal Employers – Current Year and Nine Years Ago .....	149
<b>Schedules of Operating Information</b>	
Average Daily Attendance/Hours of Attendance (Annual Report) – Last Ten Fiscal Years .....	150
Full-Time Equivalent District Employees by Function – Last Nine Fiscal Years.....	152
Capital Assets by Function – Last Nine Fiscal Years.....	154
Miscellaneous Statistical Data – Last Five Fiscal Years.....	156
<b>STATE AND FEDERAL COMPLIANCE INFORMATION SECTION</b>	
<b>General Fund:</b>	
Schedule of Principal Apportionment Revenue from the State School Fund .....	159
Schedule of Appropriations, Expenditures and Other Uses, and Unexpended Balances by District Defined Program .....	160
Expenditures and Other Uses by Goal and Function .....	161
Schedule of Current Expense of Education .....	162
Schedule of Special Purpose Revenues, Expenditures and Restricted Balances .....	163
<b>Adult Education Fund:</b>	
Schedule of Revenues and Other Sources, Expenditures and Other Uses by Function, and Changes in Fund Balance .....	164

**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
 Comprehensive Annual Financial Report  
 Year Ended June 30, 2011

**Table of Contents**

<b>STATE AND FEDERAL COMPLIANCE INFORMATION SECTION</b>	<b>Page</b>
<b>(Continued)</b>	
<b>Child Development Fund:</b>	
Schedule of Revenues and Other Sources, Expenditures and Other Uses by Function, and Changes in Fund Balance .....	165
<b>All Funds:</b>	
Schedule of Fund Equity .....	166
Schedule of Revenues and Other Financing Sources .....	170
Organization Structure .....	188
Schedule of Average Daily Attendance/Hours of Attendance .....	189
Schedule of Average Daily Attendance – Canyon Elementary School .....	190
Schedule of Average Daily Attendance – Carpenter Community Charter .....	191
Schedule of Average Daily Attendance – Colfax Charter Elementary School .....	192
Schedule of Average Daily Attendance – Community Magnet Charter Elementary School .....	193
Schedule of Average Daily Attendance – Dr. T. Alexander Jr. Science Center School .....	194
Schedule of Average Daily Attendance – Kenter Canyon Elementary School .....	195
Schedule of Average Daily Attendance – Marquez Avenue Elementary School .....	196
Schedule of Average Daily Attendance – Open Magnet Charter School .....	197
Schedule of Average Daily Attendance – Pacific Charter Elementary School .....	198
Schedule of Average Daily Attendance – Revere (Paul) Middle School .....	199
Schedule of Average Daily Attendance – Topanga Elementary School .....	200
Schedule of Average Daily Attendance – Westwood Elementary School .....	201
Schedule of Instructional Time Offered .....	202
Schedule of Financial Trends and Analysis .....	203
Schedule to Reconcile the Annual Financial Budget Report (SACS) with Audited Financial Statements .....	204
Charter Schools .....	205
Notes to State Compliance Information .....	209
Schedule of Expenditures of Federal Awards .....	210
Notes to Schedule of Expenditures of Federal Awards .....	214
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> .....	215
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 .....	217
Auditor's Report on State Compliance .....	220
Schedule of Findings and Questioned Costs .....	223
Independent Auditor's Management Letter .....	323
Status of Prior Year Findings and Recommendations .....	337



# INTRODUCTORY SECTION



**MONICA GARCIA, PRESIDENT**  
**TAMAR GALATZAN**  
**BENNETT KAYSER**  
**MARGUERITE POINDEXTER LAMOTTE**  
**NURY MARTINEZ**  
**RICHARD A. VLADOVIC, Ed.D.**  
**STEVEN ZIMMER**



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

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

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

**YUMI TAKAHASHI**  
*Controller*

December 14, 2011

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, 2011, 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 2010-11 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, 2011, the District is operating 448 elementary schools, 83 middle/junior high schools, 81 senior high schools, 56 options schools, 15 multi level schools, 16 special education schools, 26 magnet schools and 145 magnet centers, 24 community adult schools, 5 regional occupational centers, 5 skills centers, 1 regional occupational program center, 102 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, 2011, the District employed 43,702 certificated, 29,226 classified, and 20,992 unclassified employees. Enrollment as of October 2010 was 601,713 students in K-12 schools, 136,400 students in adult schools and centers, and 12,139 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**

Diminished revenues resulting from the sluggish California economy, along with declining enrollment and rising costs have continued to be a challenging fiscal reality for the District.

As of October 2011, California’s unemployment rate is the second highest in the nation with Nevada ranking first at 13.4%. The table below shows slightly improving unemployment percentages for both the US and California from January through October 2011, but also accentuates how high California’s unemployment rate is in relation to the rest of the country.

Month (2011)	U.S.	California
January	9.0%	12.4%
February	8.9%	12.1%
March	8.8%	12.0%
April	9.0%	11.8%
May	9.1%	11.7%
June	9.2%	11.8%
July	9.1%	12.0%
August	9.1%	12.1%
September	9.1%	11.9%
October	9.0%	11.7% (P)
November	8.6%	(not available)

*P – Preliminary estimate*

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

Per the UCLA Anderson forecast in December 2011, California employment growth of 1.4% and 2.1% is expected in 2012 and 2013, respectively; and the unemployment rate will hover around 11.6% through 2012. On the national level, the economy will be sustained by modest increases in consumption and business investment along with the beginnings of a housing recovery in 2013.

On December 13, 2011 Governor Brown announced mid-year “trigger reduction” that were contingent upon actual revenue falling below estimated revenues. The reductions included a decrease of \$248 million to the Home to School Transportation program and \$79.6 million to Revenue Limit funding.

Before the mid-year reductions, the District was already facing reduced funding. Revenue limit sources, the largest source for unrestricted funding, is projected to be deficated by 19.754% for 2011-12, 2012-13, and 2013-14 after Cost of Living Adjustments (COLA) of 2.24% (zero % effective COLA), 3.20%, and 2.70%, respectively, have been applied. The District has taken a cautious approach in the event that funded COLAs do not materialize in the out-years.

In addition to State revenue reductions, the District is impacted by declining enrollment. For 2011-12, 2012-13, and 2013-14, the District has projected a 4.50%, 2.98%, and 2.49% enrollment declines. This is largely due to lower county birth rates, migration out of the District’s boundaries, and increase in charter school enrollment. As a result, funded Average Daily Attendance, the basis for the majority of operating revenues, for 2011-12, 2012-13, and 2013-14 is expected to decline.

The District has assumed increased costs associated with opening new schools and step and column pay advances. In addition, the District assumes a Consumer Price Index of 3.1%, 2.7%, and 3.1% for fiscal years 2011-12, 2012-13, and 2013-14, respectively on non-salary related expenses. The exception is the expenditure for utilities which is projected to increase by 7% in each of these three fiscal years. Funding for health and welfare benefits is expected to increase annually.

The District continues to work to address these challenges and respond to the continuing uncertain economic situation.

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

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

1. Using data to drive standards based instruction – Use data to drive standards-based, effective instruction for all students, coupled with support and intervention, when students need extra assistance or accelerated learning.
2. Supporting All Employees – We are accountable for our students’ success. We will use data to personalize the supports that all of our employees need to serve our students, from professional development and training, to creating measurable performance goals.
3. Budgeting for Student Achievement – We will make the District budget more transparent, align resources for greater impact and equity, and give schools the ability to target resources to meet their school specific needs, bringing funding and decision-making closer to schools and classrooms.
4. Creating and Supporting Quality Schools – We will analyze multiple data points to differentiate the service and support we deliver to schools. In addition, we will capture and share best practices across all of our schools regardless of school models.

### **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 2010-11, the Statement of Changes in Net Assets shows that the District's Net Assets increased \$239.1 million during the year. The Unrestricted Net Assets, which are negative, declined from (\$1,959.6 million) to (\$2,472.9 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 \$2,393.8 million, an increase of \$782 million from 2009-10. The latest actuarial report estimates the present value of the entire 30-year liability to be \$10.3 billion. Unless the District begins to fund or reduce its OPEB liability, the District's Total Liabilities will eventually exceed its Total Assets.

In 2010-11, the fund balance of the General Fund increased \$235.6 million from \$668.0 million to \$903.5 million. This increase was due to lower deficit factor, combined with the elimination of a one-time per ADA revenue limit reduction applied in prior year.

### **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, 28 programs received an Unqualified audit and 3 programs were Qualified. The District received an Unqualified state compliance audit.

The District is pleased that the number of findings declined from 32 in 2009-10 to 26 in 2010-11. In addition, the amount of the questioned costs declined 58%, from \$2.0 million in 2009-10 to \$0.8 million in 2010-11. 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, 2010. 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, and acknowledge the effort of our independent auditors.

Respectfully submitted,

John E. Deasy  
Superintendent of Schools

Prepared by:



Yumi Takahashi  
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, 2010

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.



President

Executive Director



**BOARD OF EDUCATION**  
**Mónica García**  
**PRESIDENT**

**Marguerite Poindexter LaMotte**

**Yolie Flores**  
(July 1, 2007 – June 30, 2011)

**Tamar Galatzan**

**Bennett Kayser**  
(Effective July 1, 2011)

**Steve Zimmer**

**Nury Martinez**

**Richard Vladovic**

**PRINCIPAL SCHOOL DISTRICT OFFICIALS**

**John E. Deasy**  
Superintendent of Schools  
(Effective April 18, 2011)

**Ramon C. Cortines**  
Superintendent of Schools  
(Retired effective April 17, 2011)

**Megan K. Reilly**  
Chief Financial Officer

**Yumi Takahashi**  
Controller  
(Effective July 1, 2011)

**Timothy S. Rosnick**  
Controller  
(June 9, 2008 – June 12, 2011)

**LOCAL DISTRICT (LD) SUPERINTENDENTS**

**Linda Del Cueto – LD 1**

**Roberto A. Martinez – LD 5**

**Alma Pena-Sanchez – LD 2**

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

**Gay Havard – LD 3 (Interim)**  
(July 1, 2010 – May 8, 2011)

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

**Brenda Manuel – LD 3 (Interim)**  
(Effective May 9, 2011)

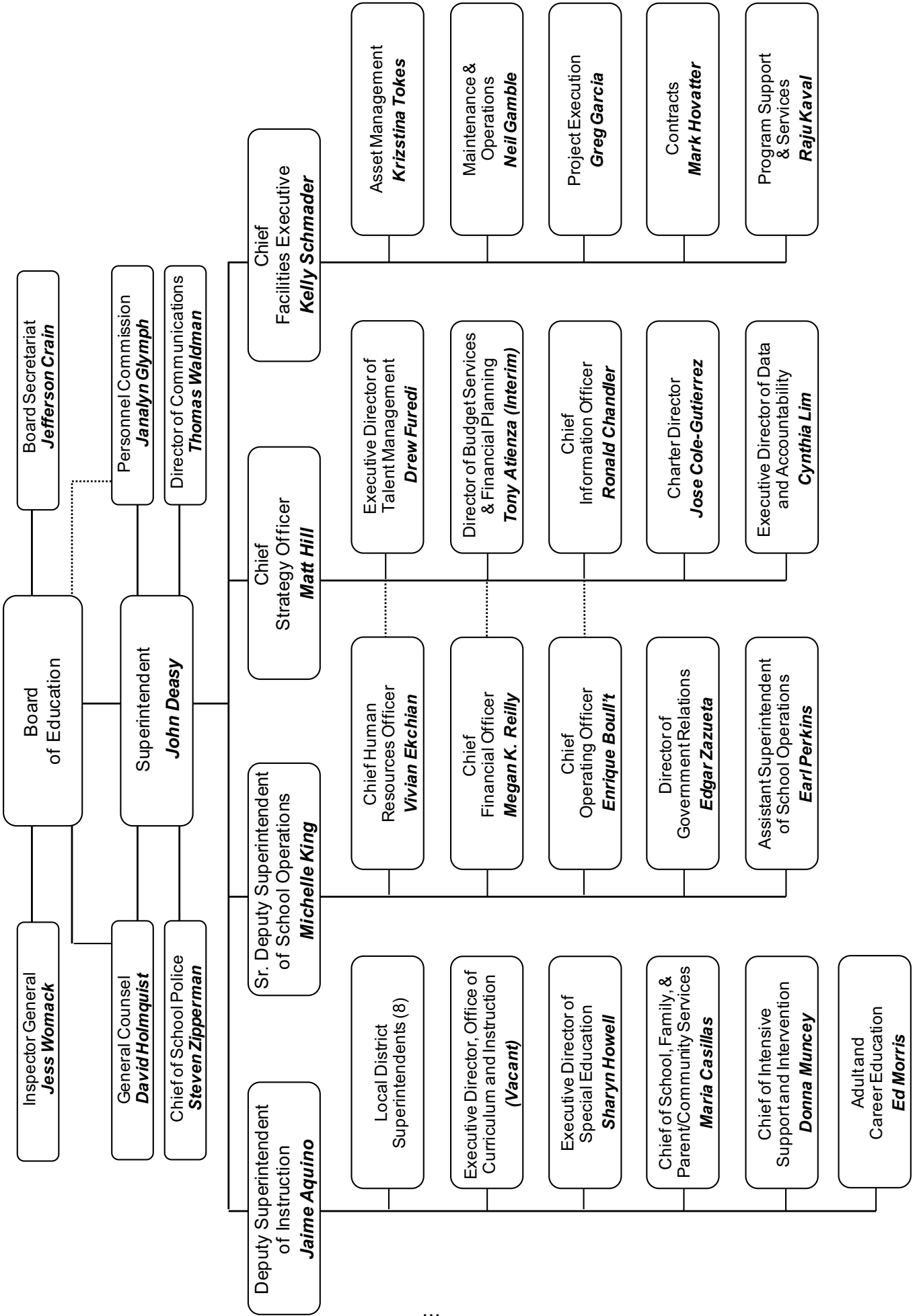
**George McKenna – LD 7**

**Dale Vigil – LD 4 (Interim)**

**Michael Romero – LD 8**

**Los Angeles Unified School District  
Organization of Central Support System**

**(Effective July 1, 2011)**



# FINANCIAL SECTION





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, 2011, 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; 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. 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, 2011, 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.

As described in Note 1 to the financial statements, the Los Angeles Unified School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2011, 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.





Management's discussion and analysis on pages 3 to 13, and the required supplementary information on page 68 are not required parts of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The introductory section, the supplementary information section, the statistical section, and the state and federal compliance information section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The supplementary information section on pages 69 to 110, the schedule of expenditures of federal awards on pages 210 to 214, and the information on pages 189 to 204 and page 209 in the state and federal compliance information section have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, are fairly stated in all material respects in relation to the basic financial statements as a whole. The information in the introductory and statistical sections, the information on pages 159 to 188 and pages 205 to 208 in the state and federal compliance information section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion on them.

A handwritten signature in cursive script, appearing to read 'Simpson &amp; Simpson'.

Los Angeles, California  
December 14, 2011

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Management's Discussion and Analysis

June 30, 2011

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, 2011. 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 \$4.5 billion (net assets). This amount is net of a \$2.5 billion deficit in unrestricted net assets resulting from the recognition of unfunded liabilities for other postemployment benefits (OPEB).
- The District's total net assets increased by \$239.1 million from prior year total, primarily due to higher revenues.
- As of the close of the 2011 fiscal year, the District's governmental funds reported combined ending fund balances of \$5.4 billion, a decrease of \$0.2 billion from June 30, 2010.
- At the end of the current fiscal year, committed, assigned and unassigned fund balances for the General Fund, including reserve for economic uncertainties, was \$626.7 million, or 10.2% of total General Fund expenditures.
- The District's total long-term obligations increased by \$443.6 million (2.8%) during the current fiscal year. The increase resulted primarily from additional net OPEB obligation.

### 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, 2011

**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, one less than last year after close-out of the Deferred Maintenance Fund at the end of the fiscal year. In the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances, separate columns are presented for General fund, District bonds fund, County school facilities bonds fund, 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, 2011

**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 25-67 of this report.

**Combining and individual fund schedules and statements.** Combining schedules and statements consisting of the budget to actual comparisons for district bonds fund, county school facilities bonds fund, and 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 69-99 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 \$4.5 billion at the close of the most recent year.

By far the largest portion of the District's net assets (\$5.5 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 (\$1.5 billion) represent resources that are subject to external restrictions on how they may be used. The remaining negative balance in unrestricted net assets (-\$2.5 billion) resulted from the recognition of \$3.2 billion of net OPEB obligation.

At the end of the 2011 fiscal year, the District is able to report positive balances in all categories of net assets except for unrestricted net assets.

The \$0.9 billion increase in capital assets primarily relates to the continuing school construction and modernization projects throughout the District.

Long-term liabilities increased by \$443.6 million primarily due to additional net OPEB obligation.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Management's Discussion and Analysis

June 30, 2011

**Summary Statement of Net Assets (in thousands)**

As of June 30, 2011 and 2010:

	<b>Governmental Activities</b>	
	<b>2011</b>	<b>2010</b>
Current Assets	\$ 7,342,384	\$ 8,148,995
Capital Assets, net	14,627,248	13,735,339
Total Assets	<u>21,969,632</u>	<u>21,884,334</u>
Current Liabilities	1,300,967	1,898,322
Long-term Liabilities	16,195,638	15,752,067
Total Liabilities	<u>17,496,605</u>	<u>17,650,389</u>
Net Assets:		
Invested in capital assets, net of related debt	5,450,860	4,910,954
Restricted for:		
Debt service	442,118	354,884
Program activities	1,052,904	927,669
Unrestricted	(2,472,855)	(1,959,562)
Total Net Assets	<u>\$ 4,473,027</u>	<u>\$ 4,233,945</u>

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Management's Discussion and Analysis

June 30, 2011

**Summary Statement of Changes in Net Assets (in thousands)**

As of June 30, 2011 and 2010:

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 88,626	\$ 69,125
Operating grants and contributions	3,269,560	3,177,683
Capital grants and contributions	780,344	300,172
Total Program Revenues	<u>4,138,530</u>	<u>3,546,980</u>
General Revenues:		
Property taxes levied for general purposes	909,484	938,189
Property taxes levied for debt service	935,428	740,719
Property taxes levied for community redevelopment	5,320	6,054
State aid – formula grants	2,146,870	2,039,028
Grants, entitlements, and contributions not restricted to specific programs	402,110	393,192
Unrestricted investment earnings	66,795	58,323
Miscellaneous	76,852	27,470
Total General Revenues	<u>4,542,859</u>	<u>4,202,975</u>
Total Revenues	<u>8,681,389</u>	<u>7,749,955</u>
Expenses:		
Instruction	3,986,263	3,900,813
Support services:		
Support services – students	320,787	317,859
Support services – instructional staff	432,202	428,734
Support services – general administration	43,448	43,561
Support services – school administration	426,288	466,481
Support services – business	145,401	204,002
Operation and maintenance of plant services	581,731	660,647
Student transportation services	151,286	155,813
Data processing services	54,205	68,949
Operation of noninstructional services	404,211	403,956
Facilities acquisition and construction services	175,584	115,474
Other uses	181	615
Interest expense	623,044	495,266
Depreciation – unallocated	315,745	245,712
Unfunded OPEB expense – unallocated	781,931	739,885
Total Expenses	<u>8,442,307</u>	<u>8,247,767</u>
Changes in Net Assets	239,082	(497,812)
Net assets – beginning	<u>4,233,945</u>	<u>4,731,757</u>
Net assets – ending	<u>\$ 4,473,027</u>	<u>\$ 4,233,945</u>

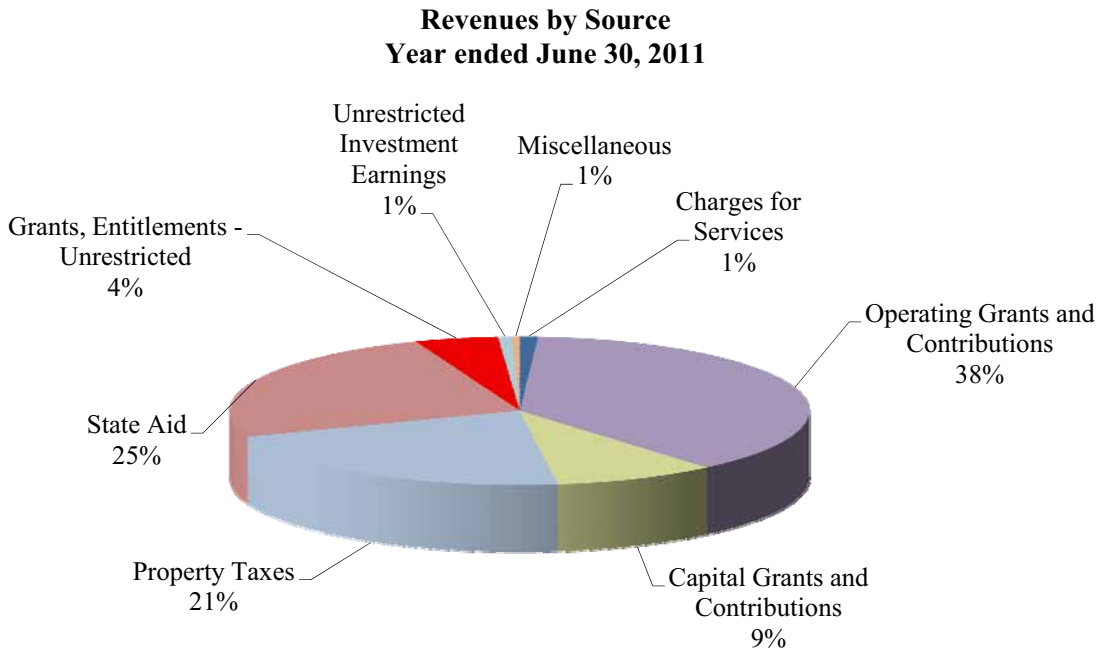
# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Management's Discussion and Analysis

June 30, 2011

The District's net assets increased by \$239.1 million in the current fiscal year. The major components of this increase are in capital grants and contributions (\$480.2 million) due to increased funding from the State bond funds, and in total general revenues (\$339.9 million). The increase in general revenues is due to higher property taxes levied for debt service, elimination of the one-time \$250 per ADA reduction applied in the prior fiscal year, lower deficit factor on revenue limit sources, and higher unemployment insurance revenue. The State reimbursement is offset by higher unemployment insurance contributions resulting from higher unemployment claims.

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



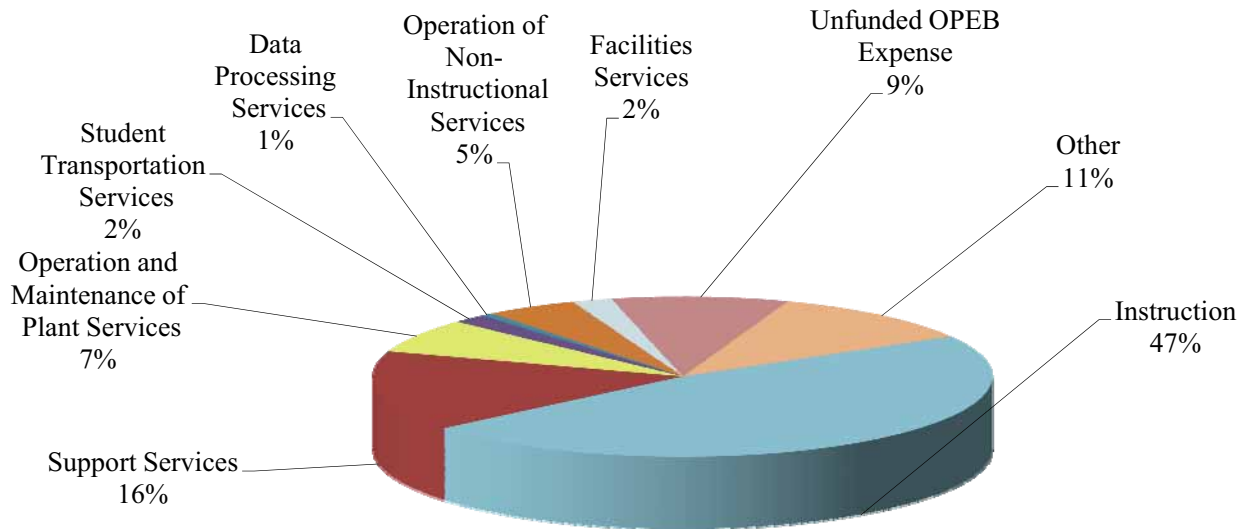
# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Management's Discussion and Analysis

June 30, 2011

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

**Expenses**  
**Year ended June 30, 2011**



### 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 \$5.4 billion, a decrease of \$0.2 billion in comparison with the prior year. Approximately 12.3% (\$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 87.7% are either restricted or nonspendable and are not available for new spending: restricted balances (\$4.7 billion), nonspendable inventories (\$12.5 million), and nonspendable revolving cash (\$6.8 million).

The General Fund is the primary operating fund of the District. At the end of the 2011 fiscal year, the unrestricted fund balance of the General Fund was \$626.7 million, while the total fund balance is \$903.5 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 10.2% of the total General Fund expenditures, while the total fund balance represents 14.8% of that same amount.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Management's Discussion and Analysis

June 30, 2011

The fund balance of the District's General Fund increased by \$235.6 million during the current fiscal year primarily from higher revenues. Revenue limit sources, federal revenues, and local revenues are all higher compared to last fiscal year. Other State revenues are also higher after eliminating the effects of a State-recommended change in accounting treatment for Adult Education apportionments.

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

	District Bonds	County School Facilities Bond	Bond Interest and Redemption	Other Governmental Funds			Total
				Special Revenue	Debt Service	Other Capital Projects	
Fund balance, June 30, 2011:							
Nonspendable							
Revolving cash and imprest funds	\$ 3,800	\$ -	\$ -	\$ 115	\$ -	\$ -	\$ 115
Inventories	-	-	-	4,935	-	-	4,935
Restricted	2,816,528	712,540	724,608	3,843	82,138	132,449	218,430
Committed	-	-	-	11,391	-	-	11,391
Assigned	-	-	-	51	-	29,731	29,782
Total	<u>2,820,328</u>	<u>712,540</u>	<u>724,608</u>	<u>20,335</u>	<u>82,138</u>	<u>162,180</u>	<u>264,653</u>
Fund balance, July 1, 2010	<u>3,492,603</u>	<u>501,615</u>	<u>630,810</u>	<u>127,817</u>	<u>72,643</u>	<u>166,949</u>	<u>367,409</u>
Increase (decrease) in fund balance	<u>\$ (672,275)</u>	<u>\$ 210,925</u>	<u>\$ 93,798</u>	<u>\$ (107,482)</u>	<u>\$ 9,495</u>	<u>\$ (4,769)</u>	<u>\$ (102,756)</u>

The fund balance increased during the current year: for the County School Facilities Bonds, due to higher apportionments from the State bond proceeds, and for the Bond and Interest Redemption, primarily from higher property taxes levied to pay principal and interest on bond issues. The fund balance decreased for the District Bonds, due to spending for continuing school construction and renovation; for the Special Revenue, due to lower transfers of adult education apportionments from General Fund in accordance with State flexibility provisions and the transfer of all remaining balance in the Deferred Maintenance Fund to the General Fund; and for Other Capital Projects, primarily due to the use of developer fees towards debt service payments on certain Certificate of Participation issues.

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

At the end of the year, the District's proprietary funds have unrestricted net assets of \$250.5 million. The net increase of \$90.8 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

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

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Management's Discussion and Analysis

June 30, 2011

### *Final Budget vs. Original Budget*

The District's *original budget* is based on assumptions from the State's May Revise Budget. The *final budget* adds all other known State budgetary changes and changes to the District's priority of program implementations and/or planned expenditures. Differences between the 2010-11 General Fund original budget (adopted by the Board of Education in June 2010) and the final budget as of June 30, 2011 resulted in an overall increase in the ending balance by \$71.4 million. Adjustments to the adopted budget were made to reflect additional revenues in categorical programs and a corresponding increase in related expenditures based on actual grant award notifications received. Technical adjustments were also made to increase revenues and related expenditures as a result of a change in accounting treatment to record special education revenue gross of fiscally independent charter schools' share and to record information technology project costs in the General Fund from resources provided by the capital projects funds. After eliminating the effects of these offsetting adjustments, the increase in ending balance is primarily from higher beginning balance by \$199.5 million realized after the books were closed, less additional expenditure appropriations, mostly in salaries.

### *Actual vs. Final Budget*

The General Fund ending balance increased by \$475.2 million compared to the Final Budget, primarily due to under-expenditure in all objects of expenditure, but mainly in services and other operating expenditures (\$201.1 million) and other transfers out (\$97.7 million). The under-expenditure is due to budget reductions, furlough, and expenditure freeze implemented during the year, delay in information technology projects, and reduced support to the adult education program.

### **Capital Assets and Debt Administration**

**Capital assets.** The District's investment in capital assets for its governmental activities as of June 30, 2011 amounts to \$14.6 billion (net of accumulated depreciation), a 6.5% increase from the prior year. The investment in capital assets includes sites, improvement of sites, buildings and improvements, equipment and construction in progress, net of any related accumulated depreciation.

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

- Continuing construction of additional school buildings as well as school modernization projects throughout the District. Construction in progress as of the close of the fiscal year was \$3.6 billion.
- Various building additions and modernizations were completed at a cost of \$1.1 billion.
- A total of 9 new schools were completed in the 2010-11 fiscal year.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Management's Discussion and Analysis

June 30, 2011

**Capital Assets** (net of accumulated depreciation)

As of June 30, 2011 and 2010 (in thousands):

	<b>Governmental Activities</b>	
	<b>2011</b>	<b>2010</b>
Sites	\$ 3,136,630	\$ 3,069,920
Improvement of sites	206,963	215,635
Buildings and improvements	7,512,289	6,724,488
Equipment	199,663	145,397
Construction in progress	3,571,703	3,579,899
Total	<u>\$ 14,627,248</u>	<u>\$ 13,735,339</u>

Additional information on the District's capital assets can be found in Note 7 on pages 42-43 of this report.

**Long-term obligations.** At the end of the current fiscal year, the District had total long-term obligations of \$16.2 billion. Of this amount, \$11.8 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):

	<b>Governmental Activities</b>	
	<b>2011</b>	<b>2010</b>
General Obligation Bonds	\$ 11,810,881	\$ 12,114,504
Certificates of Participation (COPs)	494,840	459,019
Capital Lease Obligations	2,359	2,628
Children's Center Facilities Revolving Loan	792	792
California Energy Commission Loan	217	439
Liability for Employee Benefits	202,032	224,884
Self-insurance Claims	503,305	528,345
Other Postemployment Benefits (OPEB)	3,175,742	2,393,811
Arbitrage Payable	5,470	12,445
Legal Settlements	-	15,200
Total	<u>\$ 16,195,638</u>	<u>\$ 15,752,067</u>

The District's total long-term obligations increased by \$443.6 million (2.8%) during the current fiscal year. The key factor in this increase was the recognition of additional net OPEB obligation.



## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Management's Discussion and Analysis

June 30, 2011

#### **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, 2011 is \$11.6 billion, which is in excess of the District's outstanding general obligation bond debt after reflecting assets available in the Bond Interest and Redemption Fund for payment of principal.

Additional information on the District's long-term obligations can be found in Notes 10 and 11 on pages 53-62 of this report.

#### **Requests for Information**

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

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Statement of Net Assets  
June 30, 2011  
(in thousands)

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 5,905,632
Investments	22,835
Property taxes receivable	92,125
Accounts receivable, net	1,212,902
Accrued interest receivable	20,300
Prepaid expense	12,478
Deferred charges	63,653
Inventories	12,459
<b>Capital assets:</b>	
Sites	3,136,630
Improvement of sites	528,607
Buildings and improvements	10,069,170
Equipment	1,228,062
Construction in progress	3,571,703
Less accumulated depreciation	<u>(3,906,924)</u>
Total Capital Assets, Net of Depreciation	<u>14,627,248</u>
Total Assets	<u>21,969,632</u>
<b>Liabilities:</b>	
Vouchers and accounts payable	488,599
Contracts payable	30,249
Accrued payroll	205,323
Accrued interest	297,901
Other payables	155,502
Unearned revenue	123,393
<b>Long-term liabilities:</b>	
Portion due within one year	526,853
Portion due after one year	<u>15,668,785</u>
Total Liabilities	<u>17,496,605</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt	5,450,860
<b>Restricted for:</b>	
Debt service	442,118
Program activities	1,052,904
Unrestricted	<u>(2,472,855)</u>
Total Net Assets	<u><u>\$ 4,473,027</u></u>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Statement of Activities  
Year Ended June 30, 2011  
(in thousands)

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 3,986,263	\$ 20,741	\$ 1,815,305	\$ —
Support services – students	320,787	—	234,844	—
Support services – instructional staff	432,202	156	353,459	—
Support services – general administration	43,448	—	9,141	—
Support services – school administration	426,288	—	132,805	—
Support services – business	145,401	7,814	46,629	—
Operation and maintenance of plant services	581,731	16,378	135,826	2,354
Student transportation services	151,286	—	157,528	—
Data processing services	54,205	—	8,753	—
Operation of non-instructional services	404,211	9,727	369,578	—
Facilities acquisition and construction services*	175,584	33,810	5,692	777,990
Other uses	181	—	—	—
Interest expense	623,044	—	—	—
Depreciation - unallocated**	315,745	—	—	—
Unfunded OPEB expense – unallocated	781,931	—	—	—
<b>Total Governmental Activities</b>	<b>\$ 8,442,307</b>	<b>\$ 88,626</b>	<b>\$ 3,269,560</b>	<b>\$ 780,344</b>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				909,484
Property taxes, levied for debt service				935,428
Property taxes, levied for community redevelopment				5,320
State aid – formula grants				2,146,870
Grants, entitlements, and contributions not restricted to specific programs				402,110
Unrestricted investment earnings				66,795
Miscellaneous				76,852
<b>Total General Revenues</b>				<b>4,542,859</b>
Change in Net Assets				239,082
Net Assets – Beginning of Year				4,233,945
Net Assets – End of Year				<b>\$ 4,473,027</b>

\* 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, 2011  
(in thousands)

	<b>General</b>	<b>District Bonds</b>	<b>County School Facilities Bonds</b>	<b>Bond Interest and Redemption</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>						
Cash in county treasury, in banks, and on hand	\$ 335,222	\$ 2,971,494	\$ 736,870	\$ 724,608	\$ 178,096	\$ 4,946,290
Cash held by trustee	64,903	—	—	—	72,163	137,066
Investments	—	—	—	—	22,835	22,835
Taxes receivable	—	—	—	92,125	—	92,125
Accounts receivable – net	1,151,482	5,529	—	—	53,175	1,210,186
Accrued interest receivable	5,434	8,649	2,718	—	588	17,389
Due from other funds	30,000	—	—	—	—	30,000
Inventories	7,524	—	—	—	4,935	12,459
<b>Total Assets</b>	<b>\$ 1,594,565</b>	<b>\$ 2,985,672</b>	<b>\$ 739,588</b>	<b>\$ 816,733</b>	<b>\$ 331,792</b>	<b>\$ 6,468,350</b>
<b>Liabilities and Fund Balances:</b>						
Vouchers and accounts payable	\$ 288,438	\$ 84,070	\$ 19,255	\$ —	\$ 14,240	\$ 406,003
Contracts payable	3,785	18,899	6,972	—	593	30,249
Accrued payroll	206,530	5	—	—	—	206,535
Other payables	72,743	62,370	821	—	18,451	154,385
Due to other funds	—	—	—	—	30,000	30,000
Deferred revenue	119,538	—	—	92,125	3,855	215,518
<b>Total Liabilities</b>	<b>691,034</b>	<b>165,344</b>	<b>27,048</b>	<b>92,125</b>	<b>67,139</b>	<b>1,042,690</b>
<b>Fund Balances:</b>						
Nonspendable	10,417	3,800	—	—	5,050	19,267
Restricted	266,418	2,816,528	712,540	724,608	—	4,520,094
Restricted, reported in:						
Special revenue funds	—	—	—	—	3,843	3,843
Debt service funds	—	—	—	—	82,138	82,138
Capital projects funds	—	—	—	—	132,449	132,449
Committed, reported in:						
Special revenue funds	—	—	—	—	11,391	11,391
Assigned	147,035	—	—	—	—	147,035
Assigned, reported in:						
Special revenue funds	—	—	—	—	51	51
Capital projects funds	—	—	—	—	29,731	29,731
Unassigned						
Reserved for economic uncertainties	65,376	—	—	—	—	65,376
Unassigned	414,285	—	—	—	—	414,285
<b>Total Fund Balances</b>	<b>903,531</b>	<b>2,820,328</b>	<b>712,540</b>	<b>724,608</b>	<b>264,653</b>	<b>5,425,660</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,594,565</b>	<b>\$ 2,985,672</b>	<b>\$ 739,588</b>	<b>\$ 816,733</b>	<b>\$ 331,792</b>	<b>\$ 6,468,350</b>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Reconciliation of the Governmental Funds Balance Sheet  
 to the Statement of Net Assets  
 June 30, 2011  
 (in thousands)

Total Fund Balances – Governmental Funds	\$ 5,425,660
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 \$18,534,172 and the accumulated depreciation is \$3,906,924.	14,627,248
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.	92,125
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.	250,466
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(15,986,125)
Other assets – deferred charges are not reflected in the fund financials.	<u>63,653</u>
Total Net Assets – Governmental Activities	<u><u>\$ 4,473,027</u></u>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2011  
(in thousands)

	<b>General</b>	<b>District Bonds</b>	<b>County School Facilities Bonds</b>	<b>Bond Interest and Redemption</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>						
Revenue limit sources	\$ 3,056,350	\$ —	\$ —	\$ —	\$ —	\$ 3,056,350
Federal revenues	1,066,484	—	—	76,289	321,126	1,463,899
Other state revenues	2,031,812	—	768,583	5,885	160,081	2,966,361
Other local revenues	173,886	78,628	10,270	857,477	78,128	1,198,389
<b>Total Revenues</b>	<b>6,328,532</b>	<b>78,628</b>	<b>778,853</b>	<b>939,651</b>	<b>559,335</b>	<b>8,684,999</b>
<b>Expenditures:</b>						
<b>Current:</b>						
Certificated salaries	2,816,348	—	—	—	132,458	2,948,806
Classified salaries	855,838	41,593	132	—	160,521	1,058,084
Employee benefits	1,338,785	19,040	52	—	150,735	1,508,612
Books and supplies	349,322	3,642	141	—	142,893	495,998
Services and other operating expenditures	683,825	107,615	62	—	35,012	826,514
Capital outlay	71,580	868,442	232,875	—	68,352	1,241,249
Debt service – principal	1,541	—	—	278,180	23,608	303,329
Debt service – bond, COPs, and capital leases interest	184	—	—	567,673	14,473	582,330
Other outgo	181	—	—	—	—	181
<b>Total Expenditures</b>	<b>6,117,604</b>	<b>1,040,332</b>	<b>233,262</b>	<b>845,853</b>	<b>728,052</b>	<b>8,965,103</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>210,928</b>	<b>(961,704)</b>	<b>545,591</b>	<b>93,798</b>	<b>(168,717)</b>	<b>(280,104)</b>
<b>Other Financing Sources (Uses):</b>						
Transfers in	88,138	399,094	26,954	—	90,060	604,246
Transfers – support costs	9,234	—	—	—	(9,234)	—
Transfers out	(75,765)	(77,117)	(361,620)	—	(100,700)	(615,202)
Issuance of COPs	—	—	—	—	83,345	83,345
Payment to refunded COPs escrow agent	—	(32,548)	—	—	—	(32,548)
Premium on COPs issued	—	—	—	—	3,034	3,034
Discount on issuance of COPs	—	—	—	—	(596)	(596)
Insurance proceeds – fire damage	1,987	—	—	—	—	1,987
Capital leases	1,043	—	—	—	—	1,043
Land and building sale	—	—	—	—	52	52
<b>Total Other Financing Sources (Uses)</b>	<b>24,637</b>	<b>289,429</b>	<b>(334,666)</b>	<b>—</b>	<b>65,961</b>	<b>45,361</b>
<b>Net Changes in Fund Balances</b>	<b>235,565</b>	<b>(672,275)</b>	<b>210,925</b>	<b>93,798</b>	<b>(102,756)</b>	<b>(234,743)</b>
Fund Balances, July 1, 2010, restated	667,966	3,492,603	501,615	630,810	367,409	5,660,403
Fund Balances, June 30, 2011	<u>\$ 903,531</u>	<u>\$ 2,820,328</u>	<u>\$ 712,540</u>	<u>\$ 724,608</u>	<u>\$ 264,653</u>	<u>\$ 5,425,660</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, 2011  
(in thousands)

Total Net Changes in Fund Balances – Governmental Funds	\$ (234,743)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$1,241,249) exceeds loss on disposal of capital assets (\$16) and depreciation (\$335,224) in the period.	906,009
Some of the capital assets acquired this year were financed with capital leases. The amount financed is reported in the governmental funds as a source of financing. On the other hand, the proceeds are not revenues in the statement of activities, but rather, constitute long-term liabilities in the statement of net assets	(1,043)
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.	245,744
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.	1,151
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.	5,323
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).	23,570
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.	(23,824)
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.	8,075
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.	(781,931)
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.	90,751
Changes in Net Assets of Governmental Activities	<u>\$ 239,082</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, 2011  
(in thousands)

	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
	Original	Final		
Revenues:				
Revenue limit sources	\$ 2,877,186	\$ 2,896,310	\$ 3,056,350	\$ 160,040
Federal revenues	1,160,079	1,199,573	1,066,484	(133,089)
Other state revenues	2,055,274	2,075,997	2,031,812	(44,185)
Other local revenues	132,282	185,257	173,886	(11,371)
Total Revenues	<u>6,224,821</u>	<u>6,357,137</u>	<u>6,328,532</u>	<u>(28,605)</u>
Expenditures:				
Current:				
Certificated salaries	2,826,279	2,858,264	2,816,348	41,916
Classified salaries	863,111	884,104	855,838	28,266
Employee benefits	1,391,237	1,382,759	1,338,785	43,974
Books and supplies	366,876	427,068	349,322	77,746
Services and other operating expenditures	677,062	884,928	683,825	201,103
Capital outlay	30,732	97,542	71,580	25,962
Debt service – principal	1,485	1,628	1,541	87
Debt service – bond, COPs, and capital leases interest	384	384	184	200
Other outgo	199	650	181	469
Total Expenditures	<u>6,157,365</u>	<u>6,537,327</u>	<u>6,117,604</u>	<u>419,723</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>67,456</u>	<u>(180,190)</u>	<u>210,928</u>	<u>391,118</u>
Other Financing Sources (Uses):				
Transfers in	4,781	105,155	88,138	(17,017)
Transfers – support costs	11,428	10,245	9,234	(1,011)
Transfers out	(193,898)	(173,503)	(75,765)	97,738
Insurance proceeds – fire damage	2,619	2,619	1,987	(632)
Capital leases	1,135	1,135	1,043	(92)
Total Other Financing Sources (Uses)	<u>(173,935)</u>	<u>(54,349)</u>	<u>24,637</u>	<u>78,986</u>
Net Changes in Fund Balances	<u>(106,479)</u>	<u>(234,539)</u>	<u>235,565</u>	<u>470,104</u>
Fund Balances, July 1, 2010, restated	<u>463,434</u>	<u>662,907</u>	<u>667,966</u>	<u>5,059</u>
Fund Balances, June 30, 2011	<u>\$ 356,955</u>	<u>\$ 428,368</u>	<u>\$ 903,531</u>	<u>\$ 475,163</u>

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, 2011  
(in thousands)

Assets:	
Cash in county treasury, in banks, and on hand	\$ 822,276
Accounts receivable – net	2,716
Accrued interest and dividends receivable	2,911
Prepaid expenses	12,478
Total Assets	840,381
Liabilities:	
Current:	
Vouchers and accounts payable	84,882
Accrued payroll	611
Other payables	1,117
Estimated liability for self-insurance claims	146,669
Total Current Liabilities	233,279
Noncurrent:	
Estimated liability for self-insurance claims	356,636
Total Liabilities	589,915
Total Net Assets – Unrestricted	\$ 250,466

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, 2011  
(in thousands)

Operating Revenues:	
In-district premiums	\$ 992,778
Others	3,505
Total Operating Revenues	996,283
Operating Expenses:	
Certificated salaries	159
Classified salaries	5,966
Employee benefits	2,831
Supplies	244
Premiums and claims expenses	904,250
Claims administration	12,060
Other contracted services	1,162
Total Operating Expenses	926,672
Operating Income	69,611
Nonoperating Revenues (Expenses):	
Interest income	10,205
Miscellaneous expense	(21)
Total Nonoperating Revenues	10,184
Income before transfers	79,795
Transfers in	10,956
Change in Net Assets	90,751
Total Net Assets, July 1, 2010, restated	159,715
Total Net Assets June 30, 2011	\$ 250,466

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, 2011  
(in thousands)

Cash Flows from Operating Activities:	
Cash payments to employees for services	\$ (8,863)
Cash payments for goods and services	(908,457)
Receipts from assessment to other funds	987,787
Other operating revenue	<u>2,872</u>
Net Cash Provided by Operating Activities	<u>73,339</u>
Cash Flows from Non-Capital Financing Activities	
Transfer from other funds	<u>10,956</u>
Net Cash Provided by Non-Capital Financing Activities	<u>10,956</u>
Cash Flows from Investing Activities:	
Earnings on investments	<u>9,977</u>
Net Cash Provided by Investing Activities	<u>9,977</u>
Net Increase in Cash and Cash Equivalents	94,272
Cash and Cash Equivalents, July 1	<u>728,004</u>
Cash and Cash Equivalents, June 30	<u>\$ 822,276</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 69,611
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in operating assets and liabilities:	
Increase in accounts receivable	(565)
Decrease in prepaid expense	388
Increase in vouchers and accounts payable	28,787
Increase in accrued payroll	104
Increase in other payables	53
Decrease in estimated liability for self-insurance claims – current	(13,050)
Decrease in estimated liability for self-insurance claims – noncurrent	<u>(11,989)</u>
Total Adjustments	<u>3,728</u>
Net Cash Provided by Operating Activities	<u>\$ 73,339</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, 2011  
(in thousands)

Assets	
Cash in county treasury, in banks, and on hand	\$ 40,252
Total Assets	<u>\$ 40,252</u>
Liabilities	
Other payables	\$ 40,252
Total Liabilities	<u>\$ 40,252</u>

See accompanying notes to basic financial statements.

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Notes to Basic Financial Statements

Year Ended June 30, 2011

### (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, 2011

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

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

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

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

**(c) *Measurement Focus and Basis of Accounting***

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

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

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

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Notes to Basic Financial Statements

Year Ended June 30, 2011

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 2010-11:

*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, 2011

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

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

### **Other Governmental Funds**

The District has the following nonmajor governmental funds:

*Special Revenue Funds* – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for the specific purpose (other than debt service or capital projects) of the individual funds. The District maintains the following Special Revenue Funds: Adult Education, Cafeteria, and Child Development. The Deferred Maintenance fund was closed out at the end of the fiscal year and all remaining balance was 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 2010-11.

*Capital Projects Funds* – Capital Projects Funds are used to account for all financial resources that are restricted, committed, or assigned to expenditures for the acquisition or construction of major capital facilities and equipment other than those financed by the General and Special Revenue Funds. The District maintains the following nonmajor Capital Projects Funds: Building, State School Building Lease-Purchase, Special Reserve, Special Reserve – FEMA-Earthquake, Special Reserve – FEMA-Hazard Mitigation, Special Reserve – Community Redevelopment Agency, and Capital Facilities Account. The District Bonds Fund (BB Bonds, Measure K, Measure R, and Measure Y) and the County School Facilities Bonds Fund (Prop 1A, Prop 47, Prop 55, and Prop 1D) are reported separately as a major fund in fiscal year 2010-11.

### **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



# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Notes to Basic Financial Statements

Year Ended June 30, 2011

and Welfare Benefits Fund was established to pay for claims, administrative costs, insurance premiums, and related expenditures; the Workers' Compensation Self-Insurance Fund and the Liability Self-Insurance Fund were established to pay for claims, excess insurance coverage, administrative costs, and related expenditures.

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

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

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Notes to Basic Financial Statements

Year Ended June 30, 2011

In accordance with the District's Board policy, management has the authority to make routine transfers of budget appropriations among major categories within a fund. Routine budget transfers are summarized and periodically reported to the Board for ratification. Nonroutine transfers may not be processed without prior Board approval.

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

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

The District utilizes an encumbrance system for all budgeted funds, 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.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2011

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

Occasionally, a fund will not have sufficient cash to meet its financial obligations, and a cash transfer will be required to enable that fund to pay its outstanding invoices and other obligations. These temporary borrowings between funds are classified as “due from other funds” or “due to other funds” on the governmental funds balance sheet. Interfund balances within governmental activities are eliminated on the government-wide statement of net assets.

**(i) Inventories**

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

**(j) Capital Assets**

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

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2011

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

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

**(k) *Contracts Payable***

Contracts payable includes only the portion applicable to work completed and unpaid as of June 30, 2011.

**(l) *Compensated Absences***

All vacation leaves are accrued in the government-wide statements when they are incurred. A liability is reported in the governmental funds only for vested or accumulated vacation leave of employees who have separated from the District as of June 30 and whose vacation benefits are payable within 60 days from the end of the fiscal year. The District, as a practice, does not accrue a liability for unused sick leave since accumulated sick leave is not a vested benefit. Employees who retire after January 1, 1999 who are members of the Public Employees' Retirement System (PERS) may use accumulated sick leave to increase their service years in the calculation of retirement benefits.

In 1995, pursuant to the District/UTLA Agreement (Article XIV, Section 1.2), the District agreed to compensate eligible employees for furlough days taken during the 1992-93 fiscal year to be paid in a lump-sum bonus upon retirement. The amount of bonus corresponds to the percentage that the employee's compensation was reduced in the 1992-93 school year based on the employee's salary band for that year.

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

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Notes to Basic Financial Statements

Year Ended June 30, 2011

**(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 2010-11, the District received local property taxes amounting to \$909.5 million and State aid amounting to \$2,146.9 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.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2011

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

**(o) New Accounting Pronouncement**

Effective for the year ended June 30, 2011, the District adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The adoption resulted in changes to the categories and terminology used to describe the components of ending balance as presented in the Governmental Funds balance sheet. In addition, as a result of clarification in definitions of certain governmental funds, \$18.5 million of remaining balance in the Deferred Maintenance Fund was closed out at the end of the fiscal year and transferred to General Fund. The Deferred Maintenance Fund no longer meets the definition of special revenue fund as the new standard specifies that there must be committed or restricted revenue source that is expected to continue for the purposes of the fund to justify its continued use.

**(p) Restatement**

In February 2009, an agreement was entered into between the District and its bargaining units that changed required contributions to the Health and Welfare Fund. Under the agreement, the amount of contribution is no longer based on the fund's actual expenses but rather, on a flat rate per participant. With the change, the Health & Welfare Fund should have assumed responsibility for the opt-out costs paid to employees who elected to be compensated for not enrolling in a medical plan; however General Fund continued to pay for these costs. An adjustment was made to correct the error, as a result of which, the fund balance in General Fund and net assets in the Health and Welfare Fund, as of June 30, 2010 have been restated as follows (in thousands):

	General Fund	Health and Welfare Fund
Fund Balance/Net Assets at June 30, 2010, as previously reported	\$ 662,907	\$ 96,189
Expenditures for Opt-Out Costs	<u>5,059</u>	<u>(5,059)</u>
Fund Balance/Net Assets at June 30, 2010, as restated	<u>\$ 667,966</u>	<u>\$ 91,130</u>

In the past, the District reported the Attendance Incentive Reserve Fund as a pension trust fund. Because the assets of the fund are not held in a formal trust agreement, an adjustment was made to report it as an agency fund, in conformity with generally accepted accounting principles. As a result of the adjustment, the net assets as of June 30, 2010 have been restated as follows (in thousands):

Net Assets at June 30, 2010, as previously reported	\$ 399
Transfer Investment Income to Other Payables	<u>(399)</u>
Net Assets at June 30, 2010, as restated	<u>\$ —</u>

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2011

**(q) Estimates**

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

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

Tax and Revenue Anticipation Notes (TRANs) are short-term debt instruments used to finance temporary cash flow deficits in anticipation of receiving taxes and other revenues. On August 13, 2009, the District issued \$750.0 million of 2009-10 Tax and Revenue Anticipation Notes (TRANs) with an overall weighted true interest cost of 1.62% and total premium of \$9.8 million. These notes were retired on their due date of August 12, 2010.

On July 1, 2010, the District issued a total of \$540.0 million of 2010-11 TRANs with an overall weighted true interest cost of 0.67% and total premium of \$6.8 million. The principal and interest on the notes were retired on their due date of June 30, 2011.

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

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Beginning balance, July 1, 2010	\$ 750,000	\$ 14,355	\$ 764,355
Additions	540,000	6,756	546,756
Deductions	(1,290,000)	(21,111)	(1,311,111)
Ending balance, June 30, 2011	\$ —	\$ —	\$ —

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2011

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

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

The accompanying governmental fund balance sheet includes reconciliation between *total fund balances – governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.” The details of the \$15,986,125 difference are as follows (in thousands):

Bonds payable and related accrued interest	\$ (11,810,881)
Certificates of participation (COPs)	(494,840)
Capital lease obligations	(2,359)
Children center facilities revolving loan	(792)
California energy commission loan	(217)
Liability for compensated absences	(68,902)
Retirement bonus	(91,032)
Early retirement incentive	(37,989)
Other Post Employment Benefits (OPEB)	(3,175,742)
Arbitrage payable	(5,470)
Accrued interest	(297,901)
	<hr/>
Net adjustment to reduce <i>total fund balances – governmental funds</i> to arrive at <i>net assets – governmental activities</i>	\$ (15,986,125)
	<hr/>



**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2011

**(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 \$906,009 difference are as follows (in thousands):

Capital related expenditures	\$ 1,241,249
Depreciation expense	(335,224)
Loss on disposal of capital assets	<u>(16)</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>\$ 906,009</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 \$245,744 difference are as follows (in thousands):

Debt issued or incurred:	
Certificates of participation	\$ (83,345)
Principal repayments:	
General obligation bonds	278,180
Certificates of participation	23,608
Refunding COPs	25,767
Capital leases	1,312
California Energy Commission loan	<u>222</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>\$ 245,744</u>

**(4) Budgetary Appropriation Amendments**

During the fiscal year, modifications were necessary to increase appropriations for expenditures and other financing uses for the General Fund by \$360.8 million. The additional expenditure appropriations were funded from higher beginning fund balance and higher other financing sources from interfund transfers in.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2011

**(5) Cash and Investments**

Cash and investments as of June 30, 2011 are classified in the accompanying basic financial statements as follows (in thousands):

Statement of net assets:	
Cash and investments	\$ 5,791,401
Cash and investments held by trustee	137,066
Subtotal	5,928,467
Fiduciary funds:	
Cash and investments	40,252
Total cash and investments	\$ 5,968,719

Cash and investments as of June 30, 2011 consist of the following (in thousands):

Cash on hand (cafeteria change funds)	\$ 6
Deposits with financial institutions and LA County Pool (a)	5,945,878
Investments (b)	22,835
Total cash and investments	\$ 5,968,719

- (a) Deposits with financial institutions include cash in the Los Angeles County Pooled Surplus Investment Fund (\$5,778,610), cash held by fiscal agents or trustees (\$137,066), and cash deposited with various other financial institutions, including imprest funds in schools and offices (\$30,202).

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) Sinking funds invested by trustees of COPs (\$22,835).

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:

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2011

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2011

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

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

Interest-rate risk is the risk involved with fluctuations of interest rates that may adversely affect the fair value of the investments. The County's investment guidelines target the weighted average maturity of its portfolio to less than 18 months. As of June 30, 2011, 61.89% of district funds in the County PSI Fund does not exceed one year. In addition, variable-rate notes that comprised 1.3% 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, 2011, 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, 2011

**(6) Receivables/Payables**

Receivables by Fund at June 30, 2011 consist of the following (in thousands):

	<u>General</u>	<u>District Bonds</u>	<u>County School Facilities Bonds</u>	<u>Bond Interest and Redemption</u>	<u>Other Governmental</u>	<u>Internal Service Funds</u>	<u>Total</u>
Taxes	\$ -	\$ -	\$ -	\$ 92,125	\$ -	\$ -	\$ 92,125
Accrued grants and entitlements	1,110,142	-	-	-	43,000	-	1,153,142
Other	41,340	5,529	-	-	10,175	2,716	59,760
Interest and dividends	5,434	8,649	2,718	-	588	2,911	20,300
Total Receivables	<u>\$ 1,156,916</u>	<u>\$ 14,178</u>	<u>\$ 2,718</u>	<u>\$ 92,125</u>	<u>\$ 53,763</u>	<u>\$ 5,627</u>	<u>\$ 1,325,327</u>

Payables by Fund at June 30, 2011 consist of the following (in thousands):

	<u>General</u>	<u>District Bonds</u>	<u>County School Facilities Bonds</u>	<u>Bond Interest and Redemption</u>	<u>Other Governmental</u>	<u>Internal Service Funds</u>	<u>Total</u>
Vouchers and accounts	\$ 288,438	\$ 84,070	\$ 19,255	\$ -	\$ 14,240	\$ 84,882	\$ 490,885
Contracts	3,785	18,899	6,972	-	593	-	30,249
Accrued payroll	206,530	5	-	-	-	611	207,146
Other	72,743	62,370	821	-	18,451	1,117	155,502
Total payables	<u>\$ 571,496</u>	<u>\$ 165,344</u>	<u>\$ 27,048</u>	<u>\$ -</u>	<u>\$ 33,284</u>	<u>\$ 86,610</u>	<u>\$ 883,782</u>

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2011

**(7) Capital Assets**

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

	<u>Balance, June 30, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, June 30, 2011</u>
Governmental activities:				
Capital assets, not being depreciated:				
Sites	\$ 3,069,920	\$ 66,710	\$ -	\$ 3,136,630
Construction in progress	3,579,899	1,095,185	(1,103,381)	3,571,703
Total capital assets, not being depreciated	<u>6,649,819</u>	<u>1,161,895</u>	<u>(1,103,381)</u>	<u>6,708,333</u>
Capital assets, being depreciated:				
Improvement of sites	523,083	5,524	-	528,607
Buildings and improvements	8,992,789	1,076,381	-	10,069,170
Equipment	1,169,506	86,730	(28,174)	1,228,062
Total capital assets, being depreciated	<u>10,685,378</u>	<u>1,168,635</u>	<u>(28,174)</u>	<u>11,825,839</u>
Less accumulated depreciation for:				
Improvement of sites	(307,448)	(14,196)	-	(321,644)
Buildings and improvements	(2,268,301)	(288,580)	-	(2,556,881)
Equipment	(1,024,109)	(32,448)	28,158	(1,028,399)
Total accumulated depreciation	<u>(3,599,858)</u>	<u>(335,224)</u>	<u>28,158</u>	<u>(3,906,924)</u>
Total capital assets, being depreciated, net	<u>7,085,520</u>	<u>833,411</u>	<u>(16)</u>	<u>7,918,915</u>
Governmental activities capital assets, net	<u>\$ 13,735,339</u>	<u>\$ 1,995,306</u>	<u>\$ (1,103,397)</u>	<u>\$ 14,627,248</u>

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2011

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

Governmental activities:	
Instruction	\$ 3,410
Support services – students	131
Support services – instructional staff	1,995
Support services – general administration	211
Support services – school administration	2,304
Support services – business	1,607
Operation and maintenance of plant services	4,633
Student transportation services	3,053
Data processing services	1,112
Operation of noninstructional services	1,023
Depreciation – unallocated	315,745
Total depreciation expense – governmental activities	\$ 335,224

**(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, 2011

**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 2010-11 were 10.707% for miscellaneous and 29.049% 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, 2011, 2010, and 2009.

Schedule of Employer Contributions:

	<b>2011</b>		<b>2010</b>	<b>2009</b>
	<u>Safety</u>	<u>Miscellaneous</u>	<u>Safety and Miscellaneous</u>	<u>Safety and Miscellaneous</u>
District contributions:				
Regular	\$ 7,181,763	\$ 105,689,441	\$ 113,584,467	\$ 114,068,905
Annual Savings Recapture – AB 702 Credits	<u>(3,970,773)</u>	<u>13,742,500</u>	<u>19,356,571</u>	<u>24,377,960</u>
Total district contributions	<u>3,210,990</u>	<u>119,431,941</u>	<u>132,941,038</u>	<u>138,446,865</u>
Employee contributions:				
Paid by Employees	379,601	52,040,481	53,932,089	56,282,794
Paid by District	<u>1,940,174</u>	<u>18,025,840</u>	<u>23,040,331</u>	<u>25,176,871</u>
Total employee contributions	<u>2,319,775</u>	<u>70,066,321</u>	<u>76,972,420</u>	<u>81,459,665</u>
Total CalPERS contributions	<u>\$ 5,530,765</u>	<u>\$ 189,498,262</u>	<u>\$ 209,913,458</u>	<u>\$ 219,906,530</u>
Percentage of required contributions made	100%	100%	100%	100%

The District's contributions for all members for the fiscal years ended June 30, 2011, 2010, and 2009 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, 2011, 2010, and 2009.



**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2011

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

Valuation Date	June 30, 2008
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	32 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate Return	7.75 % (net of administrative expenses)
Projected Salary Increases	3.25% to 13.15% depending on Age, Service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00 % and an annual production growth of 0.25%

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30 year rolling period, which results in an amortization of about 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

**Schedule of Funding Progress – Safety**

As of June 30, 2010, the most recent actuarial valuation date, the actuarial value of plan assets was \$201,793,549 and the actuarial accrued liability for benefits was \$249,235,744. The unfunded actuarial liability was \$47,442,195. The actuarial value of assets as a percentage of the actuarial accrued liability was 81.0% (funded ratio). The covered payroll (annual payroll of active employees covered by the plan) was \$23,550,230, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 201.5%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The Schedule of Funding Progress presented as Required Supplementary Information on page 68 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, 2011

**(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, 2010, there were 1,604 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 2010-11 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, 2011, 2010, and 2009 are as follows:

	<b>Percentage of applicable member earnings</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
District contributions	8.25%	\$ 236,729,522	\$ 233,091,634	\$ 270,178,492
Employee contributions (including adjustments)	8.00%	233,207,320	239,430,919	278,131,825
Total STRS contributions	16.25%	\$ 469,936,842	\$ 472,522,553	\$ 548,310,317
Percentage of required contributions made		100%	100%	100%

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Notes to Basic Financial Statements

Year Ended June 30, 2011

The District's contributions for all members for the fiscal years ended June 30, 2011, 2010, and 2009 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 51,539 as of June 30, 2011. District and employee contributions to the plan for the last three fiscal years are as follows: 2010-11 - \$10,486,286, 2009-10 - \$11,476,230, and 2008-09 - \$10,191,238.

The District's contributions for all members for the fiscal years ended June 30, 2011, 2010, and 2009 were in accordance with the required contributions.

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Notes to Basic Financial Statements

Year Ended June 30, 2011

### ***Termination Benefits***

To lessen the impact of anticipated reductions in work force, the District offered early retirement incentive programs in fiscal years 2008-09, 2009-10, and 2010-11 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 total cost of this early retirement incentive is \$63.6 million.

The District also purchased 2 years of additional service credits for certain organizational unit or division identified employees covered by the California Public Employees' Retirement System (CalPERS). The cost of this incentive is estimated at \$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-paid hospital/medical, dental and vision plans which cover both active and retired members. The following are the eligibility requirements:

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

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Notes to Basic Financial Statements

Year Ended June 30, 2011

- f. Those hired on or after April 1, 2009 must have at least 85 years combined total of consecutive qualifying service and age. In addition, the employee must have a minimum of 25 consecutive years of qualifying service immediately prior to retirement.
- g. School Police (sworn personnel) hired on or after April 1, 2009 must have at least 80 years combined total of consecutive qualifying service and age. In addition, the employee must have a minimum of 20 consecutive years of qualifying service immediately prior to retirement.

In order to maintain coverage, the retirees must continue to receive a STRS/CalPERS retirement allowance and must enroll in those parts of Medicare for which they are eligible. As of July 1, 2011, 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 2011, the District contributed \$240,099,820 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 the June 30, 2009 actuarial valuation came out before the enactment of the new law, 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, 2011

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). It reflects an additional \$43.9 million of excise tax in the ARC, in accordance with the Healthcare Reform Act of 2010 described above.

Annual required contribution	\$ 1,050,646
Interest on net OPEB obligation	119,691
Adjustment to annual required contribution	<u>(148,306)</u>
Annual OPEB cost (expense)	1,022,031
Contributions made	<u>(240,100)</u>
Increase in net OPEB obligation	781,931
Net OPEB obligation – beginning of year	<u>2,393,811</u>
Net OPEB obligation – end of year	<u><u>\$ 3,175,742</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 2011, 2010, and 2009 were as follows (in thousands):

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2011	\$ 1,022,031	23 %	\$ 3,175,742
6/30/2010	977,150	24	2,393,811
6/30/2009	1,088,523	25	1,653,926

**Funded Status and Funding Progress**

As of June 30, 2009, 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 \$10.3 billion, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$10.3 billion, of which \$0.4 billion is attributable to the new excise tax on “Cadillac healthcare plans”. 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%.

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

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Notes to Basic Financial Statements

Year Ended June 30, 2011

future years, multi-year trend information about whether the actuarial value of plan assets, if any, is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### **Actuarial Methods and Assumptions**

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

In the June 30, 2009 actuarial valuation, the actuarial method used in estimating the liability is the entry age normal, level dollar, open cost method which is based on the assumption that the Actuarial Present Value (APV) of employees' expected postretirement benefits accrue on a level basis over their expected working careers, from hire until the date of full eligibility for postretirement medical benefits. The significant assumptions used in the computation include a 5% discount rate and a healthcare cost trend of 9.25% for Kaiser/HealthNet and 9% for Anthem HMO/EPO in 2010, ultimately declining to 5% in 2019 and 2018 respectively and remaining at that level thereafter. A healthcare cost trend rate of 5% is assumed for dental and vision. The UAAL is being amortized as a level dollar closed of projected payroll over a 30-year period. The remaining amortization period at June 30, 2011 was twenty-eight years.

### **(9) Risk Management**

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

Excess insurance has been purchased for fire loss damages, which currently provides \$1 billion coverage above a \$500,000 self-insurance retention and for general liability, which currently provides \$45 million coverage above a \$5 million self-insurance retention. No settlements exceeded insurance coverage in the last four fiscal years ended June 30, 2011.

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.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2011

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

Liabilities for loss and loss adjustment expenses under school operations workers' compensation and general liability are based on the estimated present value of the ultimate cost of settling the claims including the accumulation of estimates for losses reported prior to the balance sheet date, estimates of losses incurred but not reported, and estimates of expenses for investigating and adjusting reported and unreported losses. Such liabilities are estimates of the future expected settlements and are based upon analysis of historical patterns of the number of incurred claims and their values. Individual reserves are continuously monitored and reviewed and as settlements are made, or reserves adjusted, differences are reflected in current operations.

As of June 30, 2011, the amount of the total claims liabilities recorded for health and welfare, liability self-insurance, and workers' compensation was \$503.3 million. During the fiscal year, the District recorded workers' compensation claims liability at reduced levels as a result of a continued decline in the number of new claims filed and the effective management of claims. In the current fiscal year, there were no large claim payments from the Liability Self-Insurance Fund, causing the estimated liability to be lower. Changes in the reported liabilities since July 1, 2009 are summarized as follows:

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>End of Fiscal Year Liability</u>
2010-2011				
Health and welfare benefits	\$ 37,827,000	\$ 231,338,688	\$ (231,401,688)	\$ 37,764,000
Workers' compensation	452,398,503	66,514,174	(88,072,949)	430,839,728
Liability self-insurance	<u>38,118,771</u>	<u>6,656,956</u>	<u>(10,073,911)</u>	<u>34,701,816</u>
Total	<u>\$ 528,344,274</u>	<u>\$ 304,509,818</u>	<u>\$ (329,548,548)</u>	<u>\$ 503,305,544</u>
2009-2010				
Health and welfare benefits	\$ 53,059,000	\$ 293,134,830	\$ (308,366,830)	\$ 37,827,000
Workers' compensation	471,168,828	59,726,132	(78,496,457)	452,398,503
Liability self-insurance	<u>27,542,480</u>	<u>33,194,847</u>	<u>(22,618,556)</u>	<u>38,118,771</u>
Total	<u>\$ 551,770,308</u>	<u>\$ 386,055,809</u>	<u>\$ (409,481,843)</u>	<u>\$ 528,344,274</u>



## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Notes to Basic Financial Statements

Year Ended June 30, 2011

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

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

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

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

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

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

On July 28, 2004, the District issued COPs 2004 Series A (Refinancing and Refunding Project I) in the amount of \$50,700,000. Interest is payable semiannually ranging from 3.00% to 5.00%. Principal payments are due annually through 2014. Proceeds are to refinance certain prior debt service payments and to refund portions of the District COPs. This advance refunding was undertaken to reduce General Fund debt service payments in fiscal years 2004-05 and 2005-06 by \$45.0 million with an increase to total debt service payments of \$17.8 million over the next ten years. This issue was partially refunded by Measure Y Series D Bonds in February 2006.

On December 13, 2005, the District issued COPs 2005 (2004-05 Qualified Zone Academy Bonds) in the amount of \$10,000,000. The zero interest tax credit bonds are used for modernizing nine schools to accommodate existing or planned academy programs that address student career pathway/higher education interests. Scheduled payments to a sinking fund are to be made annually through maturity in 2020. A portion of this issue is being repaid from Measure Y funds.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Notes to Basic Financial Statements

Year Ended June 30, 2011

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

On August 6, 2008, the District issued variable rate refunding COPs 2008 Series A (Administration Building Project) in the amount of \$97,530,000. Interest is payable monthly and has ranged from 0.05% to 7.30% over the life of the COPs. The interest rate on June 30, 2011 was 0.05%. Principal payments are due annually through 2024. The proceeds are to prepay all of the outstanding Series 2005A Certificates, fund a reserve account for the Series 2008A Certificates, and fund portions of reserve accounts for the 2001B and 2002C Certificates.

On August 6, 2008, the District issued variable rate refunding COPs 2008 Series B (Administration Building Project III) in the amount of \$23,420,000. Interest is payable monthly and has ranged from 0.05% to 8.00% over the life of the COPs. The interest rate on June 30, 2011 was 0.05%. Principal payments are due annually through 2031. The proceeds are to prepay all of the outstanding Series 2005B Certificates, fund a reserve account for the Series 2008B Certificates, and fund portions of reserve accounts for the 2001B and 2002C Certificates. The 2008 Series A and the 2008 Series B refunding resulted in a reduction of debt service payment of about \$10.7 million over 23 years and an economic gain of \$11.8 million.

On September 29, 2009, the District issued COPs 2009 Series A (Food Services Project) in the amount of \$40,728,200. Interest is payable semiannually at 3.92%. Principal payments are due semiannually through 2019. The proceeds are used to fund the implementation of the Cafeteria Management System (CMS) and the purchase of new equipment at the Newman Nutrition Center (NNC). A portion of this issue is being repaid from Measure Y funds.

On January 27, 2010, the District issued Refunding COPs 2010 Series A (Multiple Properties Project) in the amount of \$69,685,000. Interest is payable semiannually ranging from 1.00% to 5.00%. Principal payments are due annually through 2017. The proceeds are used to refinance the 1997 Series A Certificates and the 1998 Series A Certificates and to fund a reserve account for the Series 2010A Certificates. The refunding resulted in a reduction of debt service payments of \$1.2 million over 8 years and an economic gain of \$0.8 million.

On December 17, 2010, the District issued COPs 2010 Series B-1 and B-2 (Capital Projects I) in the amount of \$83,345,000. Of this amount, \$21.62 million were issued as Build America Bonds (BABs). These are taxable bonds for which the federal government subsidizes 35% of the interest cost. Interest is payable semiannually ranging from 7.663% to 8.525% before the federal subsidy for Series B-1 and from 3.000% to 5.75% for Series B-2. Principal payments are due annually through 2035 for Series B-1 and 2020 for Series B-2. The proceeds are used to fund the Integrated Financial System Replacement, Automation of Seniority Calculation, the utilization of vacant space at the Roybal Learning Center and to fund a reserve account for each series.

In prior years, the District defeased certain principal amounts of its certificates of participation by placing proceeds of general obligation bonds in an irrevocable escrow fund to provide for all future debt service

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Notes to Basic Financial Statements

Year Ended June 30, 2011

payments on the prior certificates of participation through the call date or maturity, as applicable. Accordingly, the escrow account assets and the liability for the defeased certificates of participation are not included in the District's financial statements. At June 30, 2011, \$88.01 million of outstanding certificates of participation are considered legally defeased.

In prior years, the District defeased certain sinking fund payments for its 2000 Certificates of Participation (Qualified Zone Academy Bonds) and its 2005 Certificates of Participation (Qualified Zone Academy Bonds) by placing general fund monies, payments from charter schools that received proceeds of the 2000 Certificates of Participation (Qualified Zone Academy Bonds), proceeds of general obligation bonds and interest earnings on all said deposits into the respective sinking fund accounts held by the respective trustees to provide for the payment of the 2000 Certificates of Participation (Qualified Zone Academy Bonds) and the 2005 Certificates of Participation (Qualified Zone Academy Bonds) at maturity. While the District's financial statements indicate that the full principal amount of each of the 2000 Certificates of Participation (Qualified Zone Academy Bonds) and the 2005 Certificates of Participation (Qualified Zone Academy Bonds) are outstanding as of June 30, 2011, a total of \$31.19 million of accumulated sinking fund payments have been made, which amount reflects the portion of the respective certificates of participation that are considered economically defeased.

#### *Other Leasing Arrangements*

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

The District's operating leases consist of various leased facilities and office equipment (primarily copiers). The leased facilities have varying terms ranging from less than a year to 80 years. Some leases are month to month and a few are year to year. The leases expire over the next 72 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 4 years.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2011

The total expenditure for all operating leases amounted to \$21,881,046 in 2010-11. The future minimum commitments for noncancelable operating lease of the District as of June 30, 2011 are as follows (in thousands):

	<u>Amount</u> <u>(in thousands)</u>
Fiscal year ending:	
2012	\$ 13,937
2013	11,470
2014	7,112
2015	5,766
2016	4,481
2017-2021	19,329
2022-2026	15,644
2027-2031	19,001
2032-2036	24,250
2037-2041	28,785
2042-2046	25,266
2047-2051	31,821
2052-2056	40,613
2057-2061	51,834
2062-2066	66,154
2067-2071	84,431
2072-2076	107,758
2077-2081	137,530
2082-2083	63,730
	<u>\$ 758,912</u>

**(11) Long-Term Obligations**

The following is a summary of changes in long-term obligations for the year ended June 30, 2011 (in thousands):

	<u>Balance,</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance,</u> <u>June 30, 2011</u>	<u>Due Within</u> <u>One Year</u>	<u>Interest</u> <u>Expense</u>
General Obligation Bonds*	\$12,114,504	\$ 7,647	\$ 311,270	\$ 11,810,881	\$ 303,332	\$ 591,872
Certificates of Participation (Note 10)**	459,019	85,783	49,962	494,840	54,694	14,098
Capital Lease Obligations	2,628	1,043	1,312	2,359	967	184
Children Center Facilities Revolving Loan	792	-	-	792	-	-
California Energy Commission Loan	439	-	222	217	217	14
Liability for Employee Benefits	224,884	68,034	90,886	202,032	16,314	-
Self-Insurance Claims (Note 9)	528,345	304,510	329,550	503,305	146,669	-
Other Postemployment Benefits (OPEB)	2,393,811	1,022,031	240,100	3,175,742	-	-
Arbitrage Payable	12,445	-	6,975	5,470	4,660	-
Legal Settlements	15,200	-	15,200	-	-	-
Total	<u>\$15,752,067</u>	<u>\$ 1,489,048</u>	<u>\$ 1,045,477</u>	<u>\$ 16,195,638</u>	<u>\$ 526,853</u>	<u>\$ 606,168</u>

\* Net of unamortized premiums and discounts.

\*\* Including unamortized premium.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2011

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
2012	\$ 285,200	\$ 18,132	\$ 577,429	\$ 54,228	\$ 1,418	\$ 17,350	\$ 217	\$ 6	\$ 339,645	\$ 19,550	\$ 594,785
2013	326,910	17,873	562,233	30,120	1,429	16,274	79	—	357,109	19,302	578,507
2014	326,440	19,444	547,324	31,038	1,381	15,055	79	—	357,557	20,825	562,379
2015	335,245	18,980	530,836	38,858	1,342	15,188	79	—	374,182	20,322	546,024
2016	339,365	18,611	514,403	37,911	1,093	13,540	79	—	377,355	19,704	527,943
2017-2021	1,932,725	68,768	2,293,943	153,581	1,471	44,385	397	—	2,086,703	70,239	2,338,328
2022-2026	2,740,825	33,288	1,741,981	56,595	(124)	27,262	79	—	2,797,499	33,164	1,769,243
2027-2031	2,876,500	16,440	1,014,168	65,730	(95)	13,204	0	—	2,942,230	16,345	1,027,372
2032-2035	2,433,040	3,095	236,816	21,264	(41)	1,547	0	—	2,454,304	3,054	238,363
	<u>\$ 11,596,250</u>	<u>\$ 214,631</u>	<u>\$ 8,019,133</u>	<u>\$ 489,325</u>	<u>\$ 7,874</u>	<u>\$ 163,805</u>	<u>\$ 1,009</u>	<u>\$ 6</u>	<u>\$ 12,086,584</u>	<u>\$ 222,505</u>	<u>\$ 8,182,944</u>

The General Obligation Bonds balance of \$11,810.9 million, which includes unamortized bond premiums (net of unamortized discount and refunding charges) of \$214.6 million, consists of:

(a) Six issuances of Proposition BB bonds:

1. Series "A" bonds, sold in July 1997 at \$356.00 million par value, of which \$18.53 million and \$133.18 million were refunded in December 2004 and July 2005, respectively. Interest is due semi-annually at rates ranging from 4.0% to 6.0%. These bonds mature in 2015. As of June 30, 2011, outstanding obligation was \$77.89 million;
2. Series "E" bonds, sold in April 2002 at \$500.00 million par value, of which \$75.77 million, \$231.22 million, \$25.80 million, \$15.26 million, and \$19.79 million were refunded in December 2004, November 2006, February 2007, October 2009, and March 2010, respectively. Interest is due semi-annually at rates ranging from 3.0% to 5.5%. These bonds mature in 2012. As of June 30, 2011, outstanding obligation was \$30.61 million; and
3. Series "F" bonds, sold in March 2003 at \$507.35 million par value of which \$129.51 million and \$23.81 million were refunded in January 2007 and October 2009. Interest is due semi-annually at rates ranging from 2.0% to 5%. These bonds mature in 2024. As of June 30, 2011, outstanding obligation was \$267.47 million.

(b) Seven issuances of Measure K bonds:

1. Series "A" bonds, sold in February 2003 at \$2.10 billion par value, of which \$131.94 million, \$330.15 million, \$1.12 billion, and \$53.06 million were refunded in February 2006, October 2006, January 2007, and March 2010, respectively. Interest is due semi-annually at rates ranging from 1.65% to 5.375%. These bonds mature in 2028. As of June 30, 2011, outstanding obligation was \$388.44 million;

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2011

2. Series “B” bonds, sold in February 2007 at \$500.00 million par value. Interest is due semi-annually at rates ranging from 4.0% to 5.0%. These bonds mature in 2031. As of June 30, 2011, outstanding obligation was \$462.61 million;
  3. Series “C” bonds, sold in August 2007 at \$150.00 million par value. Interest is due semi-annually at rates ranging from 3.625% to 5.0%. These bonds mature in 2032. As of June 30, 2011, outstanding obligation was \$138.54 million;
  4. Series “D” bonds, sold in February 2009 at \$250.00 million par value. Interest is due semi-annually at rates ranging from 2.5% to 5.25%. These bonds mature in 2034. As of June 30, 2011, outstanding obligation was \$240.89 million;
  5. Series “KRY” Federally Taxable, sold in October 2009 at \$200.00 million par value. Interest is due semi-annually at rates ranging from 5.75% to 5.755%. These bonds mature in 2034. No payment was due as of June 30, 2011;
  6. Series “KRY” Tax Exempt, sold in March 2010 at \$149.14 million par value. Interest is due semi-annually at rates ranging from 1.5% to 5.25%. These bonds mature in 2034. As of June 30, 2011, outstanding obligation was \$145.25 million; and
  7. Series “KY” bonds, sold in May 2010 at \$0.86 million par value. Interest is due semi-annually at 5.0%. These bonds mature in 2015. No payment was due as of June 30, 2011.
- (c) Eleven issuances of Measure R bonds:
1. Series “C” bonds, sold in September 2004 at \$50.0 million par value. Interest is due semi-annually at rates ranging from 3.60% to 5.0%. These bonds mature in 2029. As of June 30, 2011, outstanding obligation was \$41.84 million;
  2. Series “E” bonds, sold in August 2005 at \$400.0 million par value. Interest is due semi-annually at rates ranging from 3.0% to 5.75%. These bonds mature in 2030. As of June 30, 2011, outstanding obligation was \$329.68 million;
  3. Series “F”, sold in February 2006 at \$500.0 million par value. Interest is due semi-annually at rates ranging from 3.5% to 5.0%. These bonds mature in 2030. As of June 30, 2011, outstanding obligation for Series “F” was \$449.88 million;
  4. Series “G” bonds, sold in August 2006 at \$400.00 million par value, was refunded in October 2009 for \$6.27 million. Interest is due semi-annually at rates ranging from 4.0% to 5.0%. These bonds mature in 2031. As of June 30, 2011, outstanding obligation for Series “G” was \$344.18 million;
  5. Series “H” bonds, sold in August 2007 at \$550.00 million par value. This was refunded in October 2009 for \$15.17 million. Interest is due semi-annually at rates ranging from 3.75% to 5.0%. These bonds mature in 2032. As of June 30, 2011, outstanding obligation was \$490.03 million;

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Notes to Basic Financial Statements

Year Ended June 30, 2011

6. Series "I" bonds, sold in February 2009 at \$550.00 million par value. Interest is due semi-annually at rates ranging from 2.5% to 5.25%. These bonds mature in 2034. As of June 30, 2011, outstanding obligation was \$531.25 million;
  7. Series "KRY" Tax Exempt, sold in October 2009 at \$36.99 million par value and Taxable Build America bonds for \$363.01 million par value. Interest is due semi-annually at rates ranging from 3% to 5.755%. These bonds mature in 2034. No payment was due as of June 30, 2011; and
  8. Series "KRY" Tax Exempt and Series "RY" Federally Taxable Build America bonds, sold in March 2010 at \$157.17 million par value and \$477.63 million par value, respectively. Interest is due semi-annually at rates ranging from 1.5% to 6.758%. These bonds mature in 2034. No payment was due as of June 30, 2011.
- (d) Ten issuances of Measure Y bonds:
1. Four issuances of Measure Y bonds sold in February 2006: Series "A" bonds at \$56.79 million par value, Series "B" bonds at \$80.20 million par value, Series "C" bonds at \$210.00 million par value and Series "D" bonds at \$47.40 million par value, all of which, except for Series C and \$5.70 million of Series D, were used to partially or fully refund certain certificates of participation. Interest is due semi-annually at rates ranging from 3.125% to 6.0%. These bonds mature in 2030. As of June 30, 2011, outstanding obligations for Series "A", Series "B", Series "C", and Series "D" were \$31.15 million, \$43.81 million, \$186.23 million, and \$28.91 million, respectively;
  2. Series "E", sold in August 2007 for \$300.00 million par value. Interest is due semi-annually at rates ranging from 4.0% to 5.0%. These bonds mature in 2032. As of June 30, 2011, outstanding obligation was \$278.34 million after payment of \$6.93 million on July 1, 2010;
  3. Series "F", sold in February 2009 at \$150.00 million par value. Interest is due semi-annually at rates ranging from 2.5% to 5.25%. These bonds mature in 2034. As of June 30, 2011, outstanding obligation was \$144.76 million;
  4. Two issuances of Measure Y bonds sold in October 2009: Series "G" at \$5.61 million par value and Series "H" at \$318.80 million par value. Series "KRY" Taxable Build America bonds at \$806.80 million par value and Series "KRY" Tax Exempt at \$168.79 million par value. Interest is due quarterly for Series H and semi-annually for the rest at rates ranging from 1.54% to 5.755%. These bonds mature in 2034. No payment was due as of June 30, 2011;
  5. Series "I" Federally Taxable, Series "RY" Federally Taxable Build America, and Series "KRY" Tax Exempt, sold in March 2010 at \$3.80 million par value, \$772.96 million par value, and \$172.27 million par value. Interest is due semi-annually at rates ranging from 1.5% to 6.758%. These bonds mature in 2034. No payment was due as of June 30, 2011 except for

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Notes to Basic Financial Statements

Year Ended June 30, 2011

Series “KRY” Measure Y Tax Exempt of which \$41.82 payment was made on July 1, 2010 bringing its outstanding balance to \$130.45 million; and

6. Series “KY” Tax Exempt bonds and Series “J-1” and Series “J-2” Qualified School Construction Federally Taxable Direct Subsidy bonds, sold in May 2010 at \$158.64 million par value, \$190.20 million par value, and \$100.00 million par value, respectively. Interest is due semi-annually at rates ranging from 1.1% to 5.981%. These bonds mature in 2027. No payment was due as of June 30, 2011.

(e) General obligation refunding bonds:

In fiscal year 2010-11, there was no new General Obligation Bond Refundings done. However, the following are the prior year refunding and the outstanding balances:

1. 2002 General Obligation Refunding issued on April 17, 2002 for \$258.38 million. Interest is due semi-annually at rates ranging from 3.0% to 5.75%. These bonds mature in 2017. As of June 30, 2011, outstanding balance was \$244.12 million. The refunding resulted in a reduction of debt service payments of \$12.80 million over 17 years and an economic gain of \$8.0 million;
2. 2004 Series “A-1” and “A-2” sold in December 2004 at \$219.12 million par value. Interest is due semi-annually at rates ranging from 3% to 5.0%. These bonds mature in 2022. As of June 30, 2011, outstanding obligation was \$217.59 million. The refunding resulted in a reduction to debt service payments of \$10.60 million over 18 years and an economic gain of \$7.79 million;
3. 2005 Series “A-1” and “A-2” sold in July 2005 at \$467.68 million par value, 2006 Series “A” sold in February 2006 at \$132.33 million par value, which are still outstanding as of June 30, 2011. Interest is due semi-annually at rates ranging from 3.5% to 5.5%. These bonds mature in 2025. The 2005 Series “A-1” and “A-2” refunding resulted in a reduction to debt service payments of \$38.40 million over 20 years and an economic gain of \$24.16 million. The 2006 Series “A” refunding resulted in a reduction to debt service payments of \$6.35 million over 13 years and an economic gain of \$4.20 million;
4. 2006 Series “B” sold in November 2006 at \$574.91 million par value. Interest is due semi-annually at rates ranging from 3.5% to 5.0%. These bonds mature in 2027. As of June 30, 2011, outstanding obligation was \$559.59 million. The refunding resulted in a reduction to debt service payments of \$29.33 million over 21 years and an economic gain of \$18.97 million;
5. 2007 Series “A-1” and “A-2” sold in January 2007 at \$1.29 billion par value. Interest is due semi-annually at rates ranging from 4.0% to 5.0%. These bonds mature in 2028. As of June 30, 2011, outstanding obligation was \$1.27 billion. The refunding resulted in a reduction to debt service payments of \$82.11 million over 21 years and an economic gain of \$46.23 million;



## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Notes to Basic Financial Statements

Year Ended June 30, 2011

6. 2007 Series "B" sold in February 2007 at \$24.85 million par value, all of which were used to partially refund certain general obligation bonds. Interest is due semi-annually at rates ranging from 4.0% to 5.0%. These bonds mature in 2019. As of June 30, 2011, outstanding obligation was \$24.65 million. The refunding resulted in a reduction to debt service payments of \$1.80 million over 12 years and an economic gain of \$1.20 million;
7. 2009 Refunding Bonds Series "A" sold in October 2009 for \$74.77 million par value. Interest is due semi-annually at rates ranging from 2.0% to 5.0%. These bonds mature in 2019. As of June 30, 2011, the outstanding obligation was \$59.93 million. The refunding resulted in a reduction to debt service payments of \$2.10 million over 9 years and an economic gain of \$1.36 million; and
8. 2010 Refunding Bonds Series "A" sold in March 2010 for \$74.99 million par value. Interest is due semi-annually at rates ranging from 2.0% to 5.0%. These bonds mature in 2015. As of June 30, 2011, outstanding obligation was \$74.08 million. The refunding resulted in a reduction to debt service payments of \$2.43 million over 5 years and an economic gain of \$2.24 million.

In prior years, the District defeased certain principal amounts of its general obligation bonds by placing proceeds of 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, 2011, \$2.604 billion of outstanding general obligation bonds are considered legally defeased.

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

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

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2011

***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. 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, 2011 (in thousands) are as follows:

<u>Fund Group</u>	<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General:	Unrestricted	\$ 30,000	\$ —
	Total General	30,000	—
Special Revenue:	Cafeteria	—	12,000
	Child development	—	18,000
	Total Special Revenue	—	30,000
	Total Interfund Receivables/Payables	\$ 30,000	\$ 30,000

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2011

**(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, 2011 were as follows (in thousands):

<u>From</u>	<u>To</u>	<u>Purpose</u>	
General	Cafeteria	Cafeteria repayment per MOU dated March 18, 2011	\$ 32,000
General	Cafeteria	Reimbursement of expenditures	61
General	Child Development	Child Development support	7,996
General	Capital Services	Debt service	23,849
General	Special Reserve	Debt service	903
General	Health & Welfare	Medicare Part D subsidy	10,956
Cafeteria	Capital Services	Debt service	786
Deferred Maintenance	General	Tier III flexibility transfer	18,501
SSBldg Lease/Purchase	Building – Bond Proceeds	Reimbursement of capital expenditures	62
Special Reserve	General	Funding for new financial system	49,704
Special Reserve	General	Funding for reduction in force project	2,100
Special Reserve	General	Funding for capital expenditures	357
Special Reserve	Capital Services	Debt service	8,579
Special Reserve	Building – Measure K	Reimbursement of capital expenditures	364
Special Reserve	Building – Measure R	Reimbursement of capital expenditures	3
Special Reserve	Building – Measure Y	Reimbursement of capital expenditures	11
Special Reserve	County School Facilities (CSF) – Prop 55	Reimbursement of capital expenditures	5,427
Special Reserve – Community Redevelopment Agency (CRA)	General	Reimbursement of major maintenance expenditures	4,002
Capital Facilities	Capital Services	Debt service	10,695
Capital Facilities	Building – Measure Y	Reimbursement of capital expenditures	109
Building – Bond Proceeds	SSBldg Lease/Purchase	Reimbursement of capital expenditures	881
Building – Bond Proceeds	Building – Measure K	Reimbursement of capital expenditures	4,488
Building – Bond Proceeds	Building – Measure R	Reimbursement of capital expenditures	12,329
Building – Bond Proceeds	Building – Measure Y	Reimbursement of capital expenditures	4
Building – Bond Proceeds	County School Facilities	Reimbursement of capital expenditures	124
Building – Bond Proceeds	CSF – Prop 47	Reimbursement of capital expenditures	3,036
Building – Bond Proceeds	CSF – Prop 55	Reimbursement of capital expenditures	4,175
Building – Measure K	Building – Measure R	Reimbursement of capital expenditures	1,349
Building – Measure K	Building – Measure Y	Reimbursement of capital expenditures	375
Building – Measure K	CSF – Prop 55	Reimbursement of capital expenditures	3,405
Building – Measure R	SSBldg Lease/Purchase	Reimbursement of capital expenditures	177
Building – Measure R	Special Reserve	Reimbursement of capital expenditures	116
Building – Measure R	Building – Bond Proceeds	Reimbursement of capital expenditures	119
Building – Measure R	Building – Measure K	Reimbursement of capital expenditures	1,591
Building – Measure R	Building – Measure Y	Reimbursement of capital expenditures	1,862
Building – Measure R	County School Facilities	Reimbursement of capital expenditures	417
Building – Measure R	CSF – Prop 47	Reimbursement of capital expenditures	533
Building – Measure R	CSF – Prop 55	Reimbursement of capital expenditures	4,840
Building – Measure R	CSF – Prop 1D	Reimbursement of capital expenditures	44

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2011

Transfers between funds for the year ended June 30, 2011 (continued) (in thousands):

<u>From</u>	<u>To</u>	<u>Purpose</u>	
Building – Measure Y	General	Reimbursement of capital expenditures	\$ 13,474
Building – Measure Y	Cafeteria	Reimbursement of capital expenditures	867
Building – Measure Y	Capital Services	Debt service	2,446
Building – Measure Y	Building – Bond Proceeds	Reimbursement of capital expenditures	114
Building – Measure Y	Building – Measure K	Reimbursement of capital expenditures	23
Building – Measure Y	Building – Measure R	Reimbursement of capital expenditures	18,729
Building – Measure Y	County School Facilities	Reimbursement of capital expenditures	669
Building – Measure Y	CSF – Prop 47	Reimbursement of capital expenditures	73
Building – Measure Y	CSF – Prop 1D	Reimbursement of capital expenditures	857
County School Facilities	Deferred Maintenance	Reimbursement of capital expenditures	349
County School Facilities	Building – Bond Proceeds	Reimbursement of capital expenditures	5,972
County School Facilities	Building – Measure R	Reimbursement of capital expenditures	2,919
County School Facilities	Building – Measure Y	Reimbursement of capital expenditures	52
CSF – Prop 47	Building – Bond Proceeds	Reimbursement of capital expenditures	2,873
CSF – Prop 47	Building – Measure K	Reimbursement of capital expenditures	1
CSF – Prop 47	Building – Measure R	Reimbursement of capital expenditures	76
CSF – Prop 47	Building – Measure Y	Reimbursement of capital expenditures	404
CSF – Prop 47	CSF – Prop 55	Reimbursement of capital expenditures	87
CSF – Prop 55	SSBldg Lease/Purchase	Reimbursement of capital expenditures	135
CSF – Prop 55	Building – Bond Proceeds	Reimbursement of capital expenditures	5,844
CSF – Prop 55	Building – Measure K	Reimbursement of capital expenditures	27,986
CSF – Prop 55	Building – Measure R	Reimbursement of capital expenditures	54,810
CSF – Prop 55	Building – Measure Y	Reimbursement of capital expenditures	234,223
CSF – Prop 55	CSF – Prop 47	Reimbursement of capital expenditures	45
CSF – Prop 1D	Capital Facilities	Reimbursement of capital expenditures	220
CSF – Prop 1D	Building – Bond Proceeds	Reimbursement of capital expenditures	1,638
CSF – Prop 1D	Building – Measure K	Reimbursement of capital expenditures	1,800
CSF – Prop 1D	Building – Measure R	Reimbursement of capital expenditures	15,963
CSF – Prop 1D	Building – Measure Y	Reimbursement of capital expenditures	3,001
CSF – Prop 1D	County School Facilities	Reimbursement of capital expenditures	1,943
CSF – Prop 1D	CSF – Prop 55	Reimbursement of capital expenditures	1,279
			<hr/>
Sub-total			615,202
Adult Education	General	Transfer of support costs	2,897
Cafeteria	General	Transfer of support costs	5,995
Child Development	General	Transfer of support costs	342
			<hr/>
Total			<u>\$ 624,436</u>

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2011

**(13) Fund Equity**

The following is a summary of fund balances at June 30, 2011 (in thousands):

	<u>General Fund</u>	<u>District Bonds</u>	<u>County School Facilities Bonds</u>	<u>Bond Interest and Redemption</u>	<u>Other Governmental Funds</u>
Nonspendable:					
Revolving cash and imprest funds	\$ 2,893	\$ 3,800	\$ —	\$ —	\$ 115
Inventories	7,524	—	—	—	4,935
Total Nonspendable Balances	<u>10,417</u>	<u>3,800</u>	<u>—</u>	<u>—</u>	<u>5,050</u>
Restricted for:					
Child Nutrition: School Programs	—	—	—	—	3,843
Medi-Cal Billing Options	22,068	—	—	—	—
FEMA Public Assistance Funds	91	—	—	—	240
Cops More Program	35	—	—	—	—
School Mental Health Medi-Cal Rehabilitation	2,365	—	—	—	28,670
Class Size Reduction Facilities Funds	—	—	—	—	—
Teacher Recruitment and Retention	4,870	—	—	—	—
English Language Acquisition Program, Teacher Training & Student Assistance	4,178	—	—	—	—
ROC/P: Training & Certification for Community Care	48	—	—	—	—
Special Education	13,994	—	—	—	—
Special Ed: Early Ed Individuals with Exceptional Needs (Infant Program)	208	—	—	—	—
Economic Impact Aid (EIA)	1,442	—	—	—	—
Economic Impact Aid: Limited English Proficiency (LEP)	60,119	—	—	—	—
Quality Education Investment Act (QEIA)	87,622	—	—	—	—
State School Facilities Projects	—	—	712,540	—	3,869
California Energy Commission Loan Expenditures	397	—	—	—	—
CDE Grant Olive Vista Middle School	—	—	—	—	45
Ongoing & Major Maintenance Account	3,640	—	—	—	—
Capital Projects	—	—	—	—	99,625
Certificates of Participation (Acquisition Accounts) Proceeds	64,635	—	—	—	—
Clean Cities Grant	250	—	—	—	—
Cognitive Behavioral Intervention Therapy	456	—	—	—	—
Debt Service Reserve	—	—	—	724,608	82,138
District Bonds	—	2,816,528	—	—	—
Total Restricted Balances	<u>266,418</u>	<u>2,816,528</u>	<u>712,540</u>	<u>724,608</u>	<u>218,430</u>
Committed to:					
Adult Education	—	—	—	—	11,391
Assigned to:					
Subsequent year expenditures	147,035	—	—	—	29,782
Unassigned					
Reserved for economic uncertainties	65,376	—	—	—	—
Unassigned	414,285	—	—	—	—
Total Fund Balances	<u>\$ 903,531</u>	<u>\$ 2,820,328</u>	<u>\$ 712,540</u>	<u>\$ 724,608</u>	<u>\$ 264,653</u>

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Notes to Basic Financial Statements

Year Ended June 30, 2011

**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 has been named as a defendant in numerous lawsuits. These seek, among other things, to require the District to reinstate terminated and laid-off employees, to remedy alleged noncompliance regarding special education schools, and to change existing instructional programs, pupil integration methods, and employment and administration procedures. In certain instances, monetary damages are sought including claims for retroactive pay. Based on the opinion of counsel, management

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Notes to Basic Financial Statements

Year Ended June 30, 2011

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 2010-11 the District entered into approximately 105 contracts with a combined value of \$303.0 million. The durations of the contracts range from four weeks to three years.

**(15) Subsequent Events**

On July 1, 2011 the District issued \$550 million of Tax and Revenue Anticipation Notes. The District will make the required deposits of \$275.0 million on January 31, 2012 and \$286.9 million on March 31, 2012 in anticipation of repayment of TRANS on June 30, 2012. The TRANS carried a coupon of 2.00% and had an All-In True Interest Cost of 0.32%.

On November 1, 2011, the District issued \$407,805,000 in General Obligation Refunding Bonds to refund a portion of Proposition BB Series F and Measure K 2003 Series A Bonds. The refunding resulted in \$31.8 million in present value savings or 7.5% of the refunded bonds.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Required Supplementary Information  
 Year Ended June 30, 2011  
 (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		
06/30/08	\$ 219,066	\$ 181,002	\$ 184,911	\$ 38,064	82.6%	84.4%	\$ 22,832	166.7%
06/30/09	240,158	190,718	139,579	49,440	79.4	58.1	23,715	208.5
06/30/10	249,236	201,794	158,890	47,442	81.0	63.8	23,550	201.5

2. Schedule of Funding Progress for Postemployment Healthcare Benefits:

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Liability (Entry Age Normal) (AAL)	Unfunded Actuarial Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2007	\$ —	\$ 10,563,623	\$ 10,563,623	0%	\$ 4,609,494	229 %
6/30/2009	—	10,339,628	10,339,628	0	4,628,914	223

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

See accompanying independent auditor's report.



LOS ANGELES UNIFIED SCHOOL DISTRICT  
District Bonds Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual  
Year Ended June 30, 2011  
(in thousands)

	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
	Original	Final		
Revenues:				
Other local revenues	\$ 39,750	\$ 39,750	\$ 78,628	\$ 38,878
Total Revenues	<u>39,750</u>	<u>39,750</u>	<u>78,628</u>	<u>38,878</u>
Expenditures:				
Current:				
Classified salaries	64,761	71,714	41,593	30,121
Employee benefits	24,085	27,399	19,040	8,359
Books and supplies	1,794	72,357	3,642	68,715
Services and other operating expenditures	3,159	122,184	107,615	14,569
Capital outlay	1,340,634	1,919,830	868,442	1,051,388
Total Expenditures	<u>1,434,433</u>	<u>2,213,484</u>	<u>1,040,332</u>	<u>1,173,152</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,394,683)</u>	<u>(2,173,734)</u>	<u>(961,704)</u>	<u>1,212,030</u>
Other Financing Sources (Uses):				
Transfers in	—	399,094	399,094	—
Transfers out	(10,148)	(97,684)	(77,117)	20,567
Payment to refunded COPs escrow agent	—	(32,548)	(32,548)	—
Total Other Financing Sources (Uses)	<u>(10,148)</u>	<u>268,862</u>	<u>289,429</u>	<u>20,567</u>
Net Changes in Fund Balances	<u>(1,404,831)</u>	<u>(1,904,872)</u>	<u>(672,275)</u>	<u>1,232,597</u>
Fund Balances, July 1, 2010	<u>3,519,331</u>	<u>3,492,603</u>	<u>3,492,603</u>	<u>—</u>
Fund Balances, June 30, 2011	<u>\$ 2,114,500</u>	<u>\$ 1,587,731</u>	<u>\$ 2,820,328</u>	<u>\$ 1,232,597</u>

See accompanying independent auditor's report.

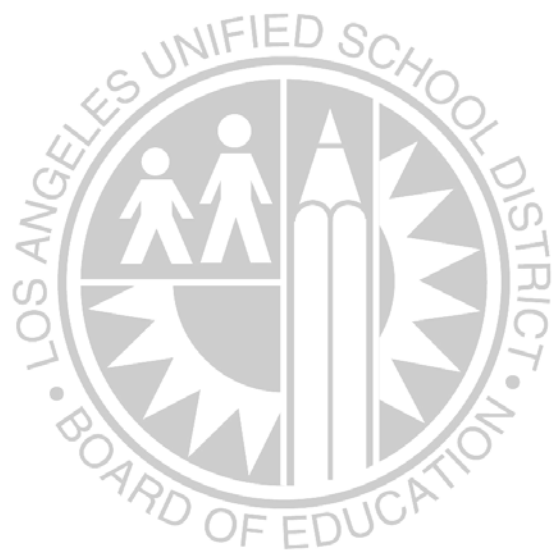
Los Angeles Unified School District  
County School Facilities Bonds Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual  
Year Ended June 30, 2011  
(in thousands)

	<b>Budget</b>		<b>Actual</b>	<b>Variance with Final Budget – Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
Revenues:				
Other state revenues	\$ 490,251	\$ 662,101	\$ 768,583	\$ 106,482
Other local revenues	6,170	6,170	10,270	4,100
Total Revenues	<u>496,421</u>	<u>668,271</u>	<u>778,853</u>	<u>110,582</u>
Expenditures:				
Current:				
Classified salaries	—	164	132	32
Employee benefits	—	65	52	13
Books and supplies	—	3,600	141	3,459
Services and other operating expenditures	—	170	62	108
Capital outlay	699,266	481,429	232,875	248,554
Total Expenditures	<u>699,266</u>	<u>485,428</u>	<u>233,262</u>	<u>252,166</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(202,845)</u>	<u>182,843</u>	<u>545,591</u>	<u>362,748</u>
Other Financing Sources (Uses):				
Transfers in	—	26,954	26,954	—
Transfers out	—	(361,620)	(361,620)	—
Total Other Financing Sources (Uses)	<u>—</u>	<u>(334,666)</u>	<u>(334,666)</u>	<u>—</u>
Net Changes in Fund Balances	<u>(202,845)</u>	<u>(151,823)</u>	<u>210,925</u>	<u>362,748</u>
Fund Balances, July 1, 2010	<u>658,845</u>	<u>501,615</u>	<u>501,615</u>	<u>—</u>
Fund Balances, June 30, 2011	<u>\$ 456,000</u>	<u>\$ 349,792</u>	<u>\$ 712,540</u>	<u>\$ 362,748</u>

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, 2011  
 (in thousands)

	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
	Original	Final		
Revenues:				
Federal revenues	\$ —	\$ —	\$ 76,289	\$ 76,289
Other state revenues	6,337	—	5,885	5,885
Other local revenues	974,050	795,375	857,477	62,102
Total Revenues	<u>980,387</u>	<u>795,375</u>	<u>939,651</u>	<u>144,276</u>
Expenditures:				
Debt service – principal	1,148,045	620,185	278,180	342,005
Debt service – bond and COPs interest	—	806,000	567,673	238,327
Total Expenditures	<u>1,148,045</u>	<u>1,426,185</u>	<u>845,853</u>	<u>580,332</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(167,658)</u>	<u>(630,810)</u>	<u>93,798</u>	<u>724,608</u>
Other Financing Sources:				
Transfers in	—	—	—	—
Total Other Financing Sources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net Changes in Fund Balances	<u>(167,658)</u>	<u>(630,810)</u>	<u>93,798</u>	<u>724,608</u>
Fund Balances, July 1, 2010	<u>550,258</u>	<u>630,810</u>	<u>630,810</u>	<u>—</u>
Fund Balances, June 30, 2011	<u>\$ 382,600</u>	<u>\$ —</u>	<u>\$ 724,608</u>	<u>\$ 724,608</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.

The Deferred Maintenance Fund was used to account for resources designated for the major repair or replacement of District property under the plan approved by the State Allocation Board. Revenues were derived from State apportionments, District matching funds, and investment income. However, with the District exercising the State's flexibility provisions, no revenue source restricted or committed to the purposes of the fund is expected to continue. As a result, the fund was closed out at the end of the fiscal year and all remaining balance was transferred to the General Fund.

#### **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.

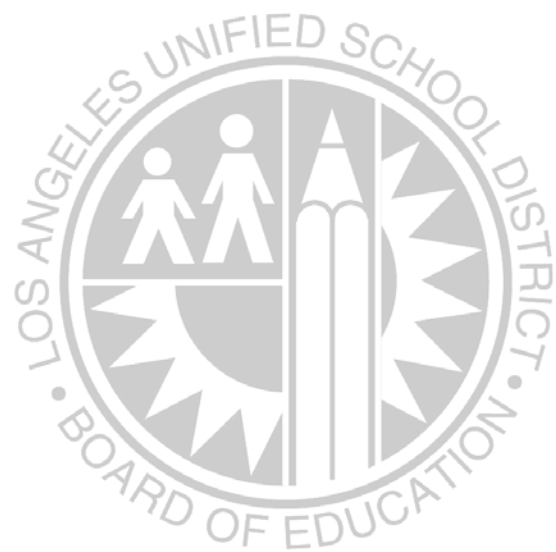
## **LOS ANGELES UNIFIED SCHOOL DISTRICT**

### **Nonmajor Governmental Funds**

The Special Reserve Fund – FEMA-Hazard Mitigation was established on April 15, 1996 to account for funds received from FEMA and for the 25% District-matching funds for the retrofit/replacement of pendant lighting and suspended ceilings in selected buildings at schools, offices, and children’s centers.

The Special Reserve Fund – Community Redevelopment Agency is used to account for reimbursements of tax increment revenues from certain community redevelopment agencies based on agreements between the District and the agencies. These reimbursements are to be used for capital projects within the respective redevelopment areas covered in the agreements.

The Capital Facilities Account Fund was established on January 1, 1987 in accordance with Section 53080 of the California Government Code and is used to account for resources received from fees levied upon new residential, commercial, or industrial development projects within the District’s boundaries in order to obtain funds for the construction or acquisition of school facilities to relieve overcrowding.



LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Nonmajor Governmental Funds  
 Combining Balance Sheet  
 June 30, 2011  
 (in thousands)

<b>Special Revenue</b>					
	<b>Adult Education</b>	<b>Cafeteria</b>	<b>Child Development</b>	<b>Deferred Maintenance</b>	<b>Total</b>
Assets:					
Cash in county treasury, in banks, and on hand	\$ 9,068	\$ 141	\$ 6,609	\$ —	\$ 15,818
Cash held by trustee	—	—	—	—	—
Investments	—	—	—	—	—
Accounts receivable – net	7,144	22,967	14,402	—	44,513
Accrued interest receivable	155	5	—	—	160
Inventories	—	4,935	—	—	4,935
Total Assets	\$ 16,367	\$ 28,048	\$ 21,011	\$ —	\$ 65,426
Liabilities and Fund Balances:					
Vouchers and accounts payable	\$ 4,783	\$ 6,713	\$ 1,337	\$ —	\$ 12,833
Contracts payable	1	—	—	—	1
Other payables	1	459	1,342	—	1,802
Due to other funds	—	12,000	18,000	—	30,000
Deferred revenue	96	98	261	—	455
Total Liabilities	4,881	19,270	20,940	—	45,091
Fund Balances:					
Nonspendable	95	4,935	20	—	5,050
Restricted	—	3,843	—	—	3,843
Committed	11,391	—	—	—	11,391
Assigned	—	—	51	—	51
Total Fund Balances	11,486	8,778	71	—	20,335
Total Liabilities and Fund Balances	\$ 16,367	\$ 28,048	\$ 21,011	\$ —	\$ 65,426

See accompanying independent auditors' report.



**Debt Service**

---

<b>Tax Override</b>	<b>Capital Services</b>	<b>Total</b>
\$ 293	\$ 15,039	\$ 15,332
—	43,309	43,309
—	22,835	22,835
—	960	960
1	43	44
—	—	—
<b>\$ 294</b>	<b>\$ 82,186</b>	<b>\$ 82,480</b>
\$ —	\$ 334	\$ 334
—	—	—
—	8	8
—	—	—
—	—	—
—	<b>342</b>	<b>342</b>
—	—	—
294	81,844	82,138
—	—	—
—	—	—
<b>294</b>	<b>81,844</b>	<b>82,138</b>
<b>\$ 294</b>	<b>\$ 82,186</b>	<b>\$ 82,480</b>

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Nonmajor Governmental Funds  
 Combining Balance Sheet (Continued)  
 June 30, 2011  
 (in thousands)

	<b>Capital Projects</b>				
	<b>Building</b>	<b>State School Building Lease – Purchase</b>	<b>Special Reserve</b>	<b>Special Reserve – FEMA – Earthquake</b>	<b>Special Reserve – FEMA- Hazard Mitigation</b>
<b>Assets:</b>					
Cash in county treasury, in banks, and on hand	\$ 2,355	\$ 15,759	\$ 97,630	\$ 240	\$ 2,034
Cash held by trustee	—	—	28,854	—	—
Investments	—	—	—	—	—
Accounts receivable – net	—	—	—	—	—
Accrued interest receivable	7	48	277	—	9
Inventories	—	—	—	—	—
Total Assets	<u>\$ 2,362</u>	<u>\$ 15,807</u>	<u>\$ 126,761</u>	<u>\$ 240</u>	<u>\$ 2,043</u>
<b>Liabilities and Fund Balances:</b>					
Vouchers and accounts payable	\$ 72	\$ 136	\$ 520	\$ —	\$ —
Contracts payable	356	174	39	—	—
Other payables	171	11,203	5,135	—	—
Due to other funds	—	—	—	—	—
Deferred revenue	—	—	3,400	—	—
Total Liabilities	<u>599</u>	<u>11,513</u>	<u>9,094</u>	<u>—</u>	<u>—</u>
<b>Fund Balances:</b>					
Nonspendable	—	—	—	—	—
Restricted	—	3,869	117,667	240	—
Committed	—	—	—	—	—
Assigned	1,763	425	—	—	2,043
Total Fund Balances	<u>1,763</u>	<u>4,294</u>	<u>117,667</u>	<u>240</u>	<u>2,043</u>
Total Liabilities and Fund Balances	<u>\$ 2,362</u>	<u>\$ 15,807</u>	<u>\$ 126,761</u>	<u>\$ 240</u>	<u>\$ 2,043</u>

See accompanying independent auditors' report.

<b>Special Reserve – Community Redevelopment Agency</b>	<b>Capital Facilities Account</b>	<b>Total</b>	<b>Total Nonmajor Governmental Funds</b>
\$ 10,630	\$ 18,298	\$ 146,946	\$ 178,096
—	—	28,854	72,163
—	—	—	22,835
—	7,702	7,702	53,175
43	—	384	588
—	—	—	4,935
<u>\$ 10,673</u>	<u>\$ 26,000</u>	<u>\$ 183,886</u>	<u>\$ 331,792</u>
\$ —	\$ 345	\$ 1,073	\$ 14,240
—	23	592	593
—	132	16,641	18,451
—	—	—	30,000
—	—	3,400	3,855
<u>—</u>	<u>500</u>	<u>21,706</u>	<u>67,139</u>
—	—	—	5,050
10,673	—	132,449	218,430
—	—	—	11,391
—	25,500	29,731	29,782
<u>10,673</u>	<u>25,500</u>	<u>162,180</u>	<u>264,653</u>
<u>\$ 10,673</u>	<u>\$ 26,000</u>	<u>\$ 183,886</u>	<u>\$ 331,792</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Nonmajor Governmental Funds  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Year Ended June 30, 2011  
 (in thousands)

	<b>Special</b>		
	<b>Adult Education</b>	<b>Cafeteria</b>	<b>Child Development</b>
Revenues:			
Federal revenues	\$ 19,888	\$ 237,099	\$ 64,139
Other state revenues	75,546	19,341	59,981
Other local revenues	2,372	9,504	12,997
Total Revenues	<u>97,806</u>	<u>265,944</u>	<u>137,117</u>
Expenditures:			
Current:			
Certificated salaries	82,696	—	49,762
Classified salaries	21,869	87,904	44,844
Employee benefits	37,431	69,758	40,841
Books and supplies	11,300	126,122	3,531
Services and other operating expenditures	6,277	3,816	5,507
Capital outlay	775	908	273
Debt service – principal	—	—	—
Debt service – bond and COPs interest	—	—	—
Total Expenditures	<u>160,348</u>	<u>288,508</u>	<u>144,758</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(62,542)</u>	<u>(22,564)</u>	<u>(7,641)</u>
Other Financing Sources (Uses):			
Transfers in	—	32,928	7,996
Transfers – support costs	(2,897)	(5,995)	(342)
Transfers out	—	(786)	—
Issuance of COPs	—	—	—
Premium on COPs issued	—	—	—
Discount on issuance of COPs	—	—	—
Land and building sale	—	—	—
Total Other Financing Sources (Uses)	<u>(2,897)</u>	<u>26,147</u>	<u>7,654</u>
Net Changes in Fund Balances	(65,439)	3,583	13
Fund Balances, July 1, 2010	<u>76,925</u>	<u>5,195</u>	<u>58</u>
Fund Balances, June 30, 2011	<u>\$ 11,486</u>	<u>\$ 8,778</u>	<u>\$ 71</u>

See accompanying independent auditor's report.

Revenue		Debt Service		
Deferred Maintenance	Total	Tax Override	Capital Services	Total
\$ —	\$ 321,126	\$ —	\$ —	\$ —
—	154,868	14	—	14
438	25,311	5	1,202	1,207
<u>438</u>	<u>501,305</u>	<u>19</u>	<u>1,202</u>	<u>1,221</u>
—	132,458	—	—	—
5,215	159,832	—	—	—
2,418	150,448	—	—	—
1,702	142,655	—	—	—
15,914	31,514	—	—	—
2,676	4,632	—	—	—
—	—	—	23,608	23,608
—	—	—	14,473	14,473
<u>27,925</u>	<u>621,539</u>	<u>—</u>	<u>38,081</u>	<u>38,081</u>
<u>(27,487)</u>	<u>(120,234)</u>	<u>19</u>	<u>(36,879)</u>	<u>(36,860)</u>
349	41,273	—	46,355	46,355
—	(9,234)	—	—	—
(18,501)	(19,287)	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
<u>(18,152)</u>	<u>12,752</u>	<u>—</u>	<u>46,355</u>	<u>46,355</u>
<u>(45,639)</u>	<u>(107,482)</u>	<u>19</u>	<u>9,476</u>	<u>9,495</u>
<u>45,639</u>	<u>127,817</u>	<u>275</u>	<u>72,368</u>	<u>72,643</u>
<u>\$ —</u>	<u>\$ 20,335</u>	<u>\$ 294</u>	<u>\$ 81,844</u>	<u>\$ 82,138</u>

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)  
Year Ended June 30, 2011  
(in thousands)

	<b>Capital</b>			
	<b>Building</b>	<b>State School Building Lease – Purchase</b>	<b>Special Reserve</b>	<b>Special Reserve – FEMA – Earthquake</b>
Revenues:				
Federal revenues	\$ —	\$ —	\$ —	\$ —
Other state revenues	—	—	5,199	—
Other local revenues	292	308	11,293	—
Total Revenues	<u>292</u>	<u>308</u>	<u>16,492</u>	<u>—</u>
Expenditures:				
Current:				
Certificated salaries	—	—	—	—
Classified salaries	1	—	432	—
Employee benefits	1	—	167	—
Books and supplies	—	—	230	—
Services and other operating expenditures	—	—	2,922	8
Capital outlay	522	116	15,772	—
Debt service – principal	—	—	—	—
Debt service – bond and COPs interest	—	—	—	—
Total Expenditures	<u>524</u>	<u>116</u>	<u>19,523</u>	<u>8</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(232)</u>	<u>192</u>	<u>(3,031)</u>	<u>(8)</u>
Other Financing Sources (Uses):				
Transfers in	—	1,193	1,019	—
Transfers – support costs	—	—	—	—
Transfers out	—	(62)	(66,545)	—
Issuance of COPs	—	—	83,345	—
Premium on COPs issued	—	—	3,034	—
Discount on issuance of COPs	—	—	(596)	—
Land and building sale	—	—	52	—
Total Other Financing Sources (Uses)	<u>—</u>	<u>1,131</u>	<u>20,309</u>	<u>—</u>
Net Changes in Fund Balances	<u>(232)</u>	<u>1,323</u>	<u>17,278</u>	<u>(8)</u>
Fund Balances, July 1, 2010	<u>1,995</u>	<u>2,971</u>	<u>100,389</u>	<u>248</u>
Fund Balances, June 30, 2011	<u>\$ 1,763</u>	<u>\$ 4,294</u>	<u>\$ 117,667</u>	<u>\$ 240</u>

See accompanying independent auditor's report.

**Projects**

<b>Special Reserve – FEMA – Hazard Mitigation</b>	<b>Special Reserve – Community Redevelopment Agency</b>	<b>Capital Facilities Account</b>	<b>Total</b>	<b>Total Nonmajor Governmental Funds</b>
\$ —	\$ —	\$ —	\$ —	\$ 321,126
—	—	—	5,199	160,081
—	5,469	34,248	51,610	78,128
—	5,469	34,248	56,809	559,335
—	—	—	—	132,458
—	—	256	689	160,521
—	—	119	287	150,735
—	—	8	238	142,893
—	105	463	3,498	35,012
—	998	46,312	63,720	68,352
—	—	—	—	23,608
—	—	—	—	14,473
—	1,103	47,158	68,432	728,052
—	4,366	(12,910)	(11,623)	(168,717)
—	—	220	2,432	90,060
—	—	—	—	(9,234)
—	(4,002)	(10,804)	(81,413)	(100,700)
—	—	—	83,345	83,345
—	—	—	3,034	3,034
—	—	—	(596)	(596)
—	—	—	52	52
—	(4,002)	(10,584)	6,854	65,961
—	364	(23,494)	(4,769)	(102,756)
2,043	10,309	48,994	166,949	367,409
<u>\$ 2,043</u>	<u>\$ 10,673</u>	<u>\$ 25,500</u>	<u>\$ 162,180</u>	<u>\$ 264,653</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Special Revenue Funds  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual  
Year Ended June 30, 2011  
(in thousands)

	<b>Adult Education</b>			<b>Variance with Final Budget – Favorable (Unfavorable)</b>
	<b>Budget</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
Revenues:				
Federal revenues	\$ 21,558	\$ 20,850	\$ 19,888	\$ (962)
Other state revenues	8,770	6,191	75,546	69,355
Other local revenues	1,791	1,904	2,372	468
Total Revenues	<u>32,119</u>	<u>28,945</u>	<u>97,806</u>	<u>68,861</u>
Expenditures:				
Current:				
Certificated salaries	95,799	95,481	82,696	12,785
Classified salaries	22,917	23,850	21,869	1,981
Employee benefits	38,181	42,514	37,431	5,083
Books and supplies	26,756	21,674	11,300	10,374
Services and other operating expenditures	4,772	8,018	6,277	1,741
Capital outlay	13,617	2,492	775	1,717
Total Expenditures	<u>202,042</u>	<u>194,029</u>	<u>160,348</u>	<u>33,681</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(169,923)</u>	<u>(165,084)</u>	<u>(62,542)</u>	<u>102,542</u>
Other Financing Sources (Uses):				
Transfers in	135,690	95,774	—	(95,774)
Transfers – support costs	(2,235)	(3,522)	(2,897)	625
Transfers out	—	—	—	—
Total Other Financing Sources (Uses)	<u>133,455</u>	<u>92,252</u>	<u>(2,897)</u>	<u>(95,149)</u>
Net Changes in Fund Balances	<u>(36,468)</u>	<u>(72,832)</u>	<u>(65,439)</u>	<u>7,393</u>
Fund Balances, July 1, 2010	49,661	76,925	76,925	—
Fund Balances, June 30, 2011	<u>\$ 13,193</u>	<u>\$ 4,093</u>	<u>\$ 11,486</u>	<u>\$ 7,393</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		
\$ 259,488	\$ 248,280	\$ 237,099	\$ (11,181)	\$ 35,973	\$ 40,694	\$ 64,139	\$ 23,445
17,711	17,711	19,341	1,630	100,149	85,268	59,981	(25,287)
14,466	12,792	9,504	(3,288)	24,490	15,759	12,997	(2,762)
<u>291,665</u>	<u>278,783</u>	<u>265,944</u>	<u>(12,839)</u>	<u>160,612</u>	<u>141,721</u>	<u>137,117</u>	<u>(4,604)</u>
—	—	—	—	44,681	50,679	49,762	917
89,467	94,143	87,904	6,239	42,520	45,566	44,844	722
80,909	73,543	69,758	3,785	45,920	41,779	40,841	938
122,237	130,929	126,122	4,807	21,651	5,080	3,531	1,549
9,178	4,938	3,816	1,122	5,239	5,776	5,507	269
34	5,039	908	4,131	744	533	273	260
<u>301,825</u>	<u>308,592</u>	<u>288,508</u>	<u>20,084</u>	<u>160,755</u>	<u>149,413</u>	<u>144,758</u>	<u>4,655</u>
<u>(10,160)</u>	<u>(29,809)</u>	<u>(22,564)</u>	<u>7,245</u>	<u>(143)</u>	<u>(7,692)</u>	<u>(7,641)</u>	<u>51</u>
17,418	36,803	32,928	(3,875)	2,806	8,172	7,996	(176)
(6,471)	(6,207)	(5,995)	212	(2,722)	(516)	(342)	174
(787)	(787)	(786)	1	—	—	—	—
<u>10,160</u>	<u>29,809</u>	<u>26,147</u>	<u>(3,662)</u>	<u>84</u>	<u>7,656</u>	<u>7,654</u>	<u>(2)</u>
—	—	3,583	3,583	(59)	(36)	13	49
5,000	5,195	5,195	—	157	58	58	—
<u>\$ 5,000</u>	<u>\$ 5,195</u>	<u>\$ 8,778</u>	<u>\$ 3,583</u>	<u>\$ 98</u>	<u>\$ 22</u>	<u>\$ 71</u>	<u>\$ 49</u>

(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, 2011  
(in thousands)

	<b>Deferred Maintenance</b>			<b>Variance with Final Budget – Favorable (Unfavorable)</b>
	<b>Budget</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
Revenues:				
Federal revenues	\$ —	\$ —	\$ —	\$ —
Other state revenues	—	—	—	—
Other local revenues	—	438	438	—
Total Revenues	—	438	438	—
Expenditures:				
Current:				
Certificated salaries	—	—	—	—
Classified salaries	12,964	5,215	5,215	—
Employee benefits	9,355	2,418	2,418	—
Books and supplies	240	1,702	1,702	—
Services and other operating expenditures	18,490	15,914	15,914	—
Capital outlay	1,000	2,676	2,676	—
Total Expenditures	42,049	27,925	27,925	—
Excess (Deficiency) of Revenues Over (Under) Expenditures	(42,049)	(27,487)	(27,487)	—
Other Financing Sources (Uses):				
Transfers in	—	349	349	—
Transfers – support costs	—	—	—	—
Transfers out	—	(18,501)	(18,501)	—
Total Other Financing Sources (Uses)	—	(18,152)	(18,152)	—
Net Changes in Fund Balances	(42,049)	(45,639)	(45,639)	—
Fund Balances, July 1, 2010	42,049	45,639	45,639	—
Fund Balances, June 30, 2011	\$ —	\$ —	\$ —	\$ —

See accompanying independent auditor's report.

<b>Total</b>			
<b>Budget</b>		<b>Actual</b>	<b>Variance with Final Budget – Favorable (Unfavorable)</b>
<b>Original</b>	<b>Final</b>		
\$ 317,019	\$ 309,824	\$ 321,126	\$ 11,302
126,630	109,170	154,868	45,698
40,747	30,893	25,311	(5,582)
<u>484,396</u>	<u>449,887</u>	<u>501,305</u>	<u>51,418</u>
140,480	146,160	132,458	13,702
167,868	168,774	159,832	8,942
174,365	160,254	150,448	9,806
170,884	159,385	142,655	16,730
37,679	34,646	31,514	3,132
15,395	10,740	4,632	6,108
<u>706,671</u>	<u>679,959</u>	<u>621,539</u>	<u>58,420</u>
<u>(222,275)</u>	<u>(230,072)</u>	<u>(120,234)</u>	<u>109,838</u>
155,914	141,098	41,273	(99,825)
(11,428)	(10,245)	(9,234)	1,011
(787)	(19,288)	(19,287)	1
<u>143,699</u>	<u>111,565</u>	<u>12,752</u>	<u>(98,813)</u>
(78,576)	(118,507)	(107,482)	11,025
96,867	127,817	127,817	—
<u>\$ 18,291</u>	<u>\$ 9,310</u>	<u>\$ 20,335</u>	<u>\$ 11,025</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Debt Service Fund  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual  
Year Ended June 30, 2011  
(in thousands)

	<b>Tax Override</b>			<b>Variance with Final Budget – Favorable (Unfavorable)</b>
	<b>Budget</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
Revenues:				
Other state revenues	\$ —	\$ —	\$ 14	\$ 14
Other local revenues	—	—	5	5
Total Revenues	—	—	19	19
Expenditures:				
Debt service – principal	229	275	—	275
Debt service – bond and COPs interest	—	—	—	—
Total Expenditures	229	275	—	275
Excess (Deficiency) of Revenues Over (Under) Expenditures	(229)	(275)	19	294
Other Financing Sources (Uses):				
Transfers in	—	—	—	—
Total Other Financing Sources	—	—	—	—
Net Changes in Fund Balances	(229)	(275)	19	294
Fund Balances, July 1, 2010	229	275	275	—
Fund Balances, June 30, 2011	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 294</u>	<u>\$ 294</u>

See accompanying independent auditor's report.

<b>Capital Services</b>				<b>Total</b>			
<b>Budget</b>		<b>Actual</b>	<b>Variance with Final Budget – Favorable (Unfavorable)</b>	<b>Budget</b>		<b>Actual</b>	<b>Variance with Final Budget – Favorable (Unfavorable)</b>
<b>Original</b>	<b>Final</b>			<b>Original</b>	<b>Final</b>		
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 14	\$ 14
879	844	1,202	358	879	844	1,207	363
879	844	1,202	358	879	844	1,221	377
31,893	26,687	23,608	3,079	32,122	26,962	23,608	3,354
18,014	16,039	14,473	1,566	18,014	16,039	14,473	1,566
49,907	42,726	38,081	4,645	50,136	43,001	38,081	4,920
(49,028)	(41,882)	(36,879)	5,003	(49,257)	(42,157)	(36,860)	5,297
49,028	48,773	46,355	(2,418)	49,028	48,773	46,355	(2,418)
49,028	48,773	46,355	(2,418)	49,028	48,773	46,355	(2,418)
—	6,891	9,476	2,585	(229)	6,616	9,495	2,879
72,924	72,368	72,368	—	73,153	72,643	72,643	—
<u>\$ 72,924</u>	<u>\$ 79,259</u>	<u>\$ 81,844</u>	<u>\$ 2,585</u>	<u>\$ 72,924</u>	<u>\$ 79,259</u>	<u>\$ 82,138</u>	<u>\$ 2,879</u>

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, 2011  
 (in thousands)

	<b>Building</b>			<b>Variance with Final Budget – Favorable (Unfavorable)</b>
	<b>Budget</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
Revenues:				
Federal revenues	\$ —	\$ —	\$ —	\$ —
Other state revenues	—	—	—	—
Other local revenues	300	300	292	(8)
Total Revenues	<u>300</u>	<u>300</u>	<u>292</u>	<u>(8)</u>
Expenditures:				
Current:				
Classified salaries	—	5	1	4
Employee benefits	—	2	1	1
Books and supplies	—	—	—	—
Services and other operating expenditures	51	51	—	51
Capital outlay	987	883	522	361
Total Expenditures	<u>1,038</u>	<u>941</u>	<u>524</u>	<u>417</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(738)</u>	<u>(641)</u>	<u>(232)</u>	<u>409</u>
Other Financing Sources (Uses):				
Transfers in	—	—	—	—
Transfers out	—	—	—	—
Issuance of COPs	—	—	—	—
Premium on COPs issued	—	—	—	—
Discount on issuance of COPs	—	—	—	—
Land and building sale	—	—	—	—
Total Other Financing Sources (Uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net Changes in Fund Balances	<u>(738)</u>	<u>(641)</u>	<u>(232)</u>	<u>409</u>
Fund Balances, July 1, 2010	<u>2,238</u>	<u>1,995</u>	<u>1,995</u>	<u>—</u>
Fund Balances, June 30, 2011	<u>\$ 1,500</u>	<u>\$ 1,354</u>	<u>\$ 1,763</u>	<u>\$ 409</u>

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		
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	16,711	8,599	5,199	(3,400)
275	275	308	33	19,550	19,683	11,293	(8,390)
275	275	308	33	36,261	28,282	16,492	(11,790)
—	—	—	—	—	600	432	168
—	—	—	—	—	200	167	33
—	—	—	—	—	21,600	230	21,370
—	—	—	—	14,464	25,850	2,922	22,928
285	4,377	116	4,261	383,575	294,292	15,772	278,520
285	4,377	116	4,261	398,039	342,542	19,523	323,019
(10)	(4,102)	192	4,294	(361,778)	(314,260)	(3,031)	311,229
—	1,193	1,193	—	—	1,019	1,019	—
—	(62)	(62)	—	(4,781)	(67,128)	(66,545)	583
—	—	—	—	296,050	419,730	83,345	(336,385)
—	—	—	—	—	3,034	3,034	—
—	—	—	—	—	(596)	(596)	—
—	—	—	—	—	—	52	52
—	1,131	1,131	—	291,269	356,059	20,309	(335,750)
(10)	(2,971)	1,323	4,294	(70,509)	41,799	17,278	(24,521)
10	2,971	2,971	—	243,109	100,389	100,389	—
\$ —	\$ —	\$ 4,294	\$ 4,294	\$ 172,600	\$ 142,188	\$ 117,667	\$ (24,521)

(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, 2011  
 (in thousands)

	<b>Special Reserve – FEMA – Earthquake</b>			
	<b>Budget</b>		<b>Actual</b>	<b>Variance with Final Budget – Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
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	—	20	8	12
Capital outlay	—	—	—	—
Total Expenditures	<u>—</u>	<u>20</u>	<u>8</u>	<u>12</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,276</u>	<u>6,256</u>	<u>(8)</u>	<u>(6,264)</u>
Other Financing Sources (Uses):				
Transfers in	—	—	—	—
Transfers out	—	—	—	—
Issuance of COPs	—	—	—	—
Premium on COPs issued	—	—	—	—
Discount on issuance of COPs	—	—	—	—
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>6,256</u>	<u>(8)</u>	<u>(6,264)</u>
Fund Balances, July 1, 2010	<u>248</u>	<u>248</u>	<u>248</u>	<u>—</u>
Fund Balances, June 30, 2011	<u>\$ 6,524</u>	<u>\$ 6,504</u>	<u>\$ 240</u>	<u>\$ (6,264)</u>

See accompanying independent auditors' report.



<b>Special Reserve – FEMA – Hazard Mitigation</b>				<b>Special Reserve – Community Redevelopment Agency</b>			
<b>Budget</b>		<b>Actual</b>	<b>Variance with Final Budget – Favorable (Unfavorable)</b>	<b>Budget</b>		<b>Actual</b>	<b>Variance with Final Budget – Favorable (Unfavorable)</b>
<b>Original</b>	<b>Final</b>			<b>Original</b>	<b>Final</b>		
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—	—	—
—	—	—	—	6,027	6,027	5,469	(558)
—	—	—	—	6,027	6,027	5,469	(558)
—	—	—	—	—	—	—	—
—	—	—	—	2	2	—	2
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	99	109	105	4
—	—	—	—	9,454	5,730	998	4,732
—	—	—	—	9,555	5,841	1,103	4,738
—	—	—	—	(3,528)	186	4,366	4,180
—	—	—	—	—	—	—	—
—	—	—	—	—	(4,002)	(4,002)	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	(4,002)	(4,002)	—
—	—	—	—	(3,528)	(3,816)	364	4,180
2,043	2,043	2,043	—	9,828	10,309	10,309	—
\$ 2,043	\$ 2,043	\$ 2,043	\$ —	\$ 6,300	\$ 6,493	\$ 10,673	\$ 4,180

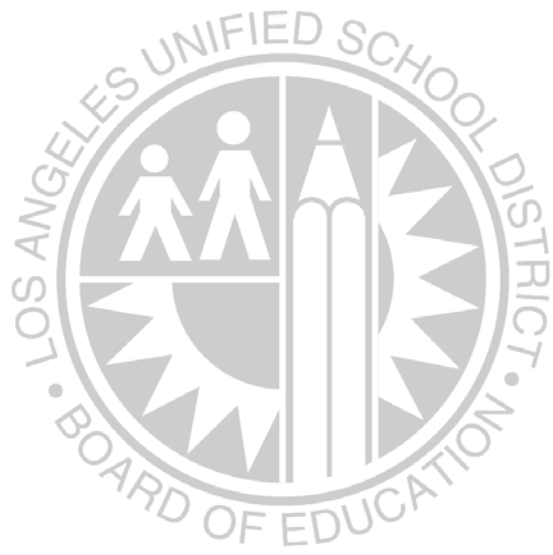
(Continued)

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, 2011  
 (in thousands)

	<b>Capital Facilities Account</b>			<b>Variance with Final Budget – Favorable (Unfavorable)</b>
	<b>Budget</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
Revenues:				
Federal revenues	\$ —	\$ —	\$ —	\$ —
Other state revenues	—	—	—	—
Other local revenues	18,886	18,886	34,248	15,362
Total Revenues	<u>18,886</u>	<u>18,886</u>	<u>34,248</u>	<u>15,362</u>
Expenditures:				
Current:				
Classified salaries	315	306	256	50
Employee benefits	137	134	119	15
Books and supplies	34	34	8	26
Services and other operating expenditures	14,957	1,017	463	554
Capital outlay	16,709	53,283	46,312	6,971
Total Expenditures	<u>32,152</u>	<u>54,774</u>	<u>47,158</u>	<u>7,616</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(13,266)</u>	<u>(35,888)</u>	<u>(12,910)</u>	<u>22,978</u>
Other Financing Sources (Uses):				
Transfers in	—	220	220	—
Transfers out	(10,710)	(10,819)	(10,804)	15
Issuance of COPs	—	—	—	—
Premium on COPs issued	—	—	—	—
Discount on issuance of COPs	—	—	—	—
Land and building sale	—	—	—	—
Total Other Financing Sources (Uses)	<u>(10,710)</u>	<u>(10,599)</u>	<u>(10,584)</u>	<u>15</u>
Net Changes in Fund Balances	<u>(23,976)</u>	<u>(46,487)</u>	<u>(23,494)</u>	<u>22,993</u>
Fund Balances, July 1, 2010	<u>52,476</u>	<u>48,994</u>	<u>48,994</u>	<u>—</u>
Fund Balances, June 30, 2011	<u>\$ 28,500</u>	<u>\$ 2,507</u>	<u>\$ 25,500</u>	<u>\$ 22,993</u>

See accompanying independent auditors' report.

<b>Total</b>			
<b>Budget</b>		<b>Actual</b>	<b>Variance with Final Budget – Favorable (Unfavorable)</b>
<b>Original</b>	<b>Final</b>		
\$ 5,708	\$ 5,708	\$ —	\$ (5,708)
17,279	9,167	5,199	(3,968)
45,038	45,171	51,610	6,439
<u>68,025</u>	<u>60,046</u>	<u>56,809</u>	<u>(3,237)</u>
317	913	689	224
137	336	287	49
34	21,634	238	21,396
29,571	27,047	3,498	23,549
411,010	358,565	63,720	294,845
<u>441,069</u>	<u>408,495</u>	<u>68,432</u>	<u>340,063</u>
<u>(373,044)</u>	<u>(348,449)</u>	<u>(11,623)</u>	<u>336,826</u>
—	2,432	2,432	—
(15,491)	(82,011)	(81,413)	598
296,050	419,730	83,345	(336,385)
—	3,034	3,034	—
—	(596)	(596)	—
—	—	52	52
<u>280,559</u>	<u>342,589</u>	<u>6,854</u>	<u>(335,735)</u>
<u>(92,485)</u>	<u>(5,860)</u>	<u>(4,769)</u>	<u>1,091</u>
<u>309,952</u>	<u>166,949</u>	<u>166,949</u>	<u>—</u>
<u>\$ 217,467</u>	<u>\$ 161,089</u>	<u>\$ 162,180</u>	<u>\$ 1,091</u>



## **LOS ANGELES UNIFIED SCHOOL DISTRICT**

### Internal Service Funds

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

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

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



LOS ANGELES UNIFIED SCHOOL DISTRICT  
Internal Service Funds  
Combining Statement of Net Assets  
June 30, 2011  
(in thousands)

Assets:	<b>Health and Welfare Benefits</b>	<b>Workers' Compensation</b>	<b>Liability</b>	<b>Total</b>
Cash in county treasury, in banks, and on hand	\$ 317,406	\$ 468,628	\$ 36,242	\$ 822,276
Accounts receivable – net	2,590	126	—	2,716
Accrued interest and dividends receivable	846	1,989	76	2,911
Prepaid expense	9,378	—	3,100	12,478
Total Assets	<u>330,220</u>	<u>470,743</u>	<u>39,418</u>	<u>840,381</u>
<b>Liabilities:</b>				
<b>Current:</b>				
Vouchers and accounts payable	80,740	3,377	765	84,882
Accrued payroll	143	301	167	611
Other payables	—	932	185	1,117
Estimated liability for self-insurance claims	37,764	74,204	34,701	146,669
<b>Noncurrent:</b>				
Estimated liability for self-insurance claims	—	356,636	—	356,636
Total Liabilities	<u>118,647</u>	<u>435,450</u>	<u>35,818</u>	<u>589,915</u>
Total Net Assets – Unrestricted	<u>\$ 211,573</u>	<u>\$ 35,293</u>	<u>\$ 3,600</u>	<u>\$ 250,466</u>

See accompanying independent auditor's report.

Los Angeles Unified School District  
Internal Service Funds  
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets  
Year Ended June 30, 2011  
(in thousands)

	<b>Health and Welfare Benefits</b>	<b>Workers' Compensation</b>	<b>Liability</b>	<b>Total</b>
Operating Revenues:				
In-district premiums	\$ 934,101	\$ 47,062	\$ 11,615	\$ 992,778
Others	3,505	—	—	3,505
Total Operating Revenues	<u>937,606</u>	<u>47,062</u>	<u>11,615</u>	<u>996,283</u>
Operating Expenses:				
Certificated salaries	—	—	159	159
Classified salaries	1,619	3,257	1,090	5,966
Employee benefits	836	1,469	526	2,831
Supplies	188	20	36	244
Premiums and claims expenses	827,970	66,514	9,766	904,250
Claims administration	—	11,192	868	12,060
Other contracted services	773	439	(50)	1,162
Total Operating Expenses	<u>831,386</u>	<u>82,891</u>	<u>12,395</u>	<u>926,672</u>
Operating Income (Loss)	<u>106,220</u>	<u>(35,829)</u>	<u>(780)</u>	<u>69,611</u>
Nonoperating Revenues (Expenses):				
Investment income	3,267	6,546	392	10,205
Miscellaneous expense	—	(21)	—	(21)
Total Nonoperating Revenues	<u>3,267</u>	<u>6,525</u>	<u>392</u>	<u>10,184</u>
Income before transfers	109,487	(29,304)	(388)	79,795
Transfers in	10,956	—	—	10,956
Changes in Net Assets	120,443	(29,304)	(388)	90,751
Total Net Assets, July 1, 2010, restated	<u>91,130</u>	<u>64,597</u>	<u>3,988</u>	<u>159,715</u>
Total Net Assets, June 30, 2011	<u>\$ 211,573</u>	<u>\$ 35,293</u>	<u>\$ 3,600</u>	<u>\$ 250,466</u>

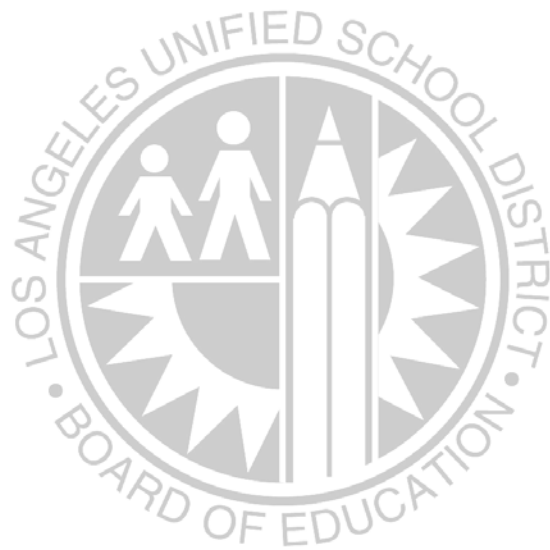
See accompanying independent auditor's report.



LOS ANGELES UNIFIED SCHOOL DISTRICT  
Internal Service Funds  
Combining Statement of Cash Flows  
Year Ended June 30, 2011  
(in thousands)

	<b>Health and Welfare Benefits</b>	<b>Workers' Compensation</b>	<b>Liability</b>	<b>Total</b>
Cash Flows from Operating Activities:				
Cash payments to employees for services	\$ (2,418)	\$ (4,685)	\$ (1,760)	\$ (8,863)
Cash payments for goods and services	(796,793)	(98,238)	(13,426)	(908,457)
Receipts from assessment to other funds	929,042	47,130	11,615	987,787
Other operating revenue	2,872	—	—	2,872
Net Cash Provided (Used) by Operating Activities	<u>132,703</u>	<u>(55,793)</u>	<u>(3,571)</u>	<u>73,339</u>
Cash Flows from Non-Capital Financing Activities:				
Transfer from other funds	10,956	—	—	10,956
Net Cash Provided by Non-Capital Financing Activities	<u>10,956</u>	<u>—</u>	<u>—</u>	<u>10,956</u>
Cash Flows from Investing Activities:				
Earnings on investments	2,872	6,724	381	9,977
Net Cash Provided by Investing Activities	<u>2,872</u>	<u>6,724</u>	<u>381</u>	<u>9,977</u>
Net Increase (Decrease) in Cash and Cash Equivalents	146,531	(49,069)	(3,190)	94,272
Cash and Cash Equivalents, July 1	170,875	517,697	39,432	728,004
Cash and Cash Equivalents, June 30	<u>\$ 317,406</u>	<u>\$ 468,628</u>	<u>\$ 36,242</u>	<u>\$ 822,276</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 106,220	\$ (35,829)	\$ (780)	\$ 69,611
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	(633)	68	—	(565)
Decrease in prepaid expense	—	—	388	388
Increase in vouchers and accounts payable	27,142	1,585	60	28,787
Increase in accrued payroll	37	52	15	104
Increase (decrease) in other payables	—	(110)	163	53
(Decrease) in estimated liability for self-insurance claims – current	(63)	(9,570)	(3,417)	(13,050)
(Decrease) in estimated liability for self-insurance claims – noncurrent	—	(11,989)	—	(11,989)
Total Adjustments	<u>26,483</u>	<u>(19,964)</u>	<u>(2,791)</u>	<u>3,728</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 132,703</u>	<u>\$ (55,793)</u>	<u>\$ (3,571)</u>	<u>\$ 73,339</u>

See accompanying independent auditor's report.



## **LOS ANGELES UNIFIED SCHOOL DISTRICT**

### Fiduciary Funds

#### Agency Funds:

The Attendance Incentive Reserve Fund was established on November 21, 1994 to account for 50% of the salary savings from substitute teachers' accounts resulting from reduced costs of absenteeism of UTLA represented employees. The intent was to reward regular attendance of teachers in order to improve the instructional program. The accumulated savings in the account plus interest earnings is disbursed in a lump-sum distribution as participants retire or terminate employment with the District.

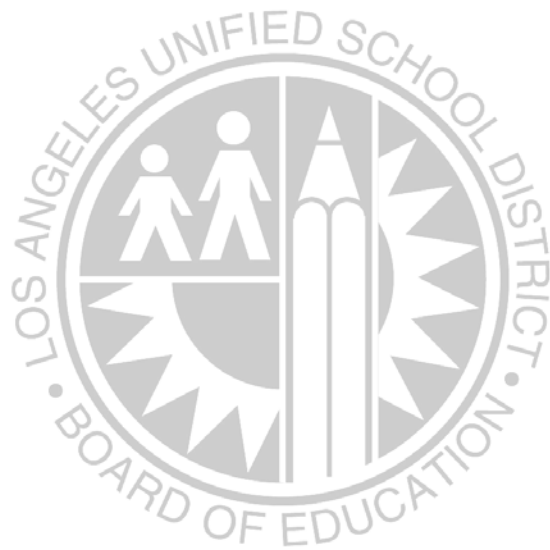
The Student Body Fund was established to account for cash held by the District on behalf of the student bodies at various school sites.



LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Fiduciary Funds – Agency Funds  
 Combining Statement of Changes in Assets and Liabilities  
 June 30, 2011  
 (in thousands)

	<b>Balance June 30, 2010 restated</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2011</b>
<b><u>Student Body Fund</u></b>				
Assets				
Cash in county treasury, in banks, and on hand	\$ 20,532	\$ 61,890	\$ 62,799	\$ 19,623
Total Assets	\$ 20,532	\$ 61,890	\$ 62,799	\$ 19,623
Liabilities				
Other payables	\$ 20,532	\$ 61,890	\$ 62,799	\$ 19,623
Total Liabilities	\$ 20,532	\$ 61,890	\$ 62,799	\$ 19,623
 <b><u>Attendance Incentive Reserve Fund</u></b>				
Assets				
Cash in county treasury, in banks, and on hand	\$ 20,558	\$ 71	\$ —	\$ 20,629
Accrued interest receivable	70	—	70	—
Total Assets	\$ 20,628	\$ 71	\$ 70	\$ 20,629
Liabilities				
Other payables	\$ 20,628	\$ 400	\$ 399	\$ 20,629
Total Liabilities	\$ 20,628	\$ 400	\$ 399	\$ 20,629

See accompanying independent auditor's report.



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





LOS ANGELES UNIFIED SCHOOL DISTRICT  
Capital Assets Used in the Operation of Governmental Funds  
Comparative Schedule by Source  
June 30, 2011 and 2010  
(in thousands)

	<u>2010-2011</u>	<u>2009-2010</u>
Governmental Funds Capital Assets:		
Sites	\$ 3,136,630	\$ 3,069,920
Improvement of sites	528,607	523,083
Building and improvements	10,069,170	8,992,789
Equipment	1,228,062	1,169,506
Construction in progress	3,571,703	3,579,899
Total Governmental Funds Capital Assets	<u>\$ 18,534,172</u>	<u>\$ 17,335,197</u>
Investments in Governmental Funds Capital Assets by Source:		
From revenues of:		
General Fund	\$ 1,314,835	\$ 1,271,429
Special Revenue Funds:		
Adult Education Fund	50,192	49,417
Cafeteria Fund	38,353	37,445
Child Development Fund	17,804	17,531
Deferred Maintenance Fund	26,005	23,395
Capital Projects Funds:		
Building Fund	36,475	36,203
Building Fund – Bond Proceeds	1,745,023	1,734,194
Building Fund – Measure K	2,994,651	2,943,382
Building Fund – Measure R	2,582,850	2,489,920
Building Fund – Measure Y	1,320,460	966,428
State School Building Lease – Purchase Fund	1,026,665	1,027,676
Special Reserve Fund	1,367,661	1,349,296
Special Reserve Fund – FEMA – Earthquake	20,594	20,594
Special Reserve Fund – FEMA – Hazard Mitigation	8,129	8,129
Special Reserve Fund – CRA	8,672	7,674
Capital Facilities Fund	489,673	443,268
County School Facilities Fund	827,821	821,350
County School Facilities Fund – Prop 47	834,233	804,560
County School Facilities Fund – Prop 55	1,814,960	1,344,593
County School Facilities Fund – Prop 1D	268,742	198,339
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>\$ 18,534,172</u>	<u>\$ 17,335,197</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, 2011  
(in thousands)

	<u>Sites</u>	<u>Improvement of Sites</u>
Balances, July 1, 2010	\$ 3,069,920	\$ 523,083
Additions:		
Capital outlay from:		
General Fund	4	2,224
Adult Education Fund	—	47
Cafeteria Fund	—	—
Child Development Fund	—	111
Deferred Maintenance Fund	—	—
Building Fund	—	—
Building Fund – Bond Proceeds	(3)	—
Building Fund – Measure K	(2,680)	—
Building Fund – Measure R	(8,207)	—
Building Fund – Measure Y	(119,814)	(206)
State School Building Lease – Purchase Fund	—	—
Special Reserve Fund	5,445	485
Special Reserve Fund – CRA	—	—
Capital Facilities Fund	100	—
County School Facilities Fund	23	—
County School Facilities Fund – Prop 47	393	—
County School Facilities Fund – Prop 55	186,044	—
County School Facilities Fund – Prop 1D	5,405	—
Completed Projects	—	2,863
Sub-totals	<u>66,710</u>	<u>5,524</u>
Deductions:		
Vehicle disposal	—	—
Return to salvage	—	—
Total Deductions	<u>—</u>	<u>—</u>
Net Increase	<u>66,710</u>	<u>5,524</u>
Balances, June 30, 2011	<u>\$ 3,136,630</u>	<u>\$ 528,607</u>

See accompanying independent auditor's report.

<b>Building and Improvements</b>	<b>Equipment</b>	<b>Construction in Progress</b>	<b>Total</b>
\$ 8,992,789	\$ 1,169,506	\$ 3,579,899	\$ 17,335,197
3,869	51,074	14,409	71,580
393	78	257	775
—	908	—	908
162	—	—	273
—	—	2,610	2,610
107	—	165	272
(151)	—	10,983	10,829
1,888	(11)	52,072	51,269
(555)	(20)	101,712	92,930
3,282	(7)	470,777	354,032
—	—	(1,011)	(1,011)
(1,804)	616	13,623	18,365
—	—	998	998
65	—	46,240	46,405
78	—	6,370	6,471
(329)	—	29,609	29,673
3,021	(1)	281,303	470,367
(70)	—	65,068	70,403
1,066,425	34,093	(1,103,381)	—
1,076,381	86,730	(8,196)	1,227,149
—	15,412	—	15,412
—	12,762	—	12,762
—	28,174	—	28,174
1,076,381	58,556	(8,196)	1,198,975
\$ 10,069,170	\$ 1,228,062	\$ 3,571,703	\$ 18,534,172

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Long-Term Obligations  
Schedule of Changes in Long-Term Obligations  
Year Ended June 30, 2011  
(in thousands)

	<b>General Obligation Bonds</b>	<b>Certificates of Participation</b>	<b>Capital Leases</b>	<b>Children Centers Facilities Revolving Loan</b>	<b>CA Energy Commission Loan</b>	<b>Liability for Employee Benefits</b>
Balances, July 1, 2010	\$ 12,114,504	\$ 459,019	\$ 2,628	\$ 792	\$ 439	\$ 224,884
Additions:						
Debt issuance	—	83,345	1,043	—	—	—
Premium on debt issue	—	2,438	—	—	—	—
Refund charges amortization	7,599	—	—	—	—	—
Discount amortization	48	—	—	—	—	—
Vacation earned	—	—	—	—	—	68,034
Early retirement incentive	—	—	—	—	—	—
Self-insurance claims	—	—	—	—	—	—
Annual required contribution	—	—	—	—	—	—
Arbitrage accrual	—	—	—	—	—	—
Total Additions	<u>7,647</u>	<u>85,783</u>	<u>1,043</u>	<u>—</u>	<u>—</u>	<u>68,034</u>
Deductions:						
Principal repayments	278,180	48,083	1,312	—	222	—
Refunding charges	6,781	—	—	—	—	—
Premium amortization	26,309	1,879	—	—	—	—
Vacation used	—	—	—	—	—	73,892
Retirement bonus paid	—	—	—	—	—	6,421
Early retirement incentive paid	—	—	—	—	—	10,573
Self-insurance claims paid	—	—	—	—	—	—
OPEB contributions	—	—	—	—	—	—
Arbitrage adjustment	—	—	—	—	—	—
Legal settlements	—	—	—	—	—	—
Total Deductions	<u>311,270</u>	<u>49,962</u>	<u>1,312</u>	<u>—</u>	<u>222</u>	<u>90,886</u>
Balances, June 30, 2011	<u>\$ 11,810,881</u>	<u>\$ 494,840</u>	<u>\$ 2,359</u>	<u>\$ 792</u>	<u>\$ 217</u>	<u>\$ 202,032</u>

See accompanying independent auditor's report.

<b>Self-Insurance Claims</b>	<b>Other Postemployment Benefits (OPEB)</b>	<b>Arbitrage Payable</b>	<b>Legal Settlements</b>	<b>Total</b>
\$ 528,345	\$ 2,393,811	\$ 12,445	\$ 15,200	\$ 15,752,067
—	—	—	—	84,388
—	—	—	—	2,438
—	—	—	—	7,599
—	—	—	—	48
—	—	—	—	68,034
—	—	—	—	—
304,510	—	—	—	304,510
—	1,022,031	—	—	1,022,031
—	—	—	—	—
<u>304,510</u>	<u>1,022,031</u>	<u>—</u>	<u>—</u>	<u>1,489,048</u>
—	—	7,294	—	335,091
—	—	—	—	6,781
—	—	—	—	28,188
—	—	—	—	73,892
—	—	—	—	6,421
—	—	—	—	10,573
329,550	—	—	—	329,550
—	240,100	—	—	240,100
—	—	(319)	—	(319)
—	—	—	15,200	15,200
<u>329,550</u>	<u>240,100</u>	<u>6,975</u>	<u>15,200</u>	<u>1,045,477</u>
<u>\$ 503,305</u>	<u>\$ 3,175,742</u>	<u>\$ 5,470</u>	<u>\$ —</u>	<u>16,195,638</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Long-Term Obligations  
 Schedule of Certificates of Participation  
 Year Ended June 30, 2011  
 (in thousands)

<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Original Issue</u>	<u>Outstanding* July 1, 2010</u>	<u>Issued* This Year</u>	<u>Redeemed** Current Year</u>	<u>Outstanding* June 30, 2011</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			\$ 25,372	\$ 25,372	\$ —	\$ —	\$ 25,372
2000B Certificates of Participation (Multiple Properties Project):							
10/04/00	4.250%	10/01/10	\$ 1,105	\$ 1,105	\$ —	\$ 1,105	\$ —
2000B Certificates of Participation			\$ 1,105	\$ 1,105	\$ —	\$ 1,105	\$ —
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			\$ 68,890	\$ 68,890	\$ —	\$ —	\$ 68,890
2002C Certificates of Participation (Administration Building Project II):							
12/19/02	3.750%	10/01/10	\$ 225	\$ 225	\$ —	\$ 225	\$ —
12/19/02	4.000	10/01/11	235	235	—	—	235
12/19/02	4.000	10/01/12	245	245	—	—	245
12/19/02	4.000	10/01/13	255	255	—	—	255
12/19/02	4.125	10/01/14	265	265	—	—	265
12/19/02	4.250	10/01/15	275	275	—	—	275
12/19/02	4.380	10/01/16	285	285	—	—	285
12/19/02	4.500	10/01/17	300	300	—	—	300
12/19/02	4.500	10/01/18	310	310	—	—	310
12/19/02	4.750	10/01/19	325	325	—	—	325
12/19/02	4.750	10/01/20	340	340	—	—	340
12/19/02	4.750	10/01/21	360	360	—	—	360
12/19/02	4.750	10/01/22	375	375	—	—	375
12/19/02	4.750	10/01/23	395	395	—	—	395
12/19/02	5.000	10/01/24	410	410	—	—	410
12/19/02	5.000	10/01/25	430	430	—	—	430
12/19/02	5.000	10/01/26	455	455	—	—	455
12/19/02	5.000	10/01/27	475	475	—	—	475
12/19/02	5.000	10/01/28	500	500	—	—	500
12/19/02	5.000	10/01/29	525	525	—	—	525
12/19/02	5.000	10/01/30	550	550	—	—	550
12/19/02	5.000	10/01/31	580	580	—	—	580
2002C Certificates of Participation			\$ 8,115	\$ 8,115	\$ —	\$ 225	\$ 7,890

\* 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, 2011  
(in thousands)

Date of Issue	Interest Rate	Maturity Date	Balance Original Issue	Outstanding* July 1, 2010	Issued* This Year	Redeemed** Current Year	Outstanding* June 30, 2011
2003B Certificates of Participation (Capital Project I):							
06/26/03	3.000%	08/01/10	\$ 940	\$ 940	\$ —	\$ 940	\$ —
06/26/03	3.000	08/01/11	970	970	—	—	970
06/26/03	3.000	08/01/12	1,000	1,000	—	—	1,000
06/26/03	3.125	08/01/13	1,030	1,030	—	—	1,030
06/26/03	3.250	08/01/14	1,060	1,060	—	—	1,060
06/26/03	5.000	08/01/15	1,095	1,095	—	—	1,095
06/26/03	5.000	08/01/16	1,150	1,150	—	—	1,150
06/26/03	5.000	08/01/17	1,210	1,210	—	—	1,210
06/26/03	5.000	08/01/18	1,270	1,270	—	—	1,270
06/26/03	5.000	08/01/19	1,335	1,335	—	—	1,335
06/26/03	5.000	08/01/20	1,400	1,400	—	—	1,400
06/26/03	5.000	08/01/21	1,470	1,470	—	—	1,470
06/26/03	5.000	08/01/22	1,540	1,540	—	—	1,540
06/26/03	5.000	08/01/23	1,620	1,620	—	—	1,620
06/26/03	5.000	08/01/24	1,700	1,700	—	—	1,700
06/26/03	5.000	08/01/25	1,785	1,785	—	—	1,785
06/26/03	5.000	08/01/26	1,875	1,875	—	—	1,875
06/26/03	5.000	08/01/27	1,970	1,970	—	—	1,970
06/26/03	5.000	08/01/28	2,065	2,065	—	—	2,065
2003B Certificates of Participation			\$ 26,485	\$ 26,485	\$ —	\$ 940	\$ 25,545
2004A Certificates of Participation (Refinancing Project I):							
07/28/04	3.000%	10/01/10	\$ 2,000	\$ 2,000	\$ —	\$ 2,000	\$ —
07/28/04	3.125	10/01/11	2,065	2,065	—	—	2,065
07/28/04	5.000	10/01/12	2,150	2,150	—	—	2,150
07/28/04	4.000	10/01/13	2,250	2,250	—	—	2,250
07/28/04	4.000	10/01/14	2,340	2,340	—	—	2,340
2004A Certificates of Participation			\$ 10,805	\$ 10,805	\$ —	\$ 2,000	\$ 8,805
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%	10/01/10	\$ 6,775	\$ 7,536	\$ —	\$ 7,536	\$ —
11/15/07	5.000	10/01/10	1,975	1,975	—	1,975	—
11/15/07	4.000	10/01/11	5,995	6,731	—	3,189	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	10,173	—	3,292	6,881
11/15/07	5.000	10/01/13	9,995	10,551	—	3,371	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			\$ 82,605	\$ 86,303	\$ —	\$ 19,363	\$ 66,940

\* 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, 2011  
 (in thousands)

<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Original Issue</u>	<u>Outstanding* July 1, 2010</u>	<u>Issued* This Year</u>	<u>Redeemed** Current Year</u>	<u>Outstanding* June 30, 2011</u>
2008A Refunding Certificates of Participation (Administration Building Project-2005A Refunding):							
08/06/08	Variable	10/01/10	\$ 5,230	\$ 5,230	\$ —	\$ 5,230	\$ —
08/06/08	Variable	10/01/11	5,370	5,370	—	—	5,370
08/06/08	Variable	10/01/12	5,530	5,530	—	—	5,530
08/06/08	Variable	10/01/13	5,680	5,680	—	—	5,680
08/06/08	Variable	10/01/14	5,840	5,840	—	—	5,840
08/06/08	Variable	10/01/15	6,000	6,000	—	—	6,000
08/06/08	Variable	10/01/16	6,175	6,175	—	—	6,175
08/06/08	Variable	10/01/17	6,345	6,345	—	—	6,345
08/06/08	Variable	10/01/18	6,520	6,520	—	—	6,520
08/06/08	Variable	10/01/19	6,705	6,705	—	—	6,705
08/06/08	Variable	10/01/20	6,895	6,895	—	—	6,895
08/06/08	Variable	10/01/21	7,085	7,085	—	—	7,085
08/06/08	Variable	10/01/22	7,285	7,285	—	—	7,285
08/06/08	Variable	10/01/23	6,835	6,835	—	—	6,835
08/06/08	Variable	10/01/24	200	200	—	—	200
2008A Refunding Certificates of Participation			<u>\$ 87,695</u>	<u>\$ 87,695</u>	<u>\$ —</u>	<u>\$ 5,230</u>	<u>\$ 82,465</u>
2008B Refunding Certificates of Participation (Administration Building Project III-2005B Refunding):							
08/06/08	Variable	10/01/10	\$ 735	\$ 735	\$ —	\$ 735	\$ —
08/06/08	Variable	10/01/11	755	755	—	—	755
08/06/08	Variable	10/01/12	775	775	—	—	775
08/06/08	Variable	10/01/13	795	795	—	—	795
08/06/08	Variable	10/01/14	820	820	—	—	820
08/06/08	Variable	10/01/15	840	840	—	—	840
08/06/08	Variable	10/01/16	865	865	—	—	865
08/06/08	Variable	10/01/17	890	890	—	—	890
08/06/08	Variable	10/01/18	915	915	—	—	915
08/06/08	Variable	10/01/19	940	940	—	—	940
08/06/08	Variable	10/01/20	965	965	—	—	965
08/06/08	Variable	10/01/21	995	995	—	—	995
08/06/08	Variable	10/01/22	1,020	1,020	—	—	1,020
08/06/08	Variable	10/01/23	1,050	1,050	—	—	1,050
08/06/08	Variable	10/01/24	1,080	1,080	—	—	1,080
08/06/08	Variable	10/01/25	1,110	1,110	—	—	1,110
08/06/08	Variable	10/01/26	1,140	1,140	—	—	1,140
08/06/08	Variable	10/01/27	1,175	1,175	—	—	1,175
08/06/08	Variable	10/01/28	1,205	1,205	—	—	1,205
08/06/08	Variable	10/01/29	1,240	1,240	—	—	1,240
08/06/08	Variable	10/01/30	1,275	1,275	—	—	1,275
08/06/08	Variable	10/01/31	1,310	1,310	—	—	1,310
2008B Refunding Certificates of Participation			<u>\$ 21,895</u>	<u>\$ 21,895</u>	<u>\$ —</u>	<u>\$ 735</u>	<u>\$ 21,160</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, 2011  
 (in thousands)

<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Original Issue</u>	<u>Outstanding* July 1, 2010</u>	<u>Issued* This Year</u>	<u>Redeemed** Current Year</u>	<u>Outstanding* June 30, 2011</u>
2009A Certificates of Participation (Food Services Project):							
09/29/09	3.920%	10/01/10	\$ 1,716	\$ 1,716	\$ —	\$ 1,716	\$ —
09/29/09	3.920	04/01/11	1,750	1,750	—	1,750	—
09/29/09	3.920	10/01/11	1,784	1,784	—	1,502	282
09/29/09	3.920	04/01/12	1,819	1,819	—	1,531	288
09/29/09	3.920	10/01/12	1,855	1,855	—	1,561	294
09/29/09	3.920	04/01/13	1,891	1,891	—	1,592	299
09/29/09	3.920	10/01/13	1,928	1,928	—	1,623	305
09/29/09	3.920	04/01/14	1,966	1,966	—	1,654	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			\$ 39,053	\$ 39,053	\$ —	\$ 12,929	\$ 26,124
2010A Refunding Certificates of Participation (Multiple Properties Project):							
01/27/10	1.000%	12/01/10	\$ 6,905	\$ 7,361	\$ —	\$ 7,361	\$ —
01/27/10	3.000	12/01/11	7,045	7,588	—	—	7,588
01/27/10	2.000	12/01/12	650	1,228	—	—	1,228
01/27/10	3.000	12/01/12	6,605	6,605	—	—	6,605
01/27/10	3.000	12/01/13	1,300	1,878	—	—	1,878
01/27/10	4.000	12/01/13	6,205	6,205	—	—	6,205
01/27/10	3.000	12/01/14	1,385	1,933	—	—	1,933
01/27/10	4.000	12/01/14	6,410	6,410	—	—	6,410
01/27/10	3.250	12/01/15	300	762	—	—	762
01/27/10	5.000	12/01/15	7,845	7,845	—	—	7,845
01/27/10	4.000	12/01/16	1,125	1,459	—	—	1,459
01/27/10	5.000	12/01/16	7,430	7,430	—	—	7,430
01/27/10	4.000	12/01/17	1,215	1,332	—	—	1,332
01/27/10	5.000	12/01/17	15,265	15,265	—	—	15,265
2010A Refunding Certificates of Participation			\$ 69,685	\$ 73,301	\$ —	\$ 7,361	\$ 65,940

\* 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, 2011  
(in thousands)

Date of Issue	Interest Rate	Maturity Date	Balance Original Issue	Outstanding* July 1, 2010	Issued* This Year	Redeemed** Current Year	Outstanding* June 30, 2011
2010B-1 Certificates of Participation (Capital Projects I):							
12/21/10	7.663%	12/01/21	\$ 965	\$ —	\$ 599	\$ (111)	\$ 710
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	\$ —	\$ 21,019	\$ (111)	\$ 21,130
2010B-2 Certificates of Participation (Capital Projects I):							
12/21/10	3.000%	12/01/11	\$ 4,710	\$ —	\$ 5,287	\$ 185	\$ 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	\$ —	\$ 64,764	\$ 185	\$ 64,579
Grand Total			\$ 535,050	\$ 459,019	\$ 85,783	\$ 49,962	\$ 494,840

\* Includes Premium and Discount

\*\* Principal Payment and Premium/Discount Amortization

See accompanying independent auditors' report.

**STATISTICAL  
SECTION**



# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Statistical Information

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

### Contents

#### *Financial trends*

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

#### *Revenue capacity*

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

#### *Debt capacity*

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

#### *Demographic and economic information*

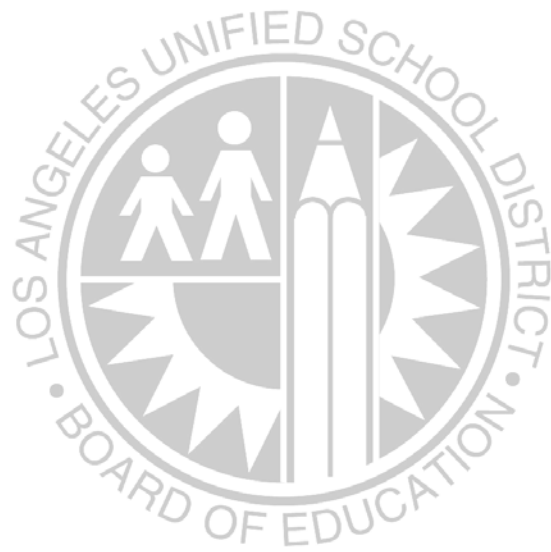
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

#### *Operating information*

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

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





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

	<u>2001-2002</u>	<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 2,823,036	\$ 3,934,357	\$ 3,490,108	\$ 3,180,396
Investments	468,949	2,010,864	1,618,239	826,235
Property taxes receivable	133,894	127,991	137,575	156,065
Accounts receivable, net	791,073	679,616	614,630	685,059
Accrued interest receivable	19,600	12,661	10,819	24,799
Prepaid expense	27,235	25,521	24,959	20,718
Due from other funds	53	197	—	—
Deferred charges	—	—	—	4,858
Inventories	18,603	19,291	24,647	31,007
Other current assets	—	79	—	—
<b>Capital assets:</b>				
Sites	891,481	1,094,733	1,671,373	1,805,711
Improvement of sites	262,948	267,569	344,671	345,725
Buildings and improvements	2,289,343	2,652,277	2,725,055	3,104,384
Equipment	1,088,015	1,094,284	1,087,143	1,094,832
Construction in progress	1,415,986	1,519,076	1,745,176	2,600,475
Less accumulated depreciation	<u>(1,698,450)</u>	<u>(1,923,886)</u>	<u>(2,201,018)</u>	<u>(2,491,969)</u>
Total Capital Assets, Net of Depreciation	<u>4,249,323</u>	<u>4,704,053</u>	<u>5,372,400</u>	<u>6,459,158</u>
Total Assets	<u>8,531,766</u>	<u>11,514,630</u>	<u>11,293,377</u>	<u>11,388,295</u>
<b>Liabilities:</b>				
Vouchers and accounts payable	305,827	363,308	390,008	387,872
Contracts payable	19,138	64,530	123,225	162,187
Accrued payroll	219,392	220,390	230,559	264,240
Accrued interest	—	—	—	—
Other payables	432,471	406,612	141,080	171,813
Unearned revenue	252,440	301,190	180,047	229,702
Tax and revenue anticipation notes and related interest payable	438,897	515,582	682,668	520,789
<b>Long-term liabilities:</b>				
Portion due within one year	240,666	262,427	311,191	338,635
Portion due after one year	<u>2,686,060</u>	<u>5,509,814</u>	<u>5,443,889</u>	<u>5,596,973</u>
Total Liabilities	<u>4,594,891</u>	<u>7,643,853</u>	<u>7,502,667</u>	<u>7,672,211</u>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	1,815,366	2,634,387	2,682,203	2,704,302
Restricted	1,804,397	932,298	1,034,896	701,779
Unrestricted	<u>317,112</u>	<u>304,092</u>	<u>73,611</u>	<u>310,003</u>
Total Governmental Activities	<u>3,936,875</u>	<u>3,870,777</u>	<u>3,790,710</u>	<u>3,716,084</u>
Net Assets	<u>\$ 3,936,875</u>	<u>\$ 3,870,777</u>	<u>\$ 3,790,710</u>	<u>\$ 3,716,084</u>

See accompanying independent auditor's report.



<u>2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>
\$ 3,151,386	\$ 3,487,080	\$ 4,112,750	\$ 3,559,297	\$ 6,231,489	\$ 5,905,632
819,660	923,425	825,398	592,741	785,256	22,835
41,360	46,689	67,899	80,453	86,802	92,125
817,504	786,845	854,789	1,097,781	928,327	1,212,902
47,476	70,901	44,461	21,031	24,247	20,300
21,257	15,597	16,101	13,354	12,866	12,478
—	—	—	—	—	—
17,398	32,730	37,349	40,479	66,845	12,459
15,268	15,823	18,920	14,861	13,163	63,653
—	—	—	—	—	—
2,105,429	2,373,208	2,700,727	2,969,404	3,069,920	3,136,630
386,968	430,979	468,039	507,963	523,083	528,607
4,298,752	5,803,185	6,722,084	8,243,000	8,992,789	10,069,170
1,124,779	1,145,089	1,143,953	1,156,042	1,169,506	1,228,062
2,545,892	2,180,218	2,547,219	2,815,518	3,579,899	3,571,703
<u>(2,664,067)</u>	<u>(2,847,681)</u>	<u>(3,064,058)</u>	<u>(3,361,521)</u>	<u>(3,599,858)</u>	<u>(3,906,924)</u>
<u>7,797,753</u>	<u>9,084,998</u>	<u>10,517,964</u>	<u>12,330,406</u>	<u>13,735,339</u>	<u>14,627,248</u>
<u>12,729,062</u>	<u>14,464,088</u>	<u>16,495,631</u>	<u>17,750,403</u>	<u>21,884,334</u>	<u>21,969,632</u>
395,174	374,553	534,898	489,547	439,134	488,599
125,522	155,901	129,704	121,150	92,473	30,249
246,401	586,384	397,407	243,458	207,437	205,323
—	—	—	171,868	254,828	297,901
163,066	6,099	126,880	117,802	74,677	155,502
138,135	60,986	103,611	212,159	65,418	123,393
429,382	360,998	615,599	514,343	764,355	—
329,152	373,698	529,970	478,203	485,669	526,853
<u>6,724,029</u>	<u>7,341,060</u>	<u>9,075,723</u>	<u>10,670,116</u>	<u>15,266,398</u>	<u>15,668,785</u>
<u>8,550,861</u>	<u>9,259,679</u>	<u>11,513,792</u>	<u>13,018,646</u>	<u>17,650,389</u>	<u>17,496,605</u>
2,866,293	3,267,458	3,694,054	4,584,300	4,910,954	5,450,860
1,089,165	1,540,422	1,893,302	1,639,962	1,282,553	1,495,022
<u>222,743</u>	<u>396,529</u>	<u>(605,517)</u>	<u>(1,492,505)</u>	<u>(1,959,562)</u>	<u>(2,472,855)</u>
<u>\$ 4,178,201</u>	<u>\$ 5,204,409</u>	<u>\$ 4,981,839</u>	<u>\$ 4,731,757</u>	<u>\$ 4,233,945</u>	<u>\$ 4,473,027</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Changes in Net Assets

Last Ten Fiscal Years

(in thousands)

(Unaudited)

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

See accompanying independent auditor's report.

2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
\$ 4,032,673	\$ 4,142,927	\$ 4,416,790	\$ 4,291,864	\$ 3,900,813	\$ 3,986,263
298,911	310,786	366,514	359,087	317,859	320,787
650,551	589,566	731,016	623,621	428,734	432,202
46,913	56,323	51,873	60,395	43,561	43,448
466,862	477,168	502,506	518,838	466,481	426,288
106,523	123,791	136,540	134,008	204,002	145,401
599,899	638,201	727,090	758,813	660,647	581,731
161,395	168,121	173,167	168,837	155,813	151,286
115,311	114,630	108,451	98,013	68,949	54,205
282,992	288,736	324,348	370,016	403,956	404,211
135,827	92,799	89,029	119,137	115,474	175,584
799	418	882	240	615	181
285,051	278,053	350,420	551,163	495,266	623,044
33,678	39,371	—	—	—	—
130,561	180,328	217,052	302,298	245,712	315,745
—	—	832,665	821,261	739,885	781,931
<u>7,347,946</u>	<u>7,501,218</u>	<u>9,028,343</u>	<u>9,177,591</u>	<u>8,247,767</u>	<u>8,442,307</u>
2,968	3,357	5,482	6,497	6,440	20,741
290	184	251	183	211	156
—	—	—	—	—	—
5,769	10,592	8,337	8,694	18,002	7,814
4,154	4,496	5,206	6,999	13,496	16,378
21,024	18,886	16,979	15,777	12,229	9,727
85,122	95,222	65,426	24,259	18,747	33,810
<u>119,327</u>	<u>132,737</u>	<u>101,681</u>	<u>62,409</u>	<u>69,125</u>	<u>88,626</u>
1,473,164	1,707,841	1,662,599	1,538,356	1,705,758	1,815,305
178,438	205,621	223,250	243,391	240,346	234,844
526,379	472,633	532,258	641,554	348,196	353,459
23	1	87	133	852	9,141
143,761	145,581	139,550	131,204	143,125	132,805
99,041	85,947	72,513	121,542	70,894	46,629
131,411	150,877	151,932	162,386	168,318	135,826
170,604	163,325	170,100	156,509	154,069	157,528
7,404	10,135	7,326	10,986	3,369	8,753
236,391	236,113	249,817	269,543	342,381	369,578
5,220	893	14,609	1,287	375	5,692
—	—	—	—	—	—
—	—	559	1,591	—	—
<u>2,971,836</u>	<u>3,178,967</u>	<u>3,224,600</u>	<u>3,278,482</u>	<u>3,177,683</u>	<u>3,269,560</u>
—	—	—	—	—	—
7,719	137,763	11,216	48,382	4,293	2,354
366,473	298,645	653,191	876,570	295,879	777,990
374,192	436,408	664,407	924,952	300,172	780,344
3,465,355	3,748,112	3,990,688	4,265,843	3,546,980	4,138,530
<u>(3,882,591)</u>	<u>(3,753,106)</u>	<u>(5,037,655)</u>	<u>(4,911,748)</u>	<u>(4,700,787)</u>	<u>(4,303,777)</u>
644,637	811,282	806,413	927,441	938,189	909,484
331,097	444,951	539,735	598,980	740,719	935,428
1,713	4,479	5,775	1,295	6,054	5,320
2,781,133	2,901,720	2,817,720	2,517,499	2,039,028	2,146,870
441,396	531,067	505,638	453,643	393,192	402,110
138,346	149,311	156,817	74,859	58,323	66,795
6,386	12,456	85,547	87,949	27,470	76,852
—	—	—	—	—	—
<u>4,344,708</u>	<u>4,855,266</u>	<u>4,917,645</u>	<u>4,661,666</u>	<u>4,202,975</u>	<u>4,542,859</u>
<u>\$ 462,117</u>	<u>\$ 1,102,160</u>	<u>\$ (120,010)</u>	<u>\$ (250,082)</u>	<u>\$ (497,812)</u>	<u>\$ 239,082</u>

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

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

See accompanying independent auditor's report.

<u>2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>
\$ 644,637	\$ 811,282	\$ 806,413	\$ 927,441	\$ 938,189	\$ 909,484
331,097	444,951	539,735	598,980	740,719	935,428
<u>1,713</u>	<u>4,479</u>	<u>5,775</u>	<u>1,295</u>	<u>6,054</u>	<u>5,320</u>
<u>\$ 977,447</u>	<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>

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

	<u>2001-2002</u>	<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>
General Fund:				
Nonspendable	\$ —	\$ —	\$ —	\$ —
Restricted	—	—	—	—
Assigned	—	—	—	—
Unassigned	—	—	—	—
Reserved	202,674	236,766	171,216	96,540
Unreserved	<u>379,690</u>	<u>342,273</u>	<u>152,766</u>	<u>253,029</u>
Total General Fund	<u>\$ 582,364</u>	<u>\$ 579,039</u>	<u>\$ 323,982</u>	<u>\$ 349,569</u>
District Bonds:				
Nonspendable	\$ —	\$ —	\$ —	\$ —
Restricted	—	—	—	—
Reserved	20,404	17,545	—	7,328
Unreserved	<u>667,432</u>	<u>2,917,720</u>	<u>1,676,001</u>	<u>1,123,595</u>
Total District Bonds	<u>\$ 687,836</u>	<u>\$ 2,935,265</u>	<u>\$ 1,676,001</u>	<u>\$ 1,130,923</u>
County School Facilities Bonds:				
Restricted	\$ —	\$ —	\$ —	\$ —
Unreserved	<u>46,756</u>	<u>57,117</u>	<u>406,191</u>	<u>246,432</u>
Total County School Facilities Bonds	<u>\$ 46,756</u>	<u>\$ 57,117</u>	<u>\$ 406,191</u>	<u>\$ 246,432</u>
Bond Interest and Redemption Fund				
Restricted	\$ —	\$ —	\$ —	\$ —
Reserved	103,214	164,978	165,837	211,449
Unreserved	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Debt Service	<u>\$ 103,214</u>	<u>\$ 164,978</u>	<u>\$ 165,837</u>	<u>\$ 211,449</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	19,318	18,246	21,397	7,871
Unreserved, reported in:				
Special revenue funds	129,544	98,068	44,013	101,059
Debt service funds	54,815	44,674	39,982	12,949
Capital projects funds	<u>568,952</u>	<u>529,112</u>	<u>924,768</u>	<u>489,976</u>
Total All Other Governmental Funds	<u>\$ 772,629</u>	<u>\$ 690,100</u>	<u>\$ 1,030,160</u>	<u>\$ 611,855</u>

\*Effective 2010-11, fund balances are presented to conform with GASB statement 54.

See accompanying independent auditor's report.

<u>2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011*</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 10,417
—	—	—	—	—	266,418
—	—	—	—	—	147,035
—	—	—	—	—	479,661
144,673	333,103	403,518	565,333	304,762	—
289,839	362,132	253,718	184,629	358,145	—
<u>\$ 434,512</u>	<u>\$ 695,235</u>	<u>\$ 657,236</u>	<u>\$ 749,962</u>	<u>\$ 662,907</u>	<u>\$ 903,531</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,800
—	—	—	—	—	2,816,528
3,300	3,300	3,800	3,800	3,800	—
1,096,859	949,738	957,677	729,284	3,488,803	—
<u>\$ 1,100,159</u>	<u>\$ 953,038</u>	<u>\$ 961,477</u>	<u>\$ 733,084</u>	<u>\$ 3,492,603</u>	<u>\$ 2,820,328</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 712,540
344,922	435,541	532,895	534,745	501,615	—
<u>\$ 344,922</u>	<u>\$ 435,541</u>	<u>\$ 532,895</u>	<u>\$ 534,745</u>	<u>\$ 501,615</u>	<u>\$ 712,540</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 724,608
282,984	360,140	—	—	—	—
—	—	447,880	489,381	630,810	—
<u>\$ 282,984</u>	<u>\$ 360,140</u>	<u>\$ 447,880</u>	<u>\$ 489,381</u>	<u>\$ 630,810</u>	<u>\$ 724,608</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 5,050
—	—	—	—	—	3,843
—	—	—	—	—	82,138
—	—	—	—	—	132,449
—	—	—	—	—	11,391
—	—	—	—	—	51
—	—	—	—	—	29,731
7,867	7,871	7,391	6,280	5,309	—
187,178	245,129	236,369	159,720	122,508	—
19,498	23,135	49,213	65,372	72,643	—
428,119	369,299	382,514	268,577	166,949	—
<u>\$ 642,662</u>	<u>\$ 645,434</u>	<u>\$ 675,487</u>	<u>\$ 499,949</u>	<u>\$ 367,409</u>	<u>\$ 264,653</u>

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

	<u>2001-2002</u>	<u>2002-2003</u>	<u>2003-2004</u>
Revenues:			
Revenue limit sources	\$ 3,407,354	\$ 3,483,050	\$ 3,436,839
Federal revenues	691,622	824,684	984,482
Other state revenues	1,936,512	2,137,919	2,434,073
Other local revenues	349,889	419,927	451,220
Total Revenues	<u>6,385,377</u>	<u>6,865,580</u>	<u>7,306,614</u>
Expenditures:			
Current:			
Certificated salaries	2,969,537	3,066,319	3,055,482
Classified salaries	1,050,980	1,066,527	1,065,409
Employee benefits	1,061,783	1,214,906	1,312,887
Books and supplies	496,524	495,117	468,036
Services and other operating expenditures	657,540	766,443	822,234
Capital outlay	760,784	704,931	1,003,568
Debt service – principal	105,321	93,608	114,150
Debt service – bond, COPs, and capital leases interest	91,526	105,687	225,574
Debt service – refunding bond issuance cost	—	—	—
Debt service – TRANS interest	20,231	2,487	6,472
Other outgo	—	(50)	40,529
Total Expenditures	<u>7,214,226</u>	<u>7,515,975</u>	<u>8,114,341</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(828,849)</u>	<u>(650,395)</u>	<u>(807,727)</u>
Other Financing Sources (Uses):			
Transfers in	360,338	264,190	172,148
Transfers out	(360,338)	(263,998)	(171,934)
Issuance of bonds	500,000	2,607,345	—
Premium on bonds issued	—	—	—
Issuance of refunding bonds	—	—	—
Premium on refunding bonds issued	—	—	—
Issuance of COPs	222,391	272,303	—
Premium on COPs issued	—	—	—
Discount on issuance of COPs	—	—	—
Discount on issuance of refunding bonds	—	—	—
Payment to refunded bonds escrow agent	—	—	—
Issuance of refunding COPs	—	—	—
Payment to refunded COPs escrow agent	—	—	—
CA Energy Commission loan	—	—	—
State school facilities apportionments	—	—	—
Special item – proceeds from Sullivan Canyon sale	—	—	11,918
Insurance proceeds – fire damage	—	—	—
Capital leases	5,975	3,888	7,630
Land and building sale/lease	—	—	—
Children center facilities revolving fund	441	518	—
Other financing sources	—	2,159	—
Other financing uses	—	(2,210)	—
Total Other Financing Sources	<u>728,807</u>	<u>2,884,195</u>	<u>19,762</u>
Net Change in Fund Balances	<u>\$ (100,042)</u>	<u>\$ 2,233,800</u>	<u>\$ (787,965)</u>
Debt Service as a Percentage of Noncapital Expenditures	3.4%	3.0%	4.9%

See accompanying independent auditor's report.



<b>2004-2005</b>	<b>2005-2006</b>	<b>2006-2007</b>	<b>2007-2008</b>	<b>2008-2009</b>	<b>2009-2010</b>	<b>2010-2011</b>
\$ 3,575,257	\$ 3,724,599	\$ 3,892,689	\$3,624,134	\$3,444,940	\$2,977,215	\$ 3,056,350
1,071,628	1,150,060	1,023,992	1,016,465	1,357,169	1,289,543	1,463,899
2,109,674	2,419,412	2,853,979	3,307,609	3,223,201	2,566,534	2,966,361
549,264	637,941	835,529	925,869	904,663	918,438	1,198,389
<u>7,305,823</u>	<u>7,932,012</u>	<u>8,606,189</u>	<u>8,874,077</u>	<u>8,929,973</u>	<u>7,751,730</u>	<u>8,684,999</u>
3,110,756	3,187,441	3,362,475	3,469,214	3,384,912	2,929,870	2,948,806
1,069,595	1,098,558	1,180,482	1,269,680	1,236,448	1,126,477	1,058,084
1,349,301	1,418,575	1,440,468	1,464,061	1,440,404	1,581,239	1,508,612
499,411	567,167	507,486	574,902	441,855	395,886	495,998
647,151	691,388	785,742	880,455	872,470	867,482	826,514
1,398,243	1,532,862	1,494,934	1,644,450	2,113,952	1,677,858	1,241,249
110,501	94,843	153,258	200,514	302,688	289,680	303,329
232,333	241,131	285,315	334,525	363,050	437,582	582,330
1,337	2,732	9,665	6,020	—	—	—
—	—	—	—	—	—	—
33,748	41,695	46,865	882	240	615	181
<u>8,452,376</u>	<u>8,876,392</u>	<u>9,266,690</u>	<u>9,844,703</u>	<u>10,156,019</u>	<u>9,306,689</u>	<u>8,965,103</u>
<u>(1,146,553)</u>	<u>(944,380)</u>	<u>(660,501)</u>	<u>(970,626)</u>	<u>(1,226,046)</u>	<u>(1,554,959)</u>	<u>(280,104)</u>
598,061	381,658	362,932	499,947	575,839	539,641	604,246
(598,061)	(381,658)	(366,926)	(512,061)	(588,821)	(552,270)	(615,202)
200,000	1,115,712	900,000	1,000,000	945,774	4,082,645	—
4,124	64,283	33,649	42,258	—	92,908	—
219,125	778,673	1,889,000	—	—	149,760	—
16,338	64,058	49,073	—	—	—	—
219,790	10,000	—	105,374	120,950	40,728	83,345
—	—	—	—	—	3,771	3,034
—	—	—	—	—	—	(596)
—	—	(1,324)	—	—	—	—
(234,126)	(656,098)	(1,927,084)	—	—	(163,199)	—
—	—	—	—	—	69,685	—
(333,958)	(178,618)	—	—	(107,795)	(65,328)	(32,548)
1,318	63	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	2,935	5,332	1,439	2,057	1,987
1,999	1,318	2,394	1,253	1,196	931	1,043
—	—	—	14,110	9,610	2,371	52
—	—	—	—	—	(518)	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
<u>94,610</u>	<u>1,199,391</u>	<u>944,649</u>	<u>1,156,213</u>	<u>958,192</u>	<u>4,203,182</u>	<u>45,361</u>
<u>\$ (1,051,943)</u>	<u>\$ 255,011</u>	<u>\$ 284,148</u>	<u>\$ 185,587</u>	<u>\$ (267,854)</u>	<u>\$2,648,223</u>	<u>\$ (234,743)</u>
4.9%	4.6%	5.8%	6.6%	8.3%	9.5%	11.5%

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

<b>Fiscal year</b>	<b>Certificated Salaries</b>	<b>Classified Salaries</b>	<b>Employee Benefits</b>	<b>Books and Supplies</b>	<b>Services and Other Oper. Exp.</b>
2001-2002	\$ 2,949,992	\$ 1,044,050	\$ 1,056,848	\$ 492,982	\$ 650,543
2002-2003	3,036,964	1,056,274	1,207,073	490,211	757,868
2003-2004	3,055,482	1,065,409	1,312,887	468,036	821,490
2004-2005	3,110,756	1,069,595	1,349,301	499,411	646,373
2005-2006	3,187,441	1,098,558	1,418,575	567,167	691,388
2006-2007	3,362,475	1,180,482	1,440,468	507,486	785,742
2007-2008	3,469,214	1,269,680	1,464,061	574,902	880,455
2008-2009	3,384,912	1,236,448	1,440,404	441,855	872,470
2009-2010	2,929,870	1,126,477	1,581,239	395,886	867,482
2010-2011	2,948,806	1,058,084	1,508,612	495,998	826,514

Notes:

- <sup>(1)</sup> "Other Outgo" includes Tuition for Handicapped Pupils, discount on debt issuance, and payments to refunded debt escrow agent. From fiscal year 2003-04 to fiscal year 2006-07, Charter Schools In-lieu of Taxes was included in total expenditures under object 7280 as Other transfers out. Starting with fiscal year 2007-08, this is presented as reduction of the revenues, like it was presented prior to 2003-04.

See accompanying independent auditor's report.

<b>Capital Outlay</b>	<b>Debt Service</b>	<b>Other Outgo <sup>(1)</sup></b>	<b>Operating Transfers Out</b>	<b>Total Expenditures and Other Uses</b>
\$ 756,064	\$ 217,078	\$ (387)	\$ 360,338	\$ 7,527,508
691,793	201,782	(145)	263,998	7,705,818
1,003,568	346,196	41,273	171,934	8,286,275
1,398,243	344,171	602,610	598,061	9,618,521
1,532,862	338,706	876,411	381,658	10,092,766
1,494,934	448,238	1,975,273	366,926	11,562,024
1,644,450	541,059	882	512,061	10,356,764
2,113,952	665,738	108,035	588,821	10,852,635
1,677,858	727,262	229,142	552,270	10,087,486
1,241,249	885,659	33,325	615,202	9,613,449

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

	<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>
Instructional Goals:				
General education	\$ 3,673,054	\$ 3,741,979	\$ 3,935,655	\$ 4,145,863
Special education	1,166,539	1,214,874	1,195,855	1,252,592
Others	97,706	99,995	94,496	93,176
	<u>4,937,299</u>	<u>5,056,848</u>	<u>5,226,006</u>	<u>5,491,631</u>
Noninstructional Goals:				
Community services	25,371	24,258	26,423	27,165
Child care services	6,920	5,234	7,887	3,656
	<u>32,291</u>	<u>29,492</u>	<u>34,310</u>	<u>30,821</u>
Support Services	<u>1,195,756</u>	<u>1,207,134</u>	<u>1,058,764</u>	<u>1,083,003</u>
Facilities Acquisition	<u>853,255</u>	<u>1,219,838</u>	<u>1,522,494</u>	<u>1,635,060</u>
Food Services	<u>220,978</u>	<u>212,280</u>	<u>222,640</u>	<u>241,888</u>
Other Outgo:				
Debt service	201,782	346,196	344,171	517,324
All other outgo	264,457	214,487	1,210,136	1,093,039
	<u>466,239</u>	<u>560,683</u>	<u>1,554,307</u>	<u>1,610,363</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>

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

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>
\$ 4,270,273	\$ 4,462,660	\$ 4,124,621	\$ 3,820,056	\$ 3,928,156
1,333,134	1,395,418	1,376,082	1,428,258	1,387,197
94,206	100,135	101,223	85,456	87,876
<u>5,697,613</u>	<u>5,958,213</u>	<u>5,601,926</u>	<u>5,333,770</u>	<u>5,403,229</u>
30,269	24,762	28,094	17,094	12,310
4,408	4,663	4,847	3,109	2,987
<u>34,677</u>	<u>29,425</u>	<u>32,941</u>	<u>20,203</u>	<u>15,297</u>
<u>1,182,086</u>	<u>1,273,056</u>	<u>1,270,702</u>	<u>1,131,009</u>	<u>988,664</u>
<u>1,581,955</u>	<u>1,734,161</u>	<u>2,234,066</u>	<u>1,789,389</u>	<u>1,362,715</u>
<u>253,798</u>	<u>286,769</u>	<u>323,009</u>	<u>288,760</u>	<u>288,691</u>
2,386,554	541,059	773,533	792,590	885,659
425,341	534,081	616,458	731,765	669,194
<u>2,811,895</u>	<u>1,075,140</u>	<u>1,389,991</u>	<u>1,524,355</u>	<u>1,554,853</u>
<u>\$ 11,562,024</u>	<u>\$ 10,356,764</u>	<u>\$ 10,852,635</u>	<u>\$ 10,087,486</u>	<u>\$ 9,613,449</u>

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

<b>Fiscal Year</b>	<b>Revenue Limit Sources</b>	<b>Federal</b>	<b>Other State</b>	<b>Other Local</b>	<b>Other Financing Sources</b>	<b>Total</b>
2001-2002	\$ 3,388,475	\$ 686,278	\$ 1,922,377	\$ 325,743	\$ 1,067,900	\$ 7,390,773
2002-2003	3,456,958	814,681	2,118,662	401,287	3,148,244	9,939,832
2003-2004	3,436,839	984,482	2,434,073	451,220	191,696	7,498,310
2004-2005	3,575,257	1,071,628	2,109,674	549,264	1,260,755	8,566,578
2005-2006	3,724,599	1,150,060	2,419,412	637,941	2,415,765	10,347,777
2006-2007	3,892,689	1,023,992	2,853,979	835,529	3,239,983	11,846,172
2007-2008	3,624,134	1,016,465	3,307,609	925,869	1,668,274	10,542,351
2008-2009	3,444,940	1,357,169	3,223,201	904,663	1,654,808	10,584,781
2009-2010	2,977,215	1,289,543	2,566,534	918,438	4,983,979	12,735,709
2010-2011	3,056,350	1,463,899	2,966,361	1,198,389	693,707	9,378,706

See accompanying independent auditor's report.

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

<u>Fiscal Year</u>	<u>Secured*</u>	<u>Unsecured*</u>	<u>Total</u>	<u>Increase (Decrease) Over Preceding Year Amount</u>	<u>Rate</u>	<u>Total A.D.A.**</u>	<u>Assessed Value per Unit of A.D.A.</u>
2001-2002	\$ 249,496,423	\$ 22,018,503	\$ 271,514,926	\$ 17,574,352	6.92 %	762,688 ***	\$ 356
2002-2003	266,383,265	21,142,670	287,525,935	16,011,009	5.90	766,137 ***	375
2003-2004	287,673,344	20,855,436	308,528,780	21,002,845	7.30	758,605 ***	407
2004-2005	311,419,822	20,505,315	331,925,137	23,396,357	7.58	746,605	445
2005-2006	343,302,944	20,566,535	363,869,479	31,944,342	9.62	722,564	504
2006-2007	382,212,502	20,396,335	402,608,837	38,739,358	10.65	710,770	566
2007-2008	419,052,509	21,861,881	440,914,390	38,305,553	9.51	700,073	630
2008-2009	451,191,875	23,597,923	474,789,798	33,875,408	7.68	693,633	684
2009-2010	451,127,882	23,849,409	474,977,291	187,493	0.04	576,963 ****	823
2010-2011	442,092,473	21,753,078	463,845,551	(11,131,740)	(2.34)	565,450 ****	820

\* Source: 2010-11 Los Angeles County Auditor-Controller "Taxpayers' Guide"

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

\*\*\* Adjusted to exclude fiscally independent charter schools

\*\*\*\* Adult and Summer School programs were not collected due to changes made by Education Code Section 42605.

For 2008-09 through 2012-13, Districts are not required to operate the program or follow program requirements. Revenue for these years will be based on the same relative proportion that the District received for these programs in fiscal year 2007-08.

See accompanying independent auditor's report.

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

<b>Fiscal Year</b>	<b>Unified General</b>	<b>Unified Bonds</b>	<b>Total Schools Tax</b>	<b>State-Wide for All Agencies</b>	<b>Total District Tax</b>
2001-2002	—	0.048129	0.048129	1.000000	1.048129
2002-2003	0.000107	0.036866	0.036973	1.000000	1.036973
2003-2004	0.000160	0.076985	0.077145	1.000000	1.077145
2004-2005	0.000143	0.088696	0.088839	1.000000	1.088839
2005-2006	0.000107	0.084239	0.084346	1.000000	1.084346
2006-2007	0.000079	0.106735	0.106814	1.000000	1.106814
2007-2008	0.000040	0.123302	0.123342	1.000000	1.123342
2008-2009	0.000058	0.124724	0.124782	1.000000	1.124782
2009-2010	—	0.151809	0.151809	1.000000	1.151809
2010-2011	—	0.186954	0.186954	1.000000	1.186954

Source: 2010-11 Los Angeles County Auditor-Controller “Taxpayers’ Guide”

See accompanying independent auditor's report.



<b>Metropolitan Water District</b>	<b>Los Angeles County General</b>	<b>City of Los Angeles District No.1</b>	<b>County Flood Control District</b>
0.007700	0.001128	0.040051	0.001073
0.006700	0.001033	0.042312	0.000881
0.006100	0.000992	0.050574	0.000462
0.005800	0.000923	0.055733	0.000245
0.005200	0.000795	0.051289	0.000049
0.004700	0.000663	0.045354	0.000052
0.004500	—	0.038051	—
0.004300	—	0.038541	—
0.004300	—	0.041220	—
0.003700	—	0.038895	—

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Largest Local Secured Taxpayers  
Year Ended June 30, 2011  
(in thousands)  
(Unaudited)

	<b>Property Owner <sup>(1)</sup></b>	<b>Primary Land Use</b>	<b>2010-2011 Assessed Valuation</b>	<b>% of Total <sup>(1)</sup></b>
1	Douglas Emmett Realty Funds	Office Building	\$ 2,455,202	0.56%
2	Universal Studios LLC	Motion Picture Studio	1,304,545	0.30
3	Anheuser Busch Inc.	Industrial	815,695	0.18
4	One Hundred Towers LLC	Office Building	579,803	0.13
5	Donald T. Sterling	Apartments	571,150	0.13
6	Tishman Speyer Archstone Smith	Apartments	517,308	0.12
7	Casden Park La Brea	Apartments	460,552	0.10
8	Paramount Pictures Corp.	Motion Picture Studio	460,510	0.10
9	Century City Mall LLC	Shopping Center/Mall	456,150	0.10
10	Taubman Beverly Center	Shopping Center/Mall	455,335	0.10
11	Duesenberg Investment Company	Office Building	442,176	0.10
12	Rreef America REIT II Corp.	Office Building	433,477	0.10
13	Trizec 333 LA LLC	Office Building	383,700	0.09
14	Next Century Associates LLC	Hotel	381,769	0.09
15	Twentieth Century Fox Film Corp.	Motion Picture Studio	376,035	0.09
16	BP West Coast Products LLC	Industrial	351,145	0.08
17	1999 Stars LLC	Office Building	347,687	0.08
18	Deustsche Bank National Trust Company	Residential Properties	334,970	0.08
19	AP Properties Ltd.	Office Building	331,003	0.07
20	Olympic and Georgia Partners LLC	Residential Development	327,967	0.07
			<u>\$ 11,786,179</u>	<u>2.67%</u>

<sup>(1)</sup> 2010-11 Assessed Valuation: \$441,967,669.

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)

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>ERAF Funds <sup>(1)</sup></u>	<u>Current Tax Collections</u>	<u>Percent of Current Taxes Collected</u>	<u>Delinquent Tax Collections <sup>(2)</sup></u>	<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections to Total Tax Levy</u>
2001-2002	\$ 652,455	\$ 493,649	\$ 1,125,788	98.23%	\$ 29,264	\$1,155,052	100.78%
2002-2003	656,436	536,530	1,190,192	99.77	13,881	1,204,073	100.93
2003-2004	821,820	576,038	1,386,560	99.19	34,987	1,421,547	101.69
2004-2005	929,248	171,052	1,091,325	99.18	34,128	1,125,453	102.29
2005-2006	991,275	76,068	1,026,351	96.16	30,963	1,057,314	99.06
2006-2007	1,173,752	—	1,134,757	96.68	101,640	1,236,397	105.34
2007-2008	1,345,503	(42,753)	1,241,733	95.32	76,816	1,318,549	101.21
2008-2009	1,481,739	(2,660)	1,372,078	92.77	114,292	1,486,370	100.49
2009-2010	1,597,579	41,685	1,505,933	91.87	112,277	1,618,210	98.72
2010-2011	1,711,575	29,419	1,602,345	92.04	102,970	1,705,315	97.95

<sup>(1)</sup> Educational Revenue Augmentation Funds (ERAF) are added to tax levies received by the District.

<sup>(2)</sup> 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)

<u>Fiscal Year</u>	<u>K-12 Base Revenue Limit (Deficited)</u>	<u>Adult Base Revenue Limit</u>
2001-2002	\$ 4,654.13	\$ 2,196.82
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 <sup>a</sup>
2008-2009	5,645.07	N/A <sup>b</sup>
2009-2010	4,962.13 <sup>c</sup>	N/A <sup>b</sup>
2010-2011	5,264.22 <sup>d</sup>	N/A <sup>b</sup>

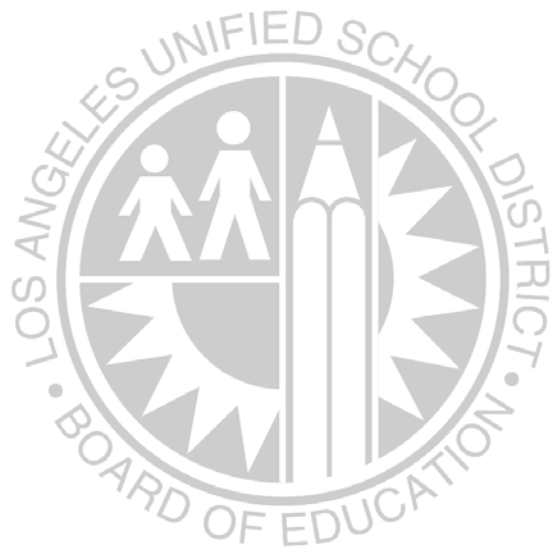
<sup>a</sup> Beginning with fiscal year 2007-08, the principal apportionment for Adult is no longer a revenue limit item. It was determined by the State to be more appropriately classified as other state apportionments.

<sup>b</sup> Per SBX3 4 (Chapter 12, Statutes of 2009), funding for fiscal years 2008-09 through 2012-13 (extended through 2014-15 by SB70, 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.

<sup>c</sup> This rate is net of the additional revenue limit reduction of \$252.99 per 2008-09 funded revenue limit ADA.

<sup>d</sup> Per Assembly Bill 851, beginning 2010-11, the base revenue limit rate per ADA includes the Beginning Teachers Salary and Meals for Needy.

See accompanying independent auditor's report.



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

	2001-2002		2002-2003	
	Amount	Percent	Amount	Percent
<b>Revenues and other sources</b>				
Revenue limit sources	\$ 3,388,475	45.84%	\$ 3,456,958	34.77%
Federal revenues	686,278	9.28	814,681	8.20
Other state revenues	1,922,377	26.01	2,118,662	21.31
Other local revenues	325,743	4.41	401,287	4.04
Operating transfers in	339,093	4.59	264,190	2.66
Proceeds from issuance of bonds	500,000	6.77	2,607,345	26.23
Premium on bonds issued	—	—	—	—
Proceeds from refunding bonds issued	—	—	—	—
Premium on refunding bonds issued	—	—	—	—
Proceeds from Certificates of Participation/ Long-term Capital Lease <sup>(1)</sup>	228,366	3.09	276,191	2.78
Issuance of refunding COPs	—	—	—	—
Premium on COPs issued	—	—	—	—
Proceeds from CA Energy Commission loan	—	—	—	—
Proceeds from Sullivan Canyon sale	—	—	—	—
Proceeds from Ramona HS	—	—	—	—
Proceeds from sale of surplus property	—	—	—	—
Insurance proceeds – fire damage	—	—	—	—
Children Center facilities fund	441	0.01	518	0.01
<b>Total Revenues and Other Sources</b>	<b>\$ 7,390,773</b>	<b>100.00%</b>	<b>\$ 9,939,832</b>	<b>100.00%</b>
<b>Expenditures and other uses</b>				
Current:				
Certificated salaries	\$ 2,949,992	39.20%	\$ 3,036,964	39.41%
Classified salaries	1,044,050	13.87	1,056,274	13.71
Employee benefits <sup>(2)</sup>	1,056,848	14.04	1,207,073	15.66
Books and supplies	492,982	6.55	490,211	6.36
Services and other operating expenditures <sup>(2)</sup>	650,543	8.64	757,868	9.83
Capital outlay	756,064	10.04	691,793	8.98
Debt service	217,078	2.88	201,782	2.62
Other outgo <sup>(2)</sup>	(387)	(0.01)	(145)	—
Operating transfers out <sup>(3)</sup>	360,338	4.79	263,998	3.43
Discount on issuance of refunding bonds	—	—	—	—
Discount on issuance of COPS	—	—	—	—
Payment to refunded bonds escrow agent	—	—	—	—
Payment to refunded COPs escrow agent	—	—	—	—
<b>Total Expenditures and Other Uses</b>	<b>\$ 7,527,508</b>	<b>100.00%</b>	<b>\$ 7,705,818</b>	<b>100.00%</b>

<sup>(1)</sup> The 2001-02 COPs proceeds were used to acquire and improve real properties, including the new Administration Building and the former Ambassador Hotel site, and the refunding of the 1991 COPs that refunded the 1988 COPS for the Bravo Medical Magnet Senior High School Project. The 2002-03 COPs proceeds were used for information technology systems, warehouse acquisition, administration building improvements and multiple school projects such as: air-conditioning, relocatable classrooms, gymnasium improvements, computer and telephone equipment, school police vehicles, sports and parking facilities, school museum and other projects. The 2004-05 COPs proceeds were used to refund a portion of prior year issuances and make administration building improvements. The 2005-06 COPs proceeds were used to modernize nine schools to accommodate existing or planned academy programs that address student career pathway/higher education interests. The 2007-08 COPs proceeds were used to finance certain acquisition, development and installation of information technology systems of the District.

See accompanying independent auditor's report.

2003-2004		2004-2005		2005-2006	
Amount	Percent	Amount	Percent	Amount	Percent
\$ 3,436,839	45.83%	\$ 3,575,257	41.73%	\$ 3,724,599	35.99%
984,482	13.13	1,071,628	12.51	1,150,060	11.11
2,434,073	32.46	2,109,674	24.63	2,419,412	23.38
451,220	6.02	549,264	6.41	637,941	6.17
172,148	2.30	598,061	6.98	381,658	3.69
—	—	200,000	2.33	1,115,712	10.78
—	—	4,124	0.05	64,283	0.62
—	—	219,125	2.56	778,673	7.53
—	—	16,338	0.19	64,058	0.62
7,630	0.10	221,789	2.59	11,318	0.11
—	—	—	—	—	—
—	—	—	—	—	—
—	—	1,318	0.02	63	—
11,918	0.16	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
<u>\$ 7,498,310</u>	<u>100.00%</u>	<u>\$ 8,566,578</u>	<u>100.00%</u>	<u>\$ 10,347,777</u>	<u>100.00%</u>
\$ 3,055,482	36.88%	\$ 3,110,756	32.34%	\$ 3,187,441	31.58%
1,065,409	12.86	1,069,595	11.12	1,098,558	10.88
1,312,887	15.84	1,349,301	14.03	1,418,575	14.06
468,036	5.65	499,411	5.19	567,167	5.62
821,490	9.91	646,373	6.72	691,388	6.85
1,003,568	12.11	1,398,243	14.54	1,532,862	15.19
346,196	4.18	344,171	3.58	338,706	3.36
41,273	0.50	34,526	0.36	41,695	0.41
171,934	2.07	598,061	6.22	381,658	3.78
—	—	—	—	—	—
—	—	—	—	—	—
—	—	234,126	2.43	656,098	6.50
—	—	333,958	3.47	178,618	1.77
<u>\$ 8,286,275</u>	<u>100.00%</u>	<u>\$ 9,618,521</u>	<u>100.00%</u>	<u>\$ 10,092,766</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)

	<b>2006-2007</b>		<b>2007-2008</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
<b>Revenues and other sources</b>				
Revenue limit sources	\$ 3,892,689	32.86%	\$ 3,624,134	34.38%
Federal revenues	1,023,992	8.65	1,016,465	9.64
Other state revenues	2,853,979	24.10	3,307,609	31.38
Other local revenues	835,529	7.05	925,869	8.78
Operating transfers in	362,932	3.06	499,947	4.74
Proceeds from issuance of bonds	900,000	7.60	1,000,000	9.49
Premium on bonds issued	33,649	0.28	42,258	0.40
Proceeds from refunding bonds issued	1,889,000	15.95	—	—
Premium on refunding bonds issued	49,073	0.41	—	—
Proceeds from Certificates of Participation/ Long-term Capital Lease <sup>(1)</sup>	2,394	0.02	106,627	1.01
Issuance of refunding COPs	—	—	—	—
Premium on COPs issued	—	—	—	—
Proceeds from CA Energy Commission loan	—	—	—	—
Proceeds from Sullivan Canyon sale	—	—	—	—
Proceeds from Ramona HS	—	—	14,110	0.13
Proceeds from sale of surplus property	—	—	—	—
Insurance proceeds – fire damage	2,935	0.02	5,332	0.05
Children Center facilities fund	—	—	—	—
<b>Total Revenues and Other Sources</b>	<b>\$ 11,846,172</b>	<b>100.00%</b>	<b>\$ 10,542,351</b>	<b>100.00%</b>
<b>Expenditures and other uses</b>				
Current:				
Certificated salaries	\$ 3,362,475	29.07%	\$ 3,469,214	33.50%
Classified salaries	1,180,482	10.21	1,269,680	12.26
Employee benefits <sup>(2)</sup>	1,440,468	12.46	1,464,061	14.14
Books and supplies	507,486	4.39	574,902	5.55
Services and other operating expenditures <sup>(2)</sup>	785,742	6.80	880,455	8.50
Capital outlay	1,494,934	12.93	1,644,450	15.88
Debt service	448,238	3.88	541,059	5.22
Other outgo <sup>(2)</sup>	46,865	0.41	882	0.01
Operating transfers out <sup>(3)</sup>	366,926	3.17	512,061	4.94
Discount on issuance of refunding bonds	1,324	0.01	—	—
Discount on issuance of COPS	—	—	—	—
Payment to refunded bonds escrow agent	1,927,084	16.67	—	—
Payment to refunded COPs escrow agent	—	—	—	—
<b>Total Expenditures and Other Uses</b>	<b>\$ 11,562,024</b>	<b>100.00%</b>	<b>\$ 10,356,764</b>	<b>100.00%</b>

<sup>(1)</sup> The 2001-02 COPs proceeds were used to acquire and improve real properties, including the new Administration Building and the former Ambassador Hotel site, and the refunding of the 1991 COPs that refunded the 1988 COPS for the Bravo Medical Magnet Senior High School Project. The 2002-03 COPs proceeds were used for information technology systems, warehouse acquisition, administration building improvements and multiple school projects such as: air-conditioning, relocatable classrooms, gymnasium improvements, computer and telephone equipment, school police vehicles, sports and parking facilities, school museum and other projects. The 2004-05 COPs proceeds were used to refund a portion of prior year issuances and make administration building improvements. The 2005-06 COPs proceeds were used to modernize nine schools to accommodate existing or planned academy programs that address student career pathway/higher education interests. The 2007-08 COPs proceeds were used to finance certain acquisition, development and installation of information technology systems of the District.

See accompanying independent auditors' report.



2008-2009		2009-2010		2010-2011	
Amount	Percent	Amount	Percent	Amount	Percent
\$ 3,444,940	32.55%	\$ 2,977,215	23.37%	\$ 3,056,350	32.59%
1,357,169	12.82	1,289,543	10.12	1,463,899	15.61
3,223,201	30.45	2,566,534	20.15	2,966,361	31.63
904,663	8.55	918,438	7.21	1,198,389	12.78
575,839	5.44	539,641	4.24	604,246	6.44
945,774	8.94	4,082,645	32.06	—	—
—	—	92,908	0.73	—	—
—	—	149,760	1.18	—	—
—	—	—	—	—	—
122,146	1.15	41,659	0.33	84,388	0.90
—	—	69,685	0.55	—	—
—	—	3,771	0.03	3,034	0.03
—	—	—	—	—	—
—	—	—	—	—	—
9,610	0.09	2,371	0.02	—	—
—	—	—	—	52	—
1,439	0.01	2,057	0.01	1,987	0.02
—	—	(518)	—	—	—
<u>\$ 10,584,781</u>	<u>100.00%</u>	<u>\$ 12,735,709</u>	<u>100.00%</u>	<u>\$ 9,378,706</u>	<u>100.00%</u>
\$ 3,384,912	31.19%	\$ 2,929,870	29.04%	\$ 2,948,806	30.67%
1,236,448	11.39	1,126,477	11.17	1,058,084	11.01
1,440,404	13.27	1,581,239	15.68	1,508,612	15.69
441,855	4.07	395,886	3.92	495,998	5.16
872,470	8.04	867,482	8.60	826,514	8.60
2,113,952	19.48	1,677,858	16.63	1,241,249	12.91
665,738	6.14	727,262	7.21	885,659	9.21
240	—	615	0.01	181	—
588,821	5.43	552,270	5.47	615,202	6.40
—	—	—	—	—	—
—	—	—	—	596	0.01
—	—	163,199	1.62	—	—
107,795	0.99	65,328	0.65	32,548	0.34
<u>\$ 10,852,635</u>	<u>100.00%</u>	<u>\$ 10,087,486</u>	<u>100.00%</u>	<u>\$ 9,613,449</u>	<u>100.00%</u>

<sup>(2)</sup> “Other outgo” includes Tuition for Handicapped Pupils. From fiscal year 2003-04 to fiscal year 2006-07, Charter Schools In-lieu of Taxes was included in total expenditures under object 7280 as Other transfers out. Starting with fiscal year 2007-08 this is presented as reduction of the revenues, like it was presented prior to 2003-04.

(Continued)

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

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

From	To	2001-2002	2002-2003
General	Adult Education	\$ —	\$ —
General	Cafeteria	—	—
General	Child Development	8,947	8,475
General	Deferred Maintenance	24,191	2,134
General	Charter	20,240	—
General	Capital Services	76,132	37,655
General	Special Reserve	170,845	168,805
General	Special Reserve – FEMA – Earthquake	26,555	9,167
General	Special Reserve – FEMA – Hazard Mitigation	9,109	9,613
General	Special Reserve – Community Redevelopment Agency	1,662	1,419
General	Capital Facilities	—	—
General	Building – Measure R	—	—
General	Health & Welfare	—	—
Adult Education	General	—	2,421
Adult Education	Building – Measure R	—	—
Cafeteria	General	2,315	2,530
Cafeteria	Charter	1,005	—
Cafeteria	Capital Services	—	—
Child Development	General	—	2,068
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	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)
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
Special Reserve – FEMA – Earthquake	County School Facilities – Prop 55	—	—
Special Reserve – FEMA – Hazard Mitigation	General	—	725

<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>
\$ —	\$ —	\$ —	\$ 4,199	\$ —	\$ —	\$ 168,282	\$ —
—	—	11,140	288	8,214	16,587	12,210	32,061
8,412	8,065	8,764	7,133	—	—	165	7,996
8,140	23,300	30,000	30,188	31,048	30,000	—	—
—	—	—	—	—	—	—	—
51,430	198,026	4,169	9,758	12,514	26,356	30,993	23,849
12,970	110,540	27,403	109	—	3	—	903
3,806	—	2,225	—	—	—	—	—
25,681	2,225	—	—	—	—	—	—
3,757	—	—	—	—	—	—	—
—	—	—	—	—	260	83	—
—	59	—	—	—	—	—	—
—	—	—	3,994	12,114	12,982	12,629	10,956
2,583	—	—	—	10,600	10,600	10,600	—
—	—	—	—	—	3,197	—	—
2,642	1,251	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	2,482	786
1,980	2,100	2,000	2,000	—	—	853	—
—	—	—	—	—	—	—	18,501
—	7,370	—	—	—	231	904	—
—	—	—	—	—	—	2,975	—
—	17,155	—	—	—	—	1,424	—
—	—	1	—	—	—	—	—
—	—	—	—	—	—	3,593	—
—	—	—	—	—	229	—	—
—	—	2,629	—	—	—	—	—
—	—	—	—	—	—	(29)	—
—	—	—	—	259	1	—	—
—	—	—	—	90	—	—	—
—	—	—	—	11,944	60	118	62
—	—	—	—	8,651	221	—	—
—	—	—	—	—	8	104	—
—	—	—	—	—	—	7	—
—	17,155	57,312	28,900	88,200	34,117	62,437	52,161
—	—	—	—	—	—	11,803	—
20,633	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
—	—	—	2	—	1,383	14,298	3
—	—	—	—	—	1	—	11
—	—	—	—	—	—	100	—
—	—	—	—	—	355	—	—
—	—	—	—	169	3,657	2,232	5,428
628	213	520	—	—	—	—	—
—	—	—	120	—	—	—	—
298	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	2001-2002	2002-2003
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	18,034	17,928
Capital Facilities	State School Building Lease – Purchase	1,303	6,070
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 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	—	—
Building – Measure Y	Building – Bond Proceeds	—	—
Building – Measure Y	Building – Measure K	—	—

<b>2003-2004</b>	<b>2004-2005</b>	<b>2005-2006</b>	<b>2006-2007</b>	<b>2007-2008</b>	<b>2008-2009</b>	<b>2009-2010</b>	<b>2010-2011</b>
—	—	—	—	4,293	4,069	4,003	4,002
—	—	—	—	—	—	325	—
—	—	—	—	—	3,571	—	—
—	—	—	—	—	1,129	—	—
—	—	—	—	—	1,300	—	—
23,260	24,045	21,606	22,215	20,537	56,461	12,158	10,695
5,714	7,613	—	2,601	90	—	—	—
—	—	—	—	219	12	—	—
—	—	—	—	—	2	—	—
—	—	—	—	11,409	151	4	—
—	—	—	—	3	24	—	—
—	—	—	—	—	—	—	109
—	—	—	—	—	—	76	—
—	—	—	—	—	—	84	—
—	—	—	—	3,307	84	82	881
—	—	—	—	—	139	68	—
—	—	—	—	—	3	195	—
—	—	—	—	943	31,010	5,484	4,488
—	—	—	9	3,795	23,563	36,480	12,330
—	—	—	—	—	114	15	4
—	—	—	—	13	2,742	7,689	124
—	—	—	—	1,252	183	814	3,036
—	—	—	—	3,287	21,142	2,432	4,174
—	—	—	—	—	617	417	—
—	—	—	—	—	4	—	—
—	—	—	—	1	—	—	—
—	—	—	27,907	7,819	15,123	94	—
—	—	—	—	71	—	—	—
—	—	—	146	839	124	751	—
—	—	—	173	9,956	5,433	175	1,349
—	—	—	—	8	236	415	375
—	—	—	6,105	658	—	50	—
—	—	—	—	—	116	—	—
—	—	—	—	1,562	419	—	3,405
—	—	—	—	2,970	—	33	177
—	—	—	—	1,151	161	1,587	116
—	—	—	—	33	—	—	—
—	149,995	—	1	15,368	40	4,714	119
—	—	—	1,563	22,560	3,528	158	1,591
—	—	—	—	8,901	50	787	1,862
—	—	—	1,475	666	160	7,229	417
—	—	—	—	94	—	—	533
—	—	—	—	1,767	957	520	4,840
—	—	—	—	—	—	2,480	44
—	—	30,000	30,000	30,000	30,000	—	13,474
—	—	—	—	—	3	2	—
—	—	—	—	—	—	—	867
—	—	178,618	1,904	1,904	1,904	4,073	2,447
—	—	—	—	61	651	—	—
—	—	—	—	—	4	1,452	114
—	—	—	8,864	364	550	3,798	22

(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	2001-2002	2002-2003
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 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 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 1D	Capital Facilities	—	—
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>\$ 360,338</u>	<u>\$ 264,190</u>

See accompanying independent auditor’s report.

<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>
—	—	—	—	—	4,446	1,675	18,729
—	—	—	—	—	—	512	669
—	—	—	—	—	—	—	73
—	—	—	—	—	—	807	857
—	—	—	—	—	—	857	349
—	—	3,046	—	—	—	—	—
—	—	—	—	—	2	45	—
—	—	—	3	—	—	129	—
—	—	—	—	—	—	53	—
—	—	—	—	—	9,480	4,998	5,972
—	—	—	1	106	1,364	1,691	—
—	—	—	—	24	1,265	3,086	2,919
—	—	—	—	—	2	—	52
—	—	—	—	—	360	734	—
—	—	—	—	—	30	419	—
—	—	—	—	—	40	—	—
—	—	—	—	47	—	—	—
—	—	—	—	1,801	—	—	—
—	—	—	1,006	7,375	5,924	261	2,873
—	—	—	15	2,471	1,429	1,126	1
—	—	—	—	4,089	62	—	77
—	—	—	—	—	5	—	403
—	—	—	—	734	59	—	—
—	—	—	—	1,170	2	—	87
—	—	—	—	15,084	—	—	135
—	—	—	42,457	13,610	44	—	—
—	—	—	—	618	241	—	—
—	—	—	—	90	—	—	—
—	—	—	—	21,358	19,251	1,753	5,844
—	—	—	68,910	8,055	4,169	4,637	27,986
—	—	—	2,387	17,077	33,151	4,753	54,810
—	—	—	—	—	26	—	234,223
—	—	—	—	1,987	259	293	—
—	—	—	—	—	219	—	45
—	—	—	—	—	—	—	220
—	—	—	—	1,721	9,291	6,277	1,638
—	—	—	—	1,045	642	—	1,800
—	—	—	—	1,791	19,543	4,524	15,963
—	—	—	—	—	—	551	3,001
—	—	—	—	—	65	526	1,943
—	—	—	—	—	398	—	—
—	—	—	—	1,072	16	370	1,279
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
<u>\$ 171,934</u>	<u>\$ 598,061</u>	<u>\$ 381,658</u>	<u>\$ 366,926</u>	<u>\$ 512,061</u>	<u>\$ 588,821</u>	<u>\$ 552,270</u>	<u>\$ 615,202</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)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service <sup>(1)</sup></u>	<u>Total General Governmental Expenditures</u>	<u>Ratio of Debt Service to Total General Governmental Expenditures</u>
2001-2002	\$ 97,935	\$ 91,386	\$ 189,321	\$ 7,527,508	2.52%
2002-2003	86,400	89,292	175,692	7,705,818	2.28
2003-2004	107,370	231,349	338,719	8,286,275	4.09
2004-2005	248,025	248,661	496,686	9,618,521	5.16
2005-2006	89,885	237,622	327,507	10,092,766	3.24
2006-2007	149,230	284,196	433,426	11,562,024	3.75
2007-2008	197,285	334,967	532,252	10,356,764	5.14
2008-2009	300,245	361,990	662,235	10,852,635	6.10
2009-2010	288,160	490,840	779,000	10,087,486	7.72
2010-2011	326,263	625,219	951,482	9,613,449	9.90

Notes:

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

See accompanying independent auditor's report.



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

<b>Fiscal Year</b>	<b>Population Los Angeles Unified *</b>	<b>Total Assessed Value</b>	<b>Gross Debt <sup>(1)</sup></b>	<b>Debt Service Monies Available</b>	<b>Net Debt <sup>(1)</sup></b>	<b>Ratio of Net Debt to Assessed Value</b>	<b>Net Debt per Capita</b>
2001-2002	4,502,647	\$ 271,514,926	\$ 2,395,127	\$ 159,062	\$ 2,236,065	0.8236%	\$ 497
2002-2003	4,660,473	287,525,935	5,191,382	211,507	4,979,875	1.7320	1,069
2003-2004	4,718,101	308,528,780	5,085,570	208,215	4,877,355	1.5808	1,034
2004-2005	4,775,778	331,925,137	5,095,029	224,306	4,870,723	1.4674	1,020
2005-2006	4,784,682	363,869,479	6,233,663	302,401	5,931,262	1.6301	1,240
2006-2007	4,825,016	402,608,837	7,058,754	383,068	6,675,686	1.6581	1,384
2007-2008	4,839,918	440,914,390	8,002,427	497,001	7,505,426	1.7022	1,551
2008-2009	4,853,617	474,789,798	8,666,230	554,524	8,111,706	1.7085	1,671
2009-2010	4,875,984	474,977,291	12,573,523	703,178	11,870,345	2.4991	2,434
2010-2011	4,564,712	463,845,551	12,305,721	806,452	11,499,269	2.4791	2,519

\* Estimate

<sup>(1)</sup> Includes bonded debts (General Obligation Bonds) and COPs.

Sources: 2010-11 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, 2011  
(Dollars in thousands)  
(Unaudited)

<b>Government</b>	<b>Percentage Applicable</b>	<b>Amount Applicable</b>
Direct:		
Los Angeles Unified School District		
General Obligation Bonds	100.000%	\$ 11,810,881
Certificates of Participation	100.000	494,840
		<u>12,305,721</u>
Overlapping:		
Los Angeles County General Fund Obligations	46.109	690,241
Los Angeles County Superintendent of Schools Certificates of Participation	46.109	5,628
Los Angeles County Flood Control District	46.749	25,149
Metropolitan Water District	23.541	53,028
Los Angeles Community College District	81.491	2,882,129
Pasadena Area Community College District	0.001	1
City of Los Angeles	99.923	1,254,863
City of Los Angeles General Fund and Judgment Obligations	99.923	1,949,503
Other City General Fund and Pension Obligations	Various	198,457
Los Angeles County Sanitation Districts		
Nos. 1, 2, 3, 4, 5, 8, 9, 16 and 23 Authorities	Various	47,511
Los Angeles County Regional Park & Open Space Assessment District	46.109	90,966
City Community Facilities Districts	100.000	138,270
City of Los Angeles Assessment District #1	100.000	4,534
City of Los Angeles Landscaping and Special Tax Assessment District	99.923	82,042
Other City and Special District 1915 Act Bonds	99.976-100.000	24,752
Other Cities	Various	46,633
Palos Verdes Library District	4.905	320
Total Overlapping		<u>7,494,027</u>
Total Gross Direct and Overlapping Bonded Debt		19,799,748 <sup>(1)</sup>
Less:		
Los Angeles County General Fund Obligations supported by landfill revenues		8,210
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 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 Series A Qualified Zone Academic Bonds)		3,241
City self-supporting bonds		10,860
Total Net Direct and Overlapping Bonded Debt		<u>\$ 19,747,723</u>

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

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

See accompanying independent auditor's report.

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

Fiscal Year	Debt Limit	Total Amount of Debt Applicable to Debt Limit	Legal Debt Margin	Total Amount of Debt Applicable to Debt Limit as a Percentage of Debt Limit
2001-2002	\$ 6,787,873	\$ 2,243,665	\$ 4,544,208 <sup>(1)</sup>	33.05 %
2002-2003	7,188,148	4,199,512	2,988,636	58.42
2003-2004	7,713,219	4,162,372	3,550,847	53.96
2004-2005	8,298,128	4,268,184	4,029,944	51.44
2005-2006	9,096,737	5,520,705	3,576,032	60.69
2006-2007	10,065,221	6,285,189	3,780,032	62.44
2007-2008	11,022,860	7,052,672	3,970,188	63.98
2008-2009	11,869,745	7,734,195	4,135,550	65.16
2009-2010	11,874,432	11,483,694	390,738	96.71
2010-2011	11,596,139	11,086,273	509,866	95.60

Computation of Legal Debt Margin for Fiscal Year Ended June 30, 2011

Assessed valuation (net taxable)	\$ 460,684,768
Plus exempt property	<u>3,160,783</u>
Total Assessed Valuation	\$ 463,845,551
Debt limit – 2.5% of Assessed Valuation per Education Code Section 15106 <sup>(2)</sup>	\$ 11,596,139
Bonded Debt:	
General Obligation Bonds	11,810,881
Assets available for payment of principal:	
Bond Interest & Redemption Fund	<u>(724,608)</u>
Total Amount of Debt Applicable to Debt Limit	<u>11,086,273</u>
Legal Debt Margin (bonded debt) <sup>(1)</sup>	<u><u>\$ 509,866</u></u>

<sup>(1)</sup> The computation of legal debt margin prior to fiscal year 2002-03 includes Certificates of Participation.

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

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

See accompanying independent auditor's report.

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

<b>Fiscal Year</b>	<b>Population City of Los Angeles</b>	<b>Population Los Angeles Unified*</b>	<b>Population County of Los Angeles</b>	<b>School Enrollment County of Los Angeles</b>	<b>School Enrollment Los Angeles Unified</b>	<b>Unemployment Rate County of Los Angeles</b>
2001-2002	3,695	4,503	9,519	1,711	907	6.8%
2002-2003	3,864	4,660	9,980	1,736	905	6.8
2003-2004	3,912	4,718	10,103	1,743	911	6.2
2004-2005	3,958	4,776	10,227	1,734	879	5.2
2005-2006	3,976	4,785	10,246	1,708	847	4.5
2006-2007	4,018	4,825	10,332	1,673	830	4.8
2007-2008	4,046	4,840	10,364	1,648	813	7.5
2008-2009	4,066	4,854	10,393	1,632	795	11.9
2009-2010	4,095	4,876	10,441	1,575	760	12.4
2010-2011	3,810	4,565	9,859	1,589	750	12.3

\* 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)

2011				2002		
Rank	Employer	Employees	Percentage of Total County Employment <sup>(1)</sup>	Employer	Employees	Percentage of Total County Employment <sup>(2)</sup>
1	Kaiser Permanente	33,600	0.79%	Kaiser Permanente	25,373	0.58%
2	Northrop Grumman Corp.	21,000	0.49	The Boeing Co.	23,468	0.53
3	University of Southern California	16,180	0.38	Ralph's Grocery Co.	17,211	0.39
4	Target Corp.	15,000	0.35	Bank of America	11,943	0.27
5	Ralph/Food 4 Less (Kroger Co. division)	13,500 *	0.32	Target	10,993	0.25
6	Cedars-Sinai Medical Center	12,068	0.28	SBC Pacific Bell	10,670	0.24
7	Bank of America Corp.	12,000 *	0.28	CPE	10,245	0.23
8	Boeing Co.	11,520	0.27	Northrop Grumman Corp.	10,000	0.23
9	Providence Health & Services California	10,616	0.25	University of Southern California	9,297	0.21
10	Home Depot	10,250	0.24	ABM Industries Inc.	9,250	0.21
	Total	<u>155,734</u>	<u>3.65%</u>	Total	<u>138,450</u>	<u>3.14%</u>

\* Business Journal estimate

<sup>(1)</sup> Based on Los Angeles County Employment of 4,248,900

<sup>(2)</sup> Based on Los Angeles County Employment of 4,401,200

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>2001-2002</u>	<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>
<b>Elementary:</b>				
Kindergarten	52,071	50,741	49,775	48,806
Grades 1-3	176,474	173,178	169,239	160,224
Grades 4-6	156,347	156,944	159,617	159,615
Grades 7-8	90,474	93,818	97,978	94,396
Special Education	23,130	23,302	23,585	22,107
County Special Education	4	6	8	—
Opportunity Schools	97	13	8	14
Home or Hospital	203	164	152	158
Community Day Schools	141	190	196	190
County Community Schools	12	17	10	19
Total Elementary	<u>498,953</u>	<u>498,373</u>	<u>500,568</u>	<u>485,529</u>
<b>Secondary:</b>				
Regular Classes	142,870	148,631	150,239	152,901
Special Education	10,219	10,393	11,026	11,274
County Special Education	17	17	21	1
Compulsory Continuation Education	2,858	2,866	3,031	3,171
Opportunity Schools	912	430	328	400
Home or Hospital	90	88	96	121
Community Day Schools	238	674	733	736
County Community Schools	149	143	127	175
Total Secondary	<u>157,353</u>	<u>163,242</u>	<u>165,601</u>	<u>168,779</u>
Block grant funded fiscally affiliated charters	<u>20,010</u>	<u>17,681</u>	<u>5,143</u>	<u>5,990</u>
Total Block Grant Funded Fiscally Affiliated Charters	<u>20,010</u>	<u>17,681</u>	<u>5,143</u>	<u>5,990</u>
<b>Adult program:</b>				
ROC/P Mandated	19,846	19,233	20,125	19,110
Classes for Adults – Mandated	63,355	63,590	62,570	61,748
Concurrently Enrolled Adults	3,170	4,015	4,592	5,446
Full-time Independent Study***	1	3	6	3
Total Adult Program	<u>86,372</u>	<u>86,841</u>	<u>87,293</u>	<u>86,307</u>
Total Average Daily Attendance	<u><u>762,688</u></u>	<u><u>766,137</u></u>	<u><u>758,605</u></u>	<u><u>746,605</u></u>
<b>Summer School Hours of Attendance</b>				
Elementary	6,978,428	7,645,522	8,855,212	12,526,699
Secondary	5,237,002	5,486,137	5,941,513	6,350,873
Dependent Charter	408,580	195,142	*****	*****
Total Hours	<u><u>12,624,010</u></u>	<u><u>13,326,801</u></u>	<u><u>14,796,725</u></u>	<u><u>18,877,572</u></u>

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

\*\*\*\* Not collected due to changes made by Education Code Section 42605. For 2008-09 through 2012-13, Districts 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.

<u>2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>
47,876	46,131	44,705	44,393	43,906	43,364
151,592	145,181	141,266	138,384	134,001	130,846
152,341	143,384	136,245	131,692	127,455	124,800
91,576	92,832	90,769	86,871	82,465	78,704
20,435	19,740	19,427	19,897	19,204	19,250
—	—	—	—	1	1
10	12	11	10	7	7
159	159	170	123	118	127
172	148	122	122	126	85
16	19	26	22	21	11
<u>464,177</u>	<u>447,606</u>	<u>432,741</u>	<u>421,514</u>	<u>407,304</u>	<u>397,195</u>
152,848	151,323	151,852	151,451	146,707	143,979
11,350	11,253	11,030	10,905	10,960	11,252
—	—	—	—	1	—
3,198	2,972	2,837	3,085	3,339	3,507
407	399	433	455	492	494
120	125	130	109	99	98
757	716	692	772	915	911
156	93	84	81	240	148
<u>168,836</u>	<u>166,881</u>	<u>167,058</u>	<u>166,858</u>	<u>162,753</u>	<u>160,389</u>
<u>5,958</u>	<u>5,936</u>	<u>6,482</u>	<u>6,655</u>	<u>6,906</u>	<u>7,866</u>
<u>5,958</u>	<u>5,936</u>	<u>6,482</u>	<u>6,655</u>	<u>6,906</u>	<u>7,866</u>
14,395	18,857	20,309	23,379	****	****
63,305	64,867	65,684	66,905	****	****
5,886	6,594	7,756	8,297	****	****
7	29	43	25	****	****
<u>83,593</u>	<u>90,347</u>	<u>93,792</u>	<u>98,606</u>	<u>—</u>	<u>—</u>
<u>722,564</u>	<u>710,770</u>	<u>700,073</u>	<u>693,633</u>	<u>576,963</u>	<u>565,450</u>
12,061,970	9,974,314	10,195,908	8,567,366	****	****
8,929,199	8,357,150	8,336,362	7,203,657	****	****
*****	*****	*****	*****	*****	*****
<u>20,991,169</u>	<u>18,331,464</u>	<u>18,532,270</u>	<u>15,771,023</u>	<u>—</u>	<u>—</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Full-Time Equivalent District Employees by Function  
 Last Nine 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>

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

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>
52,769	51,839	52,317	46,896	45,115
3,060	3,459	3,455	3,226	3,057
5,280	5,883	5,332	4,105	3,970
222	220	219	193	187
6,045	6,097	6,047	5,470	4,741
1,154	1,217	1,121	1,134	880
7,835	7,830	8,016	6,842	6,137
1,236	1,346	1,354	1,290	1,178
722	680	571	384	357
3,394	3,685	3,976	4,604	4,702
994	1,093	1,090	1,077	700
<u>82,711</u>	<u>83,349</u>	<u>83,498</u>	<u>75,221</u>	<u>71,024</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Capital Assets by Function  
 Last Nine 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>
Governmental Activities:					
Instruction	\$ 546,694	\$ 528,679	\$ 513,717	\$ 497,404	\$ 478,190
Support services – students	2,264	2,662	2,795	2,823	2,850
Support services – instructional staff	28,251	44,718	55,793	109,660	64,517
Support services – general administration	3,489	4,037	4,077	4,076	4,125
Support services – school administration	60,293	60,410	60,447	60,447	71,013
Support services – business	27,488	31,371	31,397	30,818	32,499
Operation and maintenance of plant services	129,770	140,029	165,668	177,094	139,831
Student transportation services	49,205	49,201	49,235	49,357	49,153
Data processing services	367,824	373,820	401,997	388,367	438,732
Operation of noninstructional services	9,475	9,712	9,750	9,977	11,806
Facilities acquisition and construction services	5,403,186	6,328,779	7,656,251	9,131,797	10,651,910
Total Governmental Activities	<u>\$ 6,627,939</u>	<u>\$ 7,573,418</u>	<u>\$ 8,951,127</u>	<u>\$ 10,461,820</u>	<u>\$ 11,944,626</u>

Trend data is available only with the District's implementation of SACS in Fiscal Year 2002-03.

See accompanying independent auditor's report.

<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>
\$ 462,230	\$ 445,482	\$ 441,818	\$ 430,887
2,902	2,902	2,902	3,820
63,334	111,596	111,842	112,492
4,124	4,125	4,125	4,126
71,875	72,027	73,901	73,973
39,700	46,924	46,924	53,672
198,985	201,531	201,826	213,453
46,317	45,033	54,060	87,166
445,150	398,032	402,311	406,813
15,574	22,463	23,777	25,381
<u>12,231,831</u>	<u>14,341,812</u>	<u>15,971,711</u>	<u>17,122,389</u>
<u>\$13,582,022</u>	<u>\$15,691,927</u>	<u>\$17,335,197</u>	<u>\$18,534,172</u>

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

Fiscal Year:	July 1 – June 30	<u>2006-2007</u>
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	<u>673,808</u>
	Community Adult Schools	108,096
	Occupational Centers and Skills Centers	<u>37,672</u>
	Total Adult/ROC Enrollment	<u>145,768</u>
	Total Enrollment	<u>819,576</u>
	Early Education Centers	<u>11,052</u>
Independent Charter Schools	<u>34,961</u>	
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 (in thousands)	\$ 9,126
Percent of Free & Reduced Students in Lunch Program:	Elementary	86.97%
	Secondary	89.70
	Total	87.77
Number of Teachers <sup>(1)</sup> by Education Level:	Bachelor's Degree	2,239
	Bachelor's Degree + 14 semester units	1,173
	Bachelor's Degree + 28 semester units	3,280
	Bachelor's Degree + 42 semester units	3,901
	Bachelor's Degree + 56 semester units	3,420
	Bachelor's Degree + 70 semester units	3,124
	Bachelor's Degree + 84 semester units	2,850
	Bachelor's Degree + 98 semester units	7,147
	Bachelor's Degree + 98 semester units + 15-19 years of service	2,398
	Bachelor's Degree + 98 semester units + 20-24 years of service	1,351
	Bachelor's Degree + 98 semester units + 25-29 years of service	1,215
	Bachelor's Degree + 98 semester units + 30 or more years of service	825
	Total	<u>32,923</u>
	Master's Degree	<u>9,816</u>
	Doctorate Degree	<u>505</u>
Average Teacher Pay by Education Level:	Bachelor's Degree	\$ 43,352
	Bachelor's Degree + 14 semester units	46,896
	Bachelor's Degree + 28 semester units	50,047
	Bachelor's Degree + 42 semester units	53,558
	Bachelor's Degree + 56 semester units	56,982
	Bachelor's Degree + 70 semester units	61,323
	Bachelor's Degree + 84 semester units	64,959
	Bachelor's Degree + 98 semester units	69,891
	Bachelor's Degree + 98 semester units + 15-19 years of service	75,024
	Bachelor's Degree + 98 semester units + 20-24 years of service	75,597
	Bachelor's Degree + 98 semester units + 25-29 years of service	77,598
	Bachelor's Degree + 98 semester units + 30 or more years of service	78,906
	Master's Degree <sup>(2)</sup>	+584
Doctorate Degree <sup>(2)</sup>	+1,168	

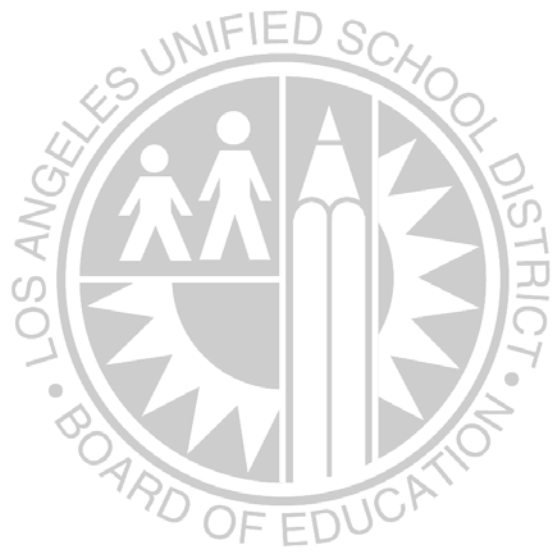
<sup>(1)</sup> Includes credentialed and non-credentialed employees.

<sup>(2)</sup> Amount in addition to Bachelor's Degree pay.

Source: District's Records

Note: Beginning with Fiscal Year 2006-07, trend data is included per recommendation of Governmental Accounting, Auditing, and Financial Reporting See accompanying independent auditor's report.

<b>2007-2008</b>	<b>2008-2009</b>	<b>2009-2010</b>	<b>2010-2011</b>
295,260	289,969	282,469	281,108
136,315	128,528	119,534	106,097
165,459	161,689	155,740	154,001
52,525	53,261	56,503	56,952
3,656	3,604	3,552	3,555
<u>653,215</u>	<u>637,051</u>	<u>617,798</u>	<u>601,713</u>
<u>105,668</u>	<u>103,440</u>	<u>80,407</u>	<u>80,618</u>
<u>42,955</u>	<u>43,966</u>	<u>50,068</u>	<u>55,782</u>
<u>148,623</u>	<u>147,406</u>	<u>130,475</u>	<u>136,400</u>
<u>801,838</u>	<u>784,457</u>	<u>748,273</u>	<u>738,113</u>
<u>11,013</u>	<u>10,787</u>	<u>11,432</u>	<u>12,139</u>
<u>41,073</u>	<u>51,087</u>	<u>60,643</u>	<u>69,935</u>
812,851	795,244	759,705	750,252
36,564	33,166	33,387	32,429
22.23 : 1	23.98 : 1	22.75 : 1	23.14 : 1
\$ 9,028,343	\$ 9,005,723	\$ 8,247,767	\$ 8,442,307
\$ 11,107	\$ 11,324	\$ 10,857	\$ 11,253
85.48%	86.12%	86.48%	85.79%
90.23	91.23	91.34	90.10
86.94	87.82	88.18	87.22
1,862	807	618	497
894	533	489	379
2,988	1,881	1,776	1,564
3,657	2,732	2,555	2,384
3,490	2,908	2,734	2,555
3,327	2,986	2,861	2,736
3,310	3,085	2,930	2,782
10,108	10,426	11,839	11,496
3,079	4,384	3,496	3,989
1,548	1,554	2,225	2,224
1,307	1,081	1,040	999
994	789	824	824
<u>36,564</u>	<u>33,166</u>	<u>33,387</u>	<u>32,429</u>
<u>12,869</u>	<u>12,845</u>	<u>13,358</u>	<u>13,362</u>
<u>599</u>	<u>581</u>	<u>601</u>	<u>591</u>
\$ 43,757	\$ 45,474	\$ 46,186	\$ 46,699
47,301	48,926	48,630	49,574
50,035	52,293	51,801	52,228
53,524	55,817	55,296	55,752
57,067	59,095	58,574	59,036
61,182	62,779	62,288	62,730
64,605	66,136	65,558	66,225
69,688	70,396	70,122	70,581
75,024	75,024	75,024	75,024
75,597	75,597	75,597	75,597
77,598	77,598	77,598	77,598
78,906	78,906	78,906	78,906
+584	+584	+584	+584
+1,168	+1,168	+1,168	+1,168



**STATE AND FEDERAL  
COMPLIANCE  
INFORMATION  
SECTION**





LOS ANGELES UNIFIED SCHOOL DISTRICT  
General Fund  
Schedule of Principal Apportionment From the State School Fund  
Year Ended June 30, 2011

Base Revenue Limit per A.D.A.		
Base revenue limit per A.D.A. (PY)	\$	6,387.56
Inflation increase		(25.00)
Other Adjustments **		54.33
Total Base Revenue Limit per A.D.A.	<u>\$</u>	<u>6,416.89</u>
Revenue Limit ADA		<u>572,565.97</u>
Total State Revenue Limit		
Base revenue limit	\$ 6,416.89 x 572,565.97 A.D.A	\$ 3,674,092,847
Deficit (0.17963)		(659,977,298)
Unemployment insurance revenue		33,180,336
PERS reduction (including adjustment for safety members)		(9,771,727)
Total K-12 Revenue Limit		<u>3,037,524,158</u>
County office funds transfer		(881,822)
Property taxes and other local revenues		(909,483,383)
Charter schools in-lieu of taxes		104,233,657
Charter schools general purpose block grant offset		<u>(36,268,661)</u>
State Aid Portion of Revenue Limit - Current Year		2,195,123,949
Fiscally affiliated charter schools general purpose block grant		32,726,206
Fiscally affiliated charter schools in-lieu taxes		9,777,530
PERS reduction transfer		9,771,727
Prior year adjustments		<u>(6,629,506)</u>
Total State Aid K-12 Revenue Limit		<u>2,240,769,906</u>
Principal apportionments-other state revenues		
Core academic program (Supplemental instruction, grades K-12) *		
Current year		3,074,856
California high school exit exam (Supplemental instruction, grades 7-12) *		
Current year		40,456,117
Retained and recommended for retention (Supplemental instruction, grades 2-9) *		
Current year		13,870,440
Apprenticeship Funding		
Current year		2,571,075
Prior year adjustments		436,420
Community day school additional funding *		
Current year		2,793,112
Community day additional for mandatory expelled pupils		235,328
Gifted and talented education (GATE)		
Current year		4,509,104
Prior year adjustments		(245)
Regional occupational center/program (ROC/P) *		
Current year		52,749,649
Prior year adjustments		(54,378)
ROC/P handicapped		
Current year		1,706,245
Special education		
Current year (net of charter schools)		389,738,661
Prior year adjustments		<u>22,085,269</u>
Total Principal Apportionment from State School Funds	<u>\$</u>	<u>2,774,941,559</u>

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

\*\* 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, 2011  
(in thousands)

	<u>Appropriations</u>	<u>Expenditures and Other Uses</u>	<u>Unexpended Balances</u>
Regular program:			
General Program – Schools	\$ 2,723,207	\$ 2,664,394	\$ 58,812
General Program – Support Services	677,450	344,541	332,909
General Program – Hourly Intervention/ Remediation	18,490	15,508	2,982
General Program – Interfund Transfers	153,829	55,910	97,919
General Program – Options Programs	67,468	67,944	(476)
Special Education – Schools	1,381,830	1,310,354	71,476
Special Education – Support Services	39,072	55,185	(16,113)
Special Education – Extended Session	26,824	18,702	8,122
Student Integration – Schools	353,419	292,655	60,764
Student Integration – Support Services	11,904	10,697	1,207
ROC/Skill Centers – Schools	61,383	59,498	1,885
ROC/Skill Centers – Support Services	4,795	3,766	1,029
Routine Repair & Gen Maintenance – Schools	117,920	122,780	(4,860)
Routine Repair & Gen Maintenance – Support Services	20,316	19,423	893
Community Services	10,079	10,705	(626)
Reserves and Resources Allocations	80,876	8,158	72,718
Total Regular Program	<u>5,748,862</u>	<u>5,060,220</u>	<u>688,641</u>
Specially Funded Programs	1,380,092	1,123,915	256,177
Total General Fund	<u>\$ 7,128,954</u>	<u>\$ 6,184,135</u>	<u>\$ 944,818</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, 2011  
 (in thousands)

Instruction	<u>\$ 5,101,303</u>
Support Services	
Supervision of instruction	28,754
Library, media, technology and other instructional resources	3,958
School administration	196,210
Pupil support services	37,899
Pupil transportation	59,218
Data processing services	56,616
Plant maintenance and operations	365,807
Facilities rents and leases	11,642
Central administration	<u>180,423</u>
Total Support Services	<u>940,527</u>
Other Goals	
Community services	12,311
Child care and development services	964
Food services	<u>2,561</u>
Total Other Goals	<u>15,836</u>
Facilities Acquisition and Construction	<u>35,426</u>
Other Outgo	
Debt service	1,725
All other outgo	<u>89,318</u>
Total Other Outgo	<u>91,043</u>
Total Expenditures and Other Uses	<u><u>\$ 6,184,135</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, 2011  
 (in thousands)

	<b>Total Expense for the Year</b>	<b>Excluded Amounts*</b>	<b>Current Expense of Education</b>	<b>Current Expense of Education per Unit of A.D.A.**</b>
Certificated salaries	\$ 2,813,064	\$ 6,397	\$ 2,806,667	\$ 4,989.44
Classified salaries	854,247	25,377	828,870	1,473.49
Employee benefits (excluding PERS reduction)	1,331,777	311,535	1,020,242	1,813.69
Books, supplies, and equipment replacement	357,329	4,961	352,368	626.41
Services and operating expense and direct support	672,196	9,759	662,437	1,177.62
Total	<u>\$ 6,028,613</u>	<u>\$ 358,029</u>	<u>\$ 5,670,584</u>	<u>\$ 10,080.65</u>
* Excluded amounts relate to:				
Community Services		\$ 12,068		
Facilities Acquisition & Construction		20,478		
Food Services		2,499		
Fringe Benefits to Retirees		302,662		
Nonagency		20,322		
Total		<u>\$ 358,029</u>		

\*\* Annual A.D.A. (Average Daily Attendance) used is 562,521.45. 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, 2011  
(in thousands)

	<b>Balances</b>				<b>Balances</b>
	<b>July 1, 2010</b>	<b>Revenues</b>	<b>Expenditures</b>	<b>Contributions</b>	<b>June 30, 2011</b>
Continuation Education	\$ —	\$ 17,700	\$ 26,330	\$ 8,630	\$ —
Community Day Schools	—	5,474	12,374	6,900	—
ARRA: State Fiscal Stabilization Fund	48,904	28,354	77,258	—	—
Other ARRA Programs	—	600	600	—	—
Medi-Cal Billing Options	15,462	20,128	13,522	—	22,068
FEMA Public Assistance Funds	97	—	6	—	91
Cops More Program	35	—	—	—	35
School Mental Health Medi-cal Rehabilitation	4,218	26,889	29,800	1,058	2,365
Teacher Recruitment and Retention	5,385	—	515	—	4,870
English Language Acquisition Program, Teacher Training & Student Assistance	4,304	(3)	123	—	4,178
Lottery: Instructional Materials	—	12,359	12,359	—	—
ROC/P: Training & Certification for Community Care	103	313	368	—	48
Pupils with Disabilities Attending ROC/P	—	1,706	1,854	148	—
Special Education	5,803	565,273	1,142,708	585,626	13,994
Special Ed: Early Ed Individuals with Exceptional Needs (Infant Program)	—	2,989	2,781	—	208
Economic Impact Aid (EIA)	5,627	18,357	22,542	—	1,442
Economic Impact Aid: Limited English Proficiency (LEP)	64,998	117,679	122,558	—	60,119
Transportation: Home to School	—	35,585	43,052	7,467	—
Transportation: Special Education	—	40,267	51,658	11,391	—
Quality Education Investment Act	98,814	128,958	140,150	—	87,622
Other Restricted State	397	1,498	1,498	—	397
Ongoing and Major Maintenance Account	15,962	—	142,203	129,881	3,640
Certificates of Participation (Acquisition Accounts) Proceeds	23,413	55,718	13,522	(974)	64,635
Clean Cities Grant	—	953	—	(703)	250
Cognitive Behavioral Intervention Therapy	470	—	14	—	456
Other Restricted Local	—	62,743	58,490	(4,253)	—
<b>Totals</b>	<b>\$ 293,992</b>	<b>\$ 1,143,540</b>	<b>\$ 1,916,285</b>	<b>\$ 745,171</b>	<b>\$ 266,418</b>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Adult Education Fund  
 Schedule of Revenues and Other Sources, Expenditures, and Other Uses  
 by Function, and Changes in Fund Balance  
 Year Ended June 30, 2011  
 (in thousands)

Revenues and Other Sources:	
Federal revenues	\$ 19,888
Other state revenues	75,546
Other local revenues	<u>2,372</u>
Total Revenues and Other Sources	<u>97,806</u>
Expenditures and Other Uses	
Instruction	97,232
Support Services	
Supervision of instruction	18,492
School administration	20,572
Guidance and counseling services	6,933
Other pupil services	99
General administration cost transfers	2,897
Plant maintenance and operations	13,688
Facilities acquisition and construction	811
Facilities rents and leases	<u>2,521</u>
Total Expenditures and Other Uses	<u>163,245</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	(65,439)
Fund Balance, July 1, 2010	<u>76,925</u>
Fund Balance, June 30, 2011	<u><u>\$ 11,486</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, 2011  
 (in thousands)

Revenues and Other Sources:	
Federal revenues	\$ 64,139
Other state revenues	59,981
Other local revenues	12,997
Interfund transfers	<u>7,996</u>
Total Revenues and Other Sources	<u>145,113</u>
Expenditures and Other Uses	
Instruction	108,606
Support Services	
Supervision of instruction	9,125
School administration	15,385
Guidance and counseling services	1,275
Health services	693
Food services	16
Community services	119
Other general administration	342
Plant maintenance and operations	9,206
Facilities acquisition and construction	331
Facilities rents and leases	<u>2</u>
Total Expenditures and Other Uses	<u>145,100</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	13
Fund Balance, July 1, 2010	<u>58</u>
Fund Balance, June 30, 2011	<u><u>\$ 71</u></u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
All Funds  
Schedule of Fund Equity  
Year Ended June 30, 2011  
(in thousands)

	<b>General Fund</b>	<b>Adult Education Fund</b>	<b>Cafeteria Fund</b>	<b>Child Development Fund</b>	<b>Deferred Maintenance Fund</b>	<b>Bond Interest &amp; Redemption Fund</b>
Nonspendable:						
Revolving and imprest funds	\$ 2,893	\$ 95	\$ —	\$ 20	\$ —	\$ —
Inventories	7,524	—	4,935	—	—	—
Total Nonspendable	<u>10,417</u>	<u>95</u>	<u>4,935</u>	<u>20</u>	<u>—</u>	<u>—</u>
Restricted	<u>266,418</u>	<u>—</u>	<u>3,843</u>	<u>—</u>	<u>—</u>	<u>724,608</u>
Committed	<u>—</u>	<u>11,391</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Assigned	<u>147,035</u>	<u>—</u>	<u>—</u>	<u>51</u>	<u>—</u>	<u>—</u>
Unassigned						
Reserved for economic uncertainties	65,376	—	—	—	—	—
Unassigned	<u>414,285</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Unassigned	<u>479,661</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Unrestricted net assets	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Fund Equity/Net Assets	<u>\$ 903,531</u>	<u>\$ 11,486</u>	<u>\$ 8,778</u>	<u>\$ 71</u>	<u>\$ —</u>	<u>\$ 724,608</u>

See accompanying independent auditor's report.



<b>Tax Override Fund</b>	<b>Capital Services Fund</b>	<b>Building Account – Bond Proceeds</b>	<b>Building Account – Measure K</b>	<b>Building Account – Measure R</b>	<b>Building Account – Measure Y</b>	<b>Building Fund</b>	<b>State School Building Lease – Purchase Fund</b>	<b>Special Reserve Fund</b>
\$ —	\$ —	\$ 3,000	\$ —	\$ 300	\$ 500	\$ —	\$ —	\$ —
—	—	3,000	—	300	500	—	—	—
294	81,844	20,477	278,960	751,975	1,765,116	—	3,869	117,667
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	1,763	425	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
<u>\$ 294</u>	<u>\$ 81,844</u>	<u>\$ 23,477</u>	<u>\$ 278,960</u>	<u>\$ 752,275</u>	<u>\$ 1,765,616</u>	<u>\$ 1,763</u>	<u>\$ 4,294</u>	<u>\$ 117,667</u>

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
All Funds  
Schedule of Fund Equity (Continued)  
Year Ended June 30, 2011  
(In thousands)

	<b>Special Reserve Fund – FEMA – Earthquake</b>	<b>Special Reserve Fund – FEMA – Hazard Mitigation</b>	<b>Special Reserve Fund – Community Redevelopment Agency</b>	<b>Capital Facilities Account Fund</b>	<b>County School Facilities Fund</b>	<b>County School Facilities Fund – Prop 47</b>
Nonspendable:						
Revolving and imprest funds	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Inventories	—	—	—	—	—	—
Total Nonspendable	—	—	—	—	—	—
Restricted	240	—	10,673	—	19,040	116,148
Committed	—	—	—	—	—	—
Assigned	—	2,043	—	25,500	—	—
Unassigned						
Reserved for economic uncertainties	—	—	—	—	—	—
Unassigned	—	—	—	—	—	—
Total Unassigned	—	—	—	—	—	—
Unrestricted net assets	—	—	—	—	—	—
Total Fund Equity/Net Assets	<u>\$ 240</u>	<u>\$ 2,043</u>	<u>\$ 10,673</u>	<u>\$ 25,500</u>	<u>\$ 19,040</u>	<u>\$ 116,148</u>

See accompanying independent auditor's report.

<b>County School Facilities Fund – Prop 55</b>	<b>County School Facilities Fund – Prop 1D</b>	<b>Health and Welfare Benefits Fund</b>	<b>Workers’ Compensation Self – Insurance Fund</b>	<b>Liability Self – Insurance Fund</b>
\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—
—	—	—	—	—
321,286	256,066	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	211,573	35,293	3,600
<u>\$ 321,286</u>	<u>\$ 256,066</u>	<u>\$ 211,573</u>	<u>\$ 35,293</u>	<u>\$ 3,600</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT  
All Funds  
Schedule of Revenues and Other Financing Sources  
Year Ended June 30, 2011  
(in thousands)

	SACS Object Code	General Fund	Special Revenue		
			Adult Education	Cafeteria	Child Development
Revenue Limit Sources:					
Principal Apportionment:					
State Aid – Current Year	8011	\$ 2,195,124	\$ —	\$ —	\$ —
Charter School Gen Purpose Entitlement – State Aid	8015	32,726	—	—	—
State Aid – Prior Years	8019	(6,630)	—	—	—
Revenue Limit Transfers:					
PERS Reduction Transfer	8092	9,772	—	—	—
Transfer to Charter In Lieu Property Taxes	8096	(84,125)	—	—	—
Principal Apportionment Net of Transfers		<u>2,146,867</u>	<u>—</u>	<u>—</u>	<u>—</u>
Tax Relief Subventions:					
Homeowners' Exemptions	8021	7,362	—	—	—
Other Subventions/In-lieu of Taxes	8029	5,501	—	—	—
County & District Taxes:					
Secured Roll Taxes	8041	732,368	—	—	—
Unsecured Roll Taxes	8042	32,613	—	—	—
Prior Years' Taxes	8043	56,597	—	—	—
Supplemental Taxes	8044	8,823	—	—	—
Education Revenue Augmentation Fund (ERAF)	8045	29,419	—	—	—
Supplemental Educational Revenue Augmentation Fund (SERAF)	8046	32,172	—	—	—
Community Redevelopment Funds	8047	3,038	—	—	—
Penalties/Int. – Delinquent Revenue Limit Taxes	8048	1,590	—	—	—
Miscellaneous Funds (EC 41604):					
Royalties and Bonuses	8081	—	—	—	—
Less: Non-Revenue Limit (50%) Adjustment	8089	—	—	—	—
Local Revenue Limit Sources		<u>909,483</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Revenue Limit Sources		<u>3,056,350</u>	<u>—</u>	<u>—</u>	<u>—</u>
Federal Revenues:					
Special Education Entitlement	8181	164,864	—	—	—
Special Education Discretionary Grant	8182	23,671	—	—	—
Child Nutrition Programs	8220	—	—	229,659	—
Forest Reserve Funds	8260	21	—	—	—
Flood Control Funds	8270	4	—	—	—
FEMA	8281	387	—	—	—
Interagency Contracts Between LEAs	8285	1,092	231	—	4,375
NCLB/IASA (Including ARRA)	8290	795,568	—	—	—
Vocational & Applied Technology Education	8290	6,443	3,337	—	—
Safe and Drug Free Schools	8290	1,335	—	—	—
Other Federal Revenue (Including ARRA)	8290	73,099	16,320	7,440	59,764
Total Federal Revenues		<u>1,066,484</u>	<u>19,888</u>	<u>237,099</u>	<u>64,139</u>

Funds		Debt Service Funds			
Deferred Maintenance	Total	Bond Interest and Redemption	Tax Override	Capital Services	Total
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	229,659	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	4,606	—	—	—	—
—	—	—	—	—	—
—	3,337	—	—	—	—
—	—	—	—	—	—
—	83,524	76,289	—	—	76,289
—	321,126	76,289	—	—	76,289

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
All Funds  
Schedule of Revenues and Other Financing Sources (Continued)  
Year Ended June 30, 2011  
(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	—	—	—	—
Supplemental Educational Revenue Augmentation Fund (SERAF)	8046	—	—	—	—
Community Redevelopment Funds	8047	—	—	—	—
Penalties/Int. – Delinquent Revenue Limit Taxes	8048	—	—	—	—
Miscellaneous Funds (EC 41604):					
Royalties and Bonuses	8081	—	—	—	—
Less: Non-Revenue Limit (50%) Adjustment	8089	—	—	—	—
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	—	—	—	—
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 (Continued)  
Year Ended June 30, 2011  
(in thousands)

	SACS Object Code	Building Account – Bond Proceeds	Building Account – Measure Y	District Bond 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	—	—	—
Supplemental Educational Revenue Augmentation Fund (SERAF)	8046	—	—	—
Community Redevelopment Funds	8047	—	—	—
Penalties/Int. – Delinquent Revenue Limit Taxes	8048	—	—	—
Miscellaneous Funds (EC 41604):				
Royalties and Bonuses	8081	—	—	—
Less: Non-Revenue Limit (50%) Adjustment	8089	—	—	—
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	—	—	—
Vocational & Applied Technology Education	8290	—	—	—
Safe and Drug Free Schools	8290	—	—	—
Other Federal Revenue (Including ARRA)	8290	—	—	—
Total Federal Revenues		—	—	—



<b>Funds</b>		<b>Internal Service Funds</b>				
<b>Building Account – Measure K</b>	<b>Total</b>	<b>Health and Welfare Benefits</b>	<b>Workers' Compensation</b>	<b>Liability</b>	<b>Total</b>	<b>Total</b>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,195,124
—	—	—	—	—	—	32,726
—	—	—	—	—	—	(6,630)
—	—	—	—	—	—	9,772
—	—	—	—	—	—	(84,125)
—	—	—	—	—	—	2,146,867
—	—	—	—	—	—	7,362
—	—	—	—	—	—	5,501
—	—	—	—	—	—	732,368
—	—	—	—	—	—	32,613
—	—	—	—	—	—	56,597
—	—	—	—	—	—	8,823
—	—	—	—	—	—	29,419
—	—	—	—	—	—	32,172
—	—	—	—	—	—	3,038
—	—	—	—	—	—	1,590
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	909,483
—	—	—	—	—	—	3,056,350
—	—	—	—	—	—	164,864
—	—	—	—	—	—	23,671
—	—	—	—	—	—	229,659
—	—	—	—	—	—	21
—	—	—	—	—	—	4
—	—	—	—	—	—	387
—	—	—	—	—	—	5,698
—	—	—	—	—	—	795,568
—	—	—	—	—	—	9,780
—	—	—	—	—	—	1,335
—	—	—	—	—	—	232,912
—	—	—	—	—	—	1,463,899

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
All Funds  
Schedule of Revenues and Other Financing Sources (Continued)  
Year Ended June 30, 2011  
(in thousands)

	SACS Object Code	General Fund	Special Revenue		
			Adult Education	Cafeteria	Child Development
Other State Revenues:					
Other State Apportionments:					
Community Day Schools Additional Funding					
Current Year	8311	\$ 235	\$ —	\$ —	\$ —
ROC/P Entitlement:					
Current Year	8311	1,706	—	—	—
Spec. Ed. Master Plan:					
Current Year	8311	386,750	—	—	—
Prior Years	8319	22,085	—	—	—
Home-to-School Transportation	8311	35,585	—	—	—
Economic Impact Aid	8311	136,037	—	—	—
Special Education Transportation	8311	40,267	—	—	—
All Other State Apportionments - Current Year	8311	5,560	—	—	—
All Other State Apportionments - Prior Year	8319	436	—	—	—
Year Round School Incentive	8425	28,464	—	—	—
Class Size Reduction, K-3	8434	150,374	—	—	—
Child Nutrition Programs	8520	—	—	19,341	—
Mandated Costs Reimbursements	8550	18,371	—	—	—
School Facilities Apportionments	8545	—	—	—	—
Lottery - Unrestricted and Instructional Materials	8560	90,436	—	—	—
Voted Indebtedness Levies Homeowners' Exemption:	8571	—	—	—	—
Other Subventions/In-Lieu Taxes	8572	—	—	—	—
Drug/Alcohol/Tobacco Funds	8590	837	—	—	—
Healthy Start	8590	232	—	—	—
Quality Education Investment Act	8590	128,958	—	—	—
State Preschool	8590	—	—	—	59,620
All Other State Revenue	8590	985,479	75,546	—	361
Total Other State Revenues		<u>2,031,812</u>	<u>75,546</u>	<u>19,341</u>	<u>59,981</u>
Other Local Revenues:					
County and District Taxes:					
Other Restricted & Voted Indebtedness Levies:					
Secured Roll	8611	—	—	—	—
Unsecured Roll	8612	—	—	—	—
Prior Years' Taxes	8613	—	—	—	—
Supplemental Taxes	8614	—	—	—	—
Community Redevelopment Funds not Subject to Revenue Limit Deduction	8625	—	—	—	—
Penalties and Interest from Delinquent Non-Revenue Limit Taxes:	8629	—	—	—	—
Sales:					
Sale of Equipment/Supplies	8631	585	—	—	—
Food Service Sales	8634	—	—	9,503	—
Leases and Rentals	8650	10,834	—	—	—
Interest	8660	19,274	826	—	—
Fees and Contracts:					
Adult Education Fees	8671	—	884	—	—
Non-Resident Students	8672	264	—	—	—
Child Development Parent Fees	8673	—	—	—	2,867
In-District Premiums/Contributions	8674	—	—	—	—
Mitigation/Developer Fees	8681	—	—	—	—
All Other Fees and Contracts	8689	27,136	—	—	—
All Other Local Revenue	8699	115,750	662	1	10,130
Tuition	8710	43	—	—	—
Total Other Local Revenues		<u>173,886</u>	<u>2,372</u>	<u>9,504</u>	<u>12,997</u>
Subtotal – Revenues		<u>6,328,532</u>	<u>97,806</u>	<u>265,944</u>	<u>137,117</u>

<u>Funds</u>		<u>Debt Service Funds</u>			
<u>Deferred Maintenance</u>	<u>Total</u>	<u>Bond Interest and Redemption</u>	<u>Tax Override</u>	<u>Capital Services</u>	<u>Total</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	19,341	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	59,620	—	—	—	—
—	75,907	—	—	—	—
<u>—</u>	<u>154,868</u>	<u>5,885</u>	<u>14</u>	<u>—</u>	<u>5,899</u>
—	—	759,140	—	—	759,140
—	—	31,439	—	—	31,439
—	—	46,371	1	—	46,372
—	—	8,543	—	—	8,543
—	—	—	—	—	—
—	—	7,747	—	—	7,747
—	—	—	—	—	—
—	9,503	—	—	—	—
—	—	—	—	—	—
438	1,264	4,237	4	1,202	5,443
—	884	—	—	—	—
—	—	—	—	—	—
—	2,867	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	10,793	—	—	—	—
—	—	—	—	—	—
<u>438</u>	<u>25,311</u>	<u>857,477</u>	<u>5</u>	<u>1,202</u>	<u>858,684</u>
<u>438</u>	<u>501,305</u>	<u>939,651</u>	<u>19</u>	<u>1,202</u>	<u>940,872</u>

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
All Funds  
Schedule of Revenues and Other Financing Sources (Continued)  
Year Ended June 30, 2011  
(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	\$ —	\$ —	\$ —	\$ —
ROC/P Entitlement:					
Current Year	8311	—	—	—	—
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	—	—	—	—
Mandated Costs Reimbursements	8550	—	—	—	—
School Facilities Apportionments	8545	—	—	—	—
Lottery - Unrestricted and Instructional Materials	8560	—	—	—	—
Voted Indebtedness Levies Homeowners' Exemptions	8571	—	—	—	—
Other Subventions/In-Lieu Taxes	8572	—	—	—	—
Drug/Alcohol/Tobacco Funds	8590	—	—	—	—
Healthy Start	8590	—	—	—	—
Quality Education Investment Act	8590	—	—	—	—
State Preschool	8590	—	—	—	—
All Other State Revenue	8590	—	—	5,199	—
Total Other State Revenues		—	—	5,199	—
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	—	—	—	5,320
Penalties and Interest from Delinquent Non-Revenue Limit Taxes:	8629	—	—	—	—
Sales:					
Sale of Equipment/Supplies	8631	—	—	—	—
Food Service Sales	8634	—	—	—	—
Leases and Rentals	8650	—	158	—	—
Interest	8660	438	147	1,347	149
Fees and Contracts:					
Adult Education Fees	8671	—	—	—	—
Non-Resident Students	8672	—	—	—	—
Child Development Parent Fees	8673	—	—	—	—
In-District Premiums/Contributions	8674	—	—	—	—
Mitigation/Developer Fees	8681	33,810	—	—	—
All Other Fees and Contracts	8689	—	—	—	—
All Other Local Revenue	8699	—	3	9,946	—
Tuition	8710	—	—	—	—
Total Other Local Revenues		34,248	308	11,293	5,469
Subtotal – Revenues		34,248	308	16,492	5,469

<b>Funds</b>		<b>County School Facilities Funds</b>				
<b>Building Fund</b>	<b>Total</b>	<b>County School Facilities</b>	<b>County School Facilities Prop 47</b>	<b>County School Facilities Prop 55</b>	<b>County School Facilities Prop 1D</b>	<b>Total</b>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	5,199	—	—	—	—	—
—	<u>5,199</u>	<u>527</u>	<u>(7,172)</u>	<u>550,591</u>	<u>224,637</u>	<u>768,583</u>
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	5,320	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
260	418	—	—	—	—	—
32	2,113	302	3,299	4,857	1,812	10,270
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	33,810	—	—	—	—	—
—	—	—	—	—	—	—
—	9,949	—	—	—	—	—
—	—	—	—	—	—	—
<u>292</u>	<u>51,610</u>	<u>302</u>	<u>3,299</u>	<u>4,857</u>	<u>1,812</u>	<u>10,270</u>
<u>292</u>	<u>56,809</u>	<u>829</u>	<u>(3,873)</u>	<u>555,448</u>	<u>226,449</u>	<u>778,853</u>

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
All Funds  
Schedule of Revenues and Other Financing Sources (Continued)  
Year Ended June 30, 2011  
(in thousands)

	SACS Object Code	Building Account – Bond Proceeds	Building Account – Measure Y	District Bond Building Account – Measure R
Other State Revenues:				
Other State Apportionments:				
Community Day Schools Additional Funding				
Current Year	8311	\$ —	\$ —	\$ —
ROC/P Entitlement:				
Current Year	8311	—	—	—
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	—	—	—
Mandated Costs Reimbursements	8550	—	—	—
School Facilities Apportionments	8545	—	—	—
Lottery - Unrestricted and Instructional Materials	8560	—	—	—
Voted Indebtedness Levies Homeowners' Exemption:	8571	—	—	—
Other Subventions/In-Lieu Taxes	8572	—	—	—
Drug/Alcohol/Tobacco Funds	8590	—	—	—
Healthy Start	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	546	25,784	10,816
Fees and Contracts:				
Adult Education Fees	8671	—	—	—
Non-Resident Students	8672	—	—	—
Child Development Parent Fees	8673	—	—	—
In-District Premiums/Contributions	8674	—	—	—
Mitigation/Developer Fees	8681	—	—	—
All Other Fees and Contracts	8689	—	—	—
All Other Local Revenue	8699	—	5,566	31,027
Tuition	8710	—	—	—
Total Other Local Revenues		546	31,350	41,843
Subtotal – Revenues		546	31,350	41,843

Funds		Internal Service Funds				
Building Account – Measure K	Total	Health and Welfare Benefits	Workers' Compensation	Liability	Total	Total
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 235
—	—	—	—	—	—	1,706
—	—	—	—	—	—	386,750
—	—	—	—	—	—	22,085
—	—	—	—	—	—	35,585
—	—	—	—	—	—	136,037
—	—	—	—	—	—	40,267
—	—	—	—	—	—	5,560
—	—	—	—	—	—	436
—	—	—	—	—	—	28,464
—	—	—	—	—	—	150,374
—	—	—	—	—	—	19,341
—	—	—	—	—	—	18,371
—	—	—	—	—	—	768,583
—	—	—	—	—	—	90,436
—	—	—	—	—	—	5,885
—	—	—	—	—	—	14
—	—	—	—	—	—	837
—	—	—	—	—	—	232
—	—	—	—	—	—	128,958
—	—	—	—	—	—	59,620
—	—	—	—	—	—	1,066,585
—	—	—	—	—	—	2,966,361
—	—	—	—	—	—	759,140
—	—	—	—	—	—	31,439
—	—	—	—	—	—	46,372
—	—	—	—	—	—	8,543
—	—	—	—	—	—	5,320
—	—	—	—	—	—	7,747
—	—	—	—	—	—	585
—	—	—	—	—	—	9,503
—	—	—	—	—	—	11,252
4,313	41,459	3,267	6,546	392	10,205	90,028
—	—	—	—	—	—	884
—	—	—	—	—	—	264
—	—	—	—	—	—	2,867
—	—	934,101	47,062	11,615	992,778	992,778
—	—	—	—	—	—	33,810
—	—	—	—	—	—	27,136
576	37,169	3,505	—	—	3,505	177,166
—	—	—	—	—	—	43
4,889	78,628	940,873	53,608	12,007	1,006,488	2,204,877
4,889	78,628	940,873	53,608	12,007	1,006,488	9,691,487

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
All Funds  
Schedule of Revenues and Other Financing Sources (Continued)  
Year Ended June 30, 2011  
(in thousands)

	SACS Object Code	General Fund	Special Revenue		
			Adult Education	Cafeteria	Child Development
Other Financing Sources:					
Interfund Transfers In:					
From General Fund to Child Development Fund	8911	\$ —	\$ —	\$ —	\$ 7,996
From Special Reserve Fund	8912	56,163	—	—	—
From All Other Funds to State School Building Fund/ County School Facilities Fund	8913	—	—	—	—
From General, Special Reserve & Building Funds	8915	—	—	—	—
From General Fund to Cafeteria Fund	8916	—	—	32,061	—
Other Authorized Interfund Transfer In	8919	31,975	—	867	—
Subtotal, Interfund Transfers In		<u>88,138</u>	<u>—</u>	<u>32,928</u>	<u>7,996</u>
Other Sources:					
Proceeds from Sale of Bonds	8951	—	—	—	—
Proceeds from Sale/Lease-Purchase of Lands/Buildings	8953	—	—	—	—
Proceeds from Certificates of Participation	8971	—	—	—	—
Proceeds from Capital Leases	8972	1,043	—	—	—
All Other Financing Sources	8979	1,987	—	—	—
Subtotal, Other Sources		<u>3,030</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Other Financing Sources		<u>91,168</u>	<u>—</u>	<u>32,928</u>	<u>7,996</u>
Total Revenues and Other Financing Sources		<u>\$ 6,419,700</u>	<u>\$ 97,806</u>	<u>\$ 298,872</u>	<u>\$ 145,113</u>



<b>Funds</b>		<b>Debt Service Funds</b>			
<b>Deferred Maintenance</b>	<b>Total</b>	<b>Bond Interest and Redemption</b>	<b>Tax Override</b>	<b>Capital Services</b>	<b>Total</b>
\$ —	\$ 7,996	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
—	—	—	—	—	—
—	32,061	—	—	—	—
349	1,216	—	—	46,355	46,355
<u>349</u>	<u>41,273</u>	<u>—</u>	<u>—</u>	<u>46,355</u>	<u>46,355</u>
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
349	41,273	—	—	46,355	46,355
<u>\$ 787</u>	<u>\$ 542,578</u>	<u>\$ 939,651</u>	<u>\$ 19</u>	<u>\$ 47,557</u>	<u>\$ 987,227</u>

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
All Funds  
Schedule of Revenues and Other Financing Sources (Continued)  
Year Ended June 30, 2011  
(in thousands)

	SACS Object Code	Capital Projects			
		Capital Facilities Fund	State School Building Lease - Purchase	Special Reserve	Special Reserve CRA
Interfund Transfers In:					
From General Fund to Child Development Fund	8911	\$ —	\$ —	\$ —	\$ —
From Special Reserve Fund	8912	—	—	903	—
From All Other Funds to State School Building Fund/ County School Facilities Fund	8913	—	1,193	—	—
From General, Special Reserve & Building Funds	8915	—	—	—	—
From General Fund to Cafeteria Fund	8916	—	—	—	—
Other Authorized Interfund Transfer In	8919	220	—	116	—
Subtotal, Interfund Transfers In		<u>220</u>	<u>1,193</u>	<u>1,019</u>	<u>—</u>
Other Sources:					
Proceeds from Sale of Bonds	8951	—	—	—	—
Proceeds from Sale/Lease-Purchase of Lands/Buildings	8953	—	—	52	—
Proceeds from Certificates of Participation	8971	—	—	83,345	—
Proceeds from Capital Leases	8972	—	—	—	—
All Other Financing Sources	8979	—	—	3,034	—
Subtotal, Other Sources		<u>—</u>	<u>—</u>	<u>86,431</u>	<u>—</u>
Total Other Financing Sources		<u>220</u>	<u>1,193</u>	<u>87,450</u>	<u>—</u>
Total Revenues and Other Financing Sources		<u>\$ 34,468</u>	<u>\$ 1,501</u>	<u>\$ 103,942</u>	<u>\$ 5,469</u>

<b>Funds</b>		<b>County School Facilities Funds</b>				
<b>Building Fund</b>	<b>Total</b>	<b>County School Facilities</b>	<b>County School Facilities Prop 47</b>	<b>County School Facilities Prop 55</b>	<b>County School Facilities Prop 1D</b>	<b>Total</b>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	903	—	—	—	—	—
—	1,193	3,153	3,687	19,213	901	26,954
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	336	—	—	—	—	—
—	2,432	3,153	3,687	19,213	901	26,954
—	—	—	—	—	—	—
—	52	—	—	—	—	—
—	83,345	—	—	—	—	—
—	—	—	—	—	—	—
—	3,034	—	—	—	—	—
—	86,431	—	—	—	—	—
—	88,863	3,153	3,687	19,213	901	26,954
\$ 292	\$ 145,672	\$ 3,982	\$ (186)	\$ 574,661	\$ 227,350	\$ 805,807

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
All Funds  
Schedule of Revenues and Other Financing Sources (Continued)  
Year Ended June 30, 2011  
(in thousands)

	SACS Object Code	<u>Building Account – Bond Proceeds</u>	<u>Building Account – Measure Y</u>	<u>District Bond Building Account – Measure R</u>
Interfund Transfers In:				
From General Fund to Child Development Fund	8911	\$ —	\$ —	\$ —
From Special Reserve Fund	8912	—	—	—
From All Other Funds to State School Building Fund/ County School Facilities Fund	8913	—	—	—
From General, Special Reserve & Building Funds	8915	—	—	—
From General Fund to Cafeteria Fund	8916	—	—	—
Other Authorized Interfund Transfer In	8919	16,622	240,040	106,180
Subtotal, Interfund Transfers In		<u>16,622</u>	<u>240,040</u>	<u>106,180</u>
Other Sources:				
Proceeds from Sale of Bonds	8951	—	—	—
Proceeds from Sale/Lease-Purchase of Lands/Buildings	8953	—	—	—
Proceeds from Certificates of Participation	8971	—	—	—
Proceeds from Capital Leases	8972	—	—	—
All Other Financing Sources	8979	—	—	—
Subtotal, Other Sources		<u>—</u>	<u>—</u>	<u>—</u>
Total Other Financing Sources		<u>16,622</u>	<u>240,040</u>	<u>106,180</u>
Total Revenues and Other Financing Sources		<u>\$ 17,168</u>	<u>\$ 271,390</u>	<u>\$ 148,023</u>

<b>Funds</b>		<b>Internal Service Funds</b>				
<b>Building Account – Measure K</b>	<b>Total</b>	<b>Health and Welfare Benefits</b>	<b>Workers' Compensation</b>	<b>Liability</b>	<b>Total</b>	<b>Total</b>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 7,996
—	—	—	—	—	—	57,066
—	—	—	—	—	—	28,147
—	—	—	—	—	—	—
—	—	—	—	—	—	32,061
36,252	399,094	10,956	—	—	10,956	489,932
<u>36,252</u>	<u>399,094</u>	<u>10,956</u>	<u>—</u>	<u>—</u>	<u>10,956</u>	<u>615,202</u>
—	—	—	—	—	—	—
—	—	—	—	—	—	52
—	—	—	—	—	—	83,345
—	—	—	—	—	—	1,043
—	—	—	—	—	—	5,021
—	—	—	—	—	—	89,461
36,252	399,094	10,956	—	—	10,956	704,663
<u>\$ 41,141</u>	<u>\$ 477,722</u>	<u>\$ 951,829</u>	<u>\$ 53,608</u>	<u>\$ 12,007</u>	<u>\$ 1,017,444</u>	<u>\$ 10,396,150</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Organization Structure  
 Year Ended June 30, 2011

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

Geographical Area: 710 square miles

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

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

Name	Expiration of Term
Mónica García, President	June 30, 2013
Marguerite Poindexter LaMotte	June 30, 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

Principal School District Officials:

Name	Title
John Deasy	Superintendent of Schools (Effective April 18, 2011)
Ramon Cortines	Superintendent of Schools (Retired effective April 17, 2011)
Jaime Aquino	Deputy Superintendent of Instruction
Linda Del Cueto	Superintendent, Local District 1
Alma Pena-Sanchez	Superintendent, Local District 2
Brenda Manuel	Interim Superintendent, Local District 3
Dale Vigil	Interim Superintendent, Local District 4
Roberto A. Martinez	Superintendent, Local District 5
Rowena Lagrosa	Superintendent, Local District 6
George McKenna	Superintendent, Local District 7
Michael Romero	Superintendent, Local District 8
Michelle King	Senior Deputy Superintendent of School Operations
Vivian Ekchian	Chief Human Resources Officer
Megan Reilly	Chief Financial Officer
Enrique Boull't	Chief Operating Officer
Earl Perkins	Assistant Superintendent of School Operations
Matt Hill	Chief Strategy Officer
Ronald Chandler	Chief Information Officer
Kelly Schmader	Chief Facilities Executive
Jess Womack	Inspector General
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)	2007-2008	2008-2009	2009-2010	2010-2011
Elementary Schools		436	437	437	448
Middle/Junior High Schools		75	76	78	83
Senior High Schools		64	68	70	81
Options Schools		59	60	56	56
Special Education Schools		17	17	16	16
Magnet Schools		22	22	25	26
Magnet Centers		138	138	145	145
Community Adult Schools		24	24	24	24
Regional Occupational Centers		5	5	5	5
Skills Centers		5	5	5	5
Regional Occupational Program		1	1	1	1
Early Education Centers		100	100	100	102
Infant Centers		4	4	4	4
Primary School Centers		27	28	23	20
Newcomer Schools		1	—	—	—
Multi-level Schools		11	11	12	15
Total Schools and Centers		989	996	1,001	1,031
Independent Charter Schools		114	137	150	171

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance/Hours of Attendance  
Year Ended June 30, 2011

	<u>Second Period Report</u>	<u>Annual Report</u>
Elementary:		
General Education:		
Kindergarten	43,240	43,364
Grades 1-3	130,965	130,846
Grades 4-8	204,106	203,504
Opportunity Schools	6	7
Home or Hospital	113	127
Community Day Schools	68	85
County Community Schools	12	11
Special Education	18,720	19,250
County Special Education	1	1
Total Elementary	<u>397,231</u>	<u>397,195</u>
Secondary:		
General Education:		
Regular Classes	146,647	143,979
Continuation Education	3,527	3,507
Opportunity Schools	487	494
Home or Hospital	95	98
Community Day Schools	833	911
County Community Schools	156	148
Special Education	10,958	11,252
Total Secondary	<u>162,703</u>	<u>160,389</u>
Block Grant Funded Fiscally Affiliated Charter	<u>7,882</u>	<u>7,866</u>
Adult Program:*		
Regional Occupational Centers & Programs	N/A	N/A
Classes for Adults – Mandated	N/A	N/A
Concurrently Enrolled Adults	N/A	N/A
Full-time Independent Study**	N/A	N/A
Total Adult Program	<u>N/A</u>	<u>N/A</u>
Total Average Daily Attendance	<u>567,816</u>	<u>565,450</u>
	<b><u>Hours of Attendance</u></b>	
Summer School:*		
Elementary	N/A	N/A
Secondary	N/A	N/A
Total Hours	<u>N/A</u>	<u>N/A</u>

\* Not collected due to changes made by Education Code Section 42605. For 2008-09 through 2012-13, Districts are not required to operate the program or follow program requirements. Revenue for these years will be based on the same relative proportion that the District received for these programs in fiscal year 2007-08.

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

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Schedule of Average Daily Attendance  
 Year Ended June 30, 2011

Canyon Elementary School – 6016323

	<b>Second Period Report</b>	<b>Annual Report</b>
Kindergarten ADA – Total	63.60	63.74
Kindergarten ADA – Classroom-based	63.60	63.74
Grades 1-3 ADA – Total	194.65	194.01
Grades 1-3 ADA – Classroom-based	194.65	194.01
Grades 4-6 ADA – Total	121.93	122.29
Grades 4-6 ADA – Classroom-based	121.93	122.29
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	380.18	380.04
Classroom-based ADA	380.18	380.04

See accompanying independent auditor's report.



LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2011

Carpenter Community Charter – 6016356

	<b>Second Period Report</b>	<b>Annual Report</b>
Kindergarten ADA – Total	163.21	163.46
Kindergarten ADA – Classroom-based	162.90	162.93
Grades 1-3 ADA – Total	435.47	434.74
Grades 1-3 ADA – Classroom-based	435.47	434.74
Grades 4-6 ADA – Total	243.28	243.31
Grades 4-6 ADA – Classroom-based	243.28	243.17
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	841.96	841.51
Classroom-based ADA	841.65	840.84

See accompanying independent auditor’s report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Schedule of Average Daily Attendance  
 Year Ended June 30, 2011

Colfax Charter Elementary School – 6016562

	<b>Second Period Report</b>	<b>Annual Report</b>
Kindergarten ADA – Total	111.68	111.85
Kindergarten ADA – Classroom-based	111.68	111.85
Grades 1-3 ADA – Total	306.90	309.58
Grades 1-3 ADA – Classroom-based	306.81	309.52
Grades 4-6 ADA – Total	168.68	168.46
Grades 4-6 ADA – Classroom-based	168.56	168.38
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	587.26	589.89
Classroom-based ADA	587.05	589.75

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Schedule of Average Daily Attendance  
 Year Ended June 30, 2011

Community Magnet Charter Elementary School – 6094726

	<b>Second Period Report</b>	<b>Annual Report</b>
Kindergarten ADA – Total	61.90	62.04
Kindergarten ADA – Classroom-based	61.90	62.04
Grades 1-3 ADA – Total	206.29	206.41
Grades 1-3 ADA – Classroom-based	206.29	206.41
Grades 4-6 ADA – Total	174.95	174.88
Grades 4-6 ADA – Classroom-based	174.95	174.88
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	443.14	443.33
Classroom-based ADA	443.14	443.33

See accompanying independent auditor’s report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Schedule of Average Daily Attendance  
 Year Ended June 30, 2011

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

	<b>Second Period Report</b>	<b>Annual Report</b>
Kindergarten ADA – Total	119.13	118.16
Kindergarten ADA – Classroom-based	119.13	118.16
Grades 1-3 ADA – Total	284.41	282.70
Grades 1-3 ADA – Classroom-based	284.41	282.70
Grades 4-6 ADA – Total	195.34	194.78
Grades 4-6 ADA – Classroom-based	195.34	194.78
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	598.88	595.64
Classroom-based ADA	598.88	595.64

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Schedule of Average Daily Attendance  
 Year Ended June 30, 2011

Kenter Canyon Elementary School – 6017701

	<b>Second Period Report</b>	<b>Annual Report</b>
Kindergarten ADA – Total	83.79	84.33
Kindergarten ADA – Classroom-based	83.79	84.33
Grades 1-3 ADA – Total	276.88	276.99
Grades 1-3 ADA – Classroom-based	276.88	276.99
Grades 4-6 ADA – Total	150.37	151.62
Grades 4-6 ADA – Classroom-based	150.01	151.37
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	511.04	512.94
Classroom-based ADA	510.68	512.69

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Schedule of Average Daily Attendance  
 Year Ended June 30, 2011

Marquez Avenue Elementary School – 6018063

	<b>Second Period Report</b>	<b>Annual Report</b>
Kindergarten ADA – Total	96.74	96.08
Kindergarten ADA – Classroom-based	96.74	96.08
Grades 1-3 ADA – Total	267.97	267.24
Grades 1-3 ADA – Classroom-based	267.97	267.24
Grades 4-6 ADA – Total	206.72	207.02
Grades 4-6 ADA – Classroom-based	206.72	207.02
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	571.43	570.34
Classroom-based ADA	571.43	570.34

See accompanying independent auditor’s report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2011

Open Magnet Charter School – 6097927

	<b>Second Period Report</b>	<b>Annual Report</b>
Kindergarten ADA – Total	41.76	41.63
Kindergarten ADA – Classroom-based	41.76	41.63
Grades 1-3 ADA – Total	207.26	206.63
Grades 1-3 ADA – Classroom-based	207.26	206.63
Grades 4-6 ADA – Total	144.74	144.81
Grades 4-6 ADA – Classroom-based	144.74	144.81
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	393.76	393.07
Classroom-based ADA	393.76	393.07

See accompanying independent auditor’s report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Schedule of Average Daily Attendance  
 Year Ended June 30, 2011

Palisades Charter Elementary School – 6018634

	<b>Second Period Report</b>	<b>Annual Report</b>
Kindergarten ADA – Total	96.05	96.27
Kindergarten ADA – Classroom-based	96.05	96.27
Grades 1-3 ADA – Total	228.42	228.94
Grades 1-3 ADA – Classroom-based	228.42	228.94
Grades 4-6 ADA – Total	153.57	153.89
Grades 4-6 ADA – Classroom-based	153.57	153.89
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	478.04	479.10
Classroom-based ADA	478.04	479.10

See accompanying independent auditor’s report.



LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Schedule of Average Daily Attendance  
 Year Ended June 30, 2011

Revere (Paul) Middle School – 6058267

	<b>Second Period Report</b>	<b>Annual Report</b>
Kindergarten ADA – Total	0.00	0.00
Kindergarten ADA – Classroom-based	0.00	0.00
Grades 1-3 ADA – Total	0.00	0.00
Grades 1-3 ADA – Classroom-based	0.00	0.00
Grades 4-6 ADA – Total	690.49	685.33
Grades 4-6 ADA – Classroom-based	690.49	685.33
Grades 7-8 ADA – Total	1,331.14	1,319.62
Grades 7-8 ADA – Classroom-based	1,331.14	1,319.62
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	2,021.63	2,004.95
Classroom-based ADA	2,021.63	2,004.95

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2011

Topanga Elementary School – 6019525

	<b>Second Period Report</b>	<b>Annual Report</b>
Kindergarten ADA – Total	67.89	68.10
Kindergarten ADA – Classroom-based	67.89	68.10
Grades 1-3 ADA – Total	138.88	138.13
Grades 1-3 ADA – Classroom-based	138.88	138.13
Grades 4-6 ADA – Total	95.79	95.53
Grades 4-6 ADA – Classroom-based	95.79	95.53
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	302.56	301.76
Classroom-based ADA	302.56	301.76

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Schedule of Average Daily Attendance  
 Year Ended June 30, 2011

Westwood Elementary School – 6019939

	<b>Second Period Report</b>	<b>Annual Report</b>
Kindergarten ADA – Total	130.31	131.15
Kindergarten ADA – Classroom-based	130.31	131.15
Grades 1-3 ADA – Total	390.29	391.13
Grades 1-3 ADA – Classroom-based	390.29	391.13
Grades 4-6 ADA – Total	231.06	231.06
Grades 4-6 ADA – Classroom-based	231.06	231.06
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	751.66	753.34
Classroom-based ADA	751.66	753.34

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Instructional Time Offered  
Year Ended June 30, 2011

<b>Grade Level</b>	<b>1982-1983 Actual Minutes Offered</b>	<b>1982-1983 Actual Minutes As Reduced <sup>(1)</sup></b>	<b>1986-1987 Minutes Requirements</b>	<b>1986-1987 Minutes As Reduced <sup>(1)</sup></b>	<b>2010-2011 Actual Minutes Offered</b>	<b>Number of Days Traditional Calendar</b>	<b>Number of Days Multi-track Calendar</b>	<b>Complied with Instructional Minutes and Days Provisions</b>
Kindergarten	31,680	30,800	36,000	35,000	35,000	175	159	Yes
Grades 1 to 3	48,800	47,444	50,400	49,000	53,505	175	159	Yes
Grades 4 to 6 <sup>(2)</sup>	48,800	47,444	54,000	52,500	53,505	175	159	Yes
Grades 7 to 8 <sup>(3)</sup>	62,160	60,434	54,000	52,500	60,434 or 63,344	175	159	Yes
Grades 9 to 12	62,160	60,434	64,800	63,000	63,344	175	159	Yes

- (1) Adjusted to reflect instructional minutes applicable to 175 instructional days.  
(2) Elementary schools only.  
(3) Middle schools with grade configurations 6-8 approved for common planning time have at least 60,434 annual instructional minutes. Middle schools with grade configurations 6-8 not approved for common planning time have at least 63,344 annual instructional minutes.

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, 2011  
(Dollars in thousands)  
(Unaudited)

	<u>2011-2012</u> <u>Budgeted</u>	<u>2010-2011</u> <u>Actual</u>	<u>2009-2010</u> <u>Actual</u>	<u>2008-2009</u> <u>Actual</u>	<u>2007-2008</u> <u>Actual</u>
General Fund:					
Revenues	\$ 6,104,061	\$ 6,328,532	\$ 6,208,625	\$ 6,649,743	\$ 6,808,664
Other Financing Sources	18,910	91,168	81,861	106,156	139,678
Total Revenues and Other Financing Sources	<u>6,122,971</u>	<u>6,419,700</u>	<u>6,290,486</u>	<u>6,755,899</u>	<u>6,948,342</u>
Expenditures	6,096,057	6,117,604	6,164,809	6,585,591	6,928,396
Other Financing Uses	213,619	66,531	212,732	77,582	57,945
Total Expenditures and Other Financing Uses	6,309,676	6,184,135	6,377,541	6,663,173	6,986,341
Change in Fund Balance	(186,705)	235,565	(87,055)	92,726	(37,999)
Beginning Fund Balance*	<u>828,645</u>	<u>667,966</u>	<u>749,962</u>	<u>657,236</u>	<u>695,235</u>
Ending Fund Balance	<u>\$ 641,940</u>	<u>\$ 903,531</u>	<u>\$ 662,907</u>	<u>\$ 749,962</u>	<u>\$ 657,236</u>
Available Reserves**	<u>\$ 65,376</u>	<u>\$ 479,661</u>	<u>\$ 184,918</u>	<u>\$ 72,382</u>	<u>\$ 153,224</u>
Unassigned Reserve for Economic Uncertainties	<u>\$ 65,376</u>	<u>\$ 65,376</u>	<u>\$ 65,376</u>	<u>\$ 72,382</u>	<u>\$ 72,382</u>
Unassigned Fund Balance	<u>\$ —</u>	<u>\$ 414,285</u>	<u>\$ 119,542</u>	<u>\$ —</u>	<u>\$ 80,842</u>
Available Reserves as a Percentage of Total Expenditures and Other Financing Uses	1.04%	7.76%	2.90%	1.09%	2.19%
Total Long-Term Debt	\$ 16,527,052	\$ 16,195,638	\$ 15,752,067	\$ 11,148,319	\$ 9,439,128
Average Daily Attendance (ADA) at P-2 excluding regional occupational centers programs and adult programs	546,438	567,819	580,112	599,037	609,410

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 balance includes 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, 2011  
(in thousands)  
(Unaudited)

	<b>All Fund Types</b>
June 30, 2011 Unaudited Actual Financial Reports Fund Balances	\$ 5,642,724
Adjustment:	
Accrue legal liability for outstanding cases	(9,986)
Reduce over accrual of construction contracts payable	67,044
Accrue unrecorded capital projects and bond funded expenditures	(27,094)
Record prior year correction to accrued payroll	2,265
Close liability for settled legal case	1,173
June 30, 2011 Audited Financial Statement Fund Balances	\$ 5,676,126

See accompanying notes to state compliance information.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Charter Schools  
Year Ended June 30, 2011

	<b>CDS Code</b>	<b>Affiliated</b>	<b>Fiscally Independent</b>	<b>Included in the District Audit</b>	
1	Canyon School	19 64733 6016323	x	Yes	
2	Carpenter Community Charter School	19 64733 6016356	x	Yes	
3	Colfax Charter Elementary School	19 64733 6016562	x	Yes	
4	Community Magnet Charter Elementary School	19 64733 6094726	x	Yes	
5	Dr. Theodore T. Alexander Science Center	19 64733 0102491	x	Yes	
6	Kenter Canyon Elementary	19 64733 6017701	x	Yes	
7	Marquez Elementary	19 64733 6018063	x	Yes	
8	Open Magnet Charter School	19 64733 6097927	x	Yes	
9	Palisades Elementary	19 64733 6018634	x	Yes	
10	Revere (Paul) Middle School	19 64733 6058267	x	Yes	
11	Topanga Elementary	19 64733 6019525	x	Yes	
12	Westwood Elementary	19 64733 6019939	x	Yes	
13	Academia Moderna	19 54733 0120097		x	No
14	Academia Semillas del Pueblo	19 64733 6119929		x	No
15	Accelerated Charter	19 64733 6112536		x	No
16	Accelerated Elementary	19 64733 0100743		x	No
17	Alain Leroy Locke Charter High School	19 64733 1935154		x	No
18	Anahuacemecac University Prep. High School	19 64733 0118158		x	No
19	Animo Jackie Robinson	19 64733 0111583		x	No
20	Animo Jefferson Charter Middle	19 64733 0122481		x	No
21	Animo Locke ACE Academy Charter High School	19 64733 0119909		x	No
22	Animo Locke High School #1	19 64733 0118588		x	No
23	Animo Locke High School #2	19 64733 0118596		x	No
24	Animo Locke High School #3	19 64733 0118570		x	No
25	Animo Locke Technology High School (Animo Watts #1)	19 64733 0111617		x	No
26	Animo Oscar De La Hoya	19 64733 0101675		x	No
27	Animo Pat Brown High School	19 64733 0106849		x	No
28	Animo Ralph Bunche Charter High School	19 64733 0111575		x	No
29	Animo South Los Angeles Senior High	19 64733 0102434		x	No
30	Animo Venice Charter High School	19 64733 0106831		x	No
31	Animo Watts #2 Charter High School	19 64733 0111625		x	No
32	Ararat Charter School	19 64733 0121079		x	No
33	Aspire Antonio Maria Lugo Academy	19 64733 0109660		x	No
34	Aspire Firestone Academy	19 64733 0122622		x	No
35	Aspire Gateway Academy	19 64733 0122614		x	No
36	Aspire Huntington Park Charter	19 64733 0117960		x	No
37	Aspire Pacific Academy	19 64733 0122721		x	No
38	Bert Corona Charter School	19 64733 0106872		x	No
39	Birmingham Community Charter High School	19 64733 1931047		x	No
40	Bright Star Secondary Academy	19 64733 0112508		x	No
41	California Academy for Liberal Studies Early College High School	19 64733 0109553		x	No
42	California Academy for Liberal Studies Middle School	19 64733 6118194		x	No
43	Camino Nuevo Academy 2-Harvard	19 64733 0122861		x	No
44	Camino Nuevo Charter Academy	19 64733 6117667		x	No
45	Camino Nuevo Charter High School	19 64733 0106435		x	No
46	Camino Nuevo Elementary School #3	19 64733 0122564		x	No
47	Celerity Dyad Charter School	19 64733 0115766		x	No
48	Celerity Nascent Charter School	19 64733 0108910		x	No
49	Celerity Octavia Charter School	19 64733 0122655		x	No
50	Celerity Troika Charter School	19 64733 0115782		x	No

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Charter Schools (Continued)  
Year Ended June 30, 2011

	CDS Code	Affiliated	Fiscally Independent	Included in the District Audit
51	Centennial College Prep. Academy	19 64733 0112128	x	No
52	Center For Advanced Learning	19 64733 0115139	x	No
53	Central City Value High School	19 64733 0100800	x	No
54	Charter High School of Arts Multimedia/ Performing High School (CHAMPS)	19 64733 0108878	x	No
55	Chime Charter Middle School	19 64733 0101634	x	No
56	Chime Institute's Schwarzenegger Community	19 64733 6119531	x	No
57	Christine O'Donovan Middle School (CRMS #3)	19 64733 0116533	x	No
58	Citizens of the World Charter Hollywood	19 64733 0122556	x	No
59	College Ready Academy High School #5	19 64733 0111492	x	No
60	College Ready Academy High School #7	19 64733 0114942	x	No
61	College Ready High School #11	19 64733 0121285	x	No
62	College Ready Middle Academy #4	19 64733 0120030	x	No
63	College Ready Middle Academy #5	19 64733 0120048	x	No
64	College Ready Middle Academy #7	19 64733 0121277	x	No
65	Community Charter Early College High School	19 64733 0109876	x	No
66	Community Charter Middle School	19 64733 6116750	x	No
67	Community Harvest Charter	19 64733 1996636	x	No
68	Cornerstone Prep Charter School	19 64733 0100297	x	No
69	Crenshaw Arts-Technology Charter High School	19 64733 0101659	x	No
70	Crescendo Charter Academy	19 64733 0112219	x	No
71	Crescendo Charter Central	19 64733 0115774	x	No
72	Crescendo Charter Conservatory	19 64733 0112342	x	No
73	Crescendo Charter School	19 64733 0109959	x	No
74	Crescendo Charter South	19 64733 0115790	x	No
75	Crescendo Charter West	19 64733 0015758	x	No
76	Crown Preparatory Academy	19 64733 0121848	x	No
77	Culture & Language Academy of Success Affirmation	19 64733 0100768	x	No
78	Discovery Charter Prep. #2	19 64733 1995253	x	No
79	Downtown Value School	19 64733 6119903	x	No
80	Dr. Olga Mohan High School (CRHS #4)	19 64733 0111500	x	No
81	Endeavor College Preparatory Charter School	19 64733 0120014	x	No
82	Environmental Science & Technology High School	19 64733 0117606	x	No
83	Equitas Academy Charter Elementary School	19 64733 0119982	x	No
84	Excel Academy	19 64733 0112201	x	No
85	Fenton Avenue School	19 64733 6017016	x	No
86	Fenton Primary Center	19 64733 0115048	x	No
87	Fernando Pullum Performing Arts High School	19 64733 0115295	x	No
88	Film and Theatre Arts	19 64733 0122762	x	No
89	Frederick Douglass Academy Elementary School	19 64733 0117952	x	No
90	Frederick Douglass Academy High School	19 64733 0112557	x	No
91	Frederick Douglass Academy Middle School	19 64733 0112433	x	No
92	Full Circle Learning Academy	19 64733 0115311	x	No
93	Futuro College Preparatory Elementary School	19 64733 0120667	x	No
94	Gabriella Charter School	19 64733 0108886	x	No
95	Garr Academy of Mathematics and Entrepreneurial Studies (GAMES)	19 64733 0112334	x	No
96	Gertz-Ressler Academy High School	19 64733 0106864	x	No
97	Global Education Academy	19 64733 0114967	x	No
98	Goethe International Charter School	19 64733 0117978	x	No
99	Granada Hills Charter High School	19 64733 1933746	x	No
100	Health Services Academy High School (CRHS #8)	19 64733 0117598	x	No

(Continued)



LOS ANGELES UNIFIED SCHOOL DISTRICT  
Charter Schools (Continued)  
Year Ended June 30, 2011

	CDS Code	Affiliated	Fiscally Independent	Included in the District Audit
101	Heritage College Ready Academy High School	19 64733 0108894	x	No
102	High Tech Los Angeles	19 64733 0100677	x	No
103	Huntington Park College-Ready Academy Charter School	19 64733 0108936	x	No
104	ICEF Vista Elementary Academy	19 64733 0117937	x	No
105	ICEF Vista Middle Academy	19 64733 0115287	x	No
106	Ivy Academia	19 64733 0106351	x	No
107	Ivy Bound Math Science & Technology	19 64733 0115113	x	No
108	Jack H. Skirball Middle School	19 64733 0111518	x	No
109	James Jordan Middle School	19 64733 0109884	x	No
110	Jardin De la Infancia	19 64733 0106880	x	No
111	KIPP Academy of Opportunity	19 64733 0101444	x	No
112	KIPP Comienza Community	19 64733 0121707	x	No
113	KIPP Empower Academy	19 64733 0121699	x	No
114	KIPP LA College Preparatory	19 64733 0100867	x	No
115	KIPP Raices	19 64733 0117903	x	No
116	LA Academy of Art & Enterprise	19 64733 0110304	x	No
117	LA Leadership Academy	19 64733 1996610	x	No
118	Lakeview Charter Academy	19 64733 0102442	x	No
119	Lakeview Charter High School	19 64733 0122606	x	No
120	Larchmont Charter School	19 64733 0108928	x	No
121	Larchmont Charter School, West Hollywood	19 64733 0117929	x	No
122	Legacy Charter High School	19 64733 0117317	x	No
123	Los Feliz Charter Schools for the Arts	19 64733 0112235	x	No
124	Lou Dantzler Preparatory Elementary School	19 64733 0117945	x	No
125	Lou Dantzler Preparatory High School	19 64733 0112540	x	No
126	Lou Dantzler Preparatory Middle School	19 64733 0112227	x	No
127	Magnolia Science Academy	19 64733 6119945	x	No
128	Magnolia Science Academy 2	19 64733 0115212	x	No
129	Magnolia Science Academy 3	19 64733 0115030	x	No
130	Magnolia Science Academy 4	19 64733 0117622	x	No
131	Magnolia Science Academy 5	19 64733 0117630	x	No
132	Magnolia Science Academy 6	19 64733 0117648	x	No
133	Magnolia Science Academy 7	19 64733 0117665	x	No
134	Magnolia Science Academy 8 (Bell)	19 64733 0122747	x	No
135	Marc & Eva Stern Math & Science	19 64733 0111658	x	No
136	Media Arts & Entertainment High School	19 64733 0116509	x	No
137	Milagro Charter Elementary School	19 64733 0102426	x	No
138	Monsenor Oscar Romero	19 64733 0114959	x	No
139	Montague Charter Academy	19 64733 6018204	x	No
140	Multicultural Learning Center	19 64733 6119044	x	No
141	N.E.W. Academy Canoga Park Elementary School	19 64733 0102483	x	No
142	N.E.W. Academy of Science & Arts	19 64733 0100289	x	No
143	New Designs	19 64733 0102541	x	No
144	New Designs - Watts	19 64733 0120071	x	No
145	New Heights	19 64733 0111211	x	No
146	New Los Angeles Charter School	19 64733 0117614	x	No
147	New Millennium Secondary School	19 64733 0117911	x	No
148	New Village Charter School	19 64733 0111484	x	No
149	North Valley Charter Academy	19 64733 0100776	x	No
150	Nueva Esperanza Charter Academy	19 64733 0120055	x	No

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Charter Schools (Continued)  
Year Ended June 30, 2011

	<b>CDS Code</b>	<b>Affiliated</b>	<b>Fiscally Independent</b>	<b>Included in the District Audit</b>
151 Ocean Charter School	19 64733 0102335		x	No
152 Our Community School	19 64733 0109934		x	No
153 Pacoima Charter School	19 64733 6018642		x	No
154 Palisades Charter High School	19 64733 1995836		x	No
155 Para Los Ninos Charter	19 64733 6120489		x	No
156 Para Los Ninos - E. Thurman Gratts Primary Center	19 64733 0122630		x	No
157 Para Los Ninos Middle School Charter	19 64733 0117846		x	No
158 Port of Los Angeles Senior High	19 64733 0107755		x	No
159 Puente Charter	19 64733 6120471		x	No
160 Renaissance Arts Academy	19 64733 0101683		x	No
161 Richard Merkin Middle Academy	19 64733 0108902		x	No
162 Santa Monica Boulevard Community	19 64733 6019079		x	No
163 Santa Rosa Charter Academy	19 64733 0119974		x	No
164 Stella Middle Charter Academy	19 64733 0100669		x	No
165 Synergy Charter Academy	19 64733 0106427		x	No
166 Synergy Kinetic Academy	19 64733 0117895		x	No
167 TEACH Academy of Technologies	19 64733 0122242		x	No
168 Thurgood Marshall Charter Middle School	19 64733 0125261		x	No
169 Triumph Academy	19 64733 0112193		x	No
170 Triumph Charter High School	19 64733 0112193		x	No
171 Valley Charter Elementary	19 64733 0122754		x	No
172 Valor Academy Charter School	19 64733 0120022		x	No
173 Vaughn Next Century Learning Center	19 64733 6019715		x	No
174 View Park Preparatory Accelerated Elementary School Angeles Mesa Presbyterian Church	19 64733 6117048		x	No
175 View Park Preparatory Accelerated High School	19 64733 0101196		x	No
176 View Park Preparatory Accelerated Middle School	19 64733 6121081		x	No
177 Vista Charter Middle School	19 64733 0122739		x	No
178 Wallis Annenberg High School	19 64733 0100750		x	No
179 Watts Learning Center	19 64733 6114912		x	No
180 Watts Learning Center Charter Middle School	19 64733 0120527		x	No
181 Westside Innovative School House	19 64733 0121012		x	No
182 William & Carol Ouchi High School (CRHS #6)	19 64733 0111641		x	No
183 Wisdom Academy for Young Scientists	19 64733 0112730		x	No

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Notes to State Compliance Information

Year Ended June 30, 2011

#### (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, 2011

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	\$ 51,887,823	
Child Nutrition School Programs Lunch	10.555	PCA 13523, 13524	156,116,464	
Child Nutrition School Programs Snack	10.555	PCA 13755	7,966,525	
Donated Food Commodities	10.555	PCA 02288	7,439,734	
Child Nutrition Summer Food Services Program Operations	10.559	PCA 13004	3,718,804	
Child Nutrition Summer Food Services Program Sponsor Administration	10.559	PCA 13006	392,791	
Subtotal expenditures – Child Nutrition Cluster				\$ 227,522,141
Child Nutrition Child Care Food Program Claims	10.558	PCA 13529	9,104,494	
Child Nutrition Child Care Food Program – Cash in Lieu of Commodities	10.558	PCA 13534	472,394	
Subtotal expenditures – Child Care Food Program				9,576,888
Passed through California Department of Health Services				
Child Nutrition Network	10.561	07-65328	966,642	
Child Nutrition Network	10.561	10-10072	3,950,149	
Subtotal expenditures – Child Nutrition Network				4,916,791
NSLP Equipment Assistance Grant	10.579	PCA 14906		521,356
Forest Reserve	10.665	Not Available		21,019
Subtotal Pass-Through Programs				242,558,195
Total U.S. Department of Agriculture				242,558,195
U.S. Department of Commerce:				
Passed through Corporation for Public Broadcast Public Broadcasting Programs				
	11.550	1714; 06-02-N10084		234,704
Subtotal Pass-Through Programs				234,704
Total U.S. Department of Commerce				234,704
U.S. Department of Defense:				
Flood Control Projects	12.106	Not Available		3,520
Reserve Officer Training Corps Vitalization Act	12.400	Not Available		2,657,013
STARTALK: Exploring Arabic Through Technology, Visual Arts and Photography	12.900	H98230-11-1-0079		1,475
Arabic Mosaic: Apprenticeship in Language and Culture Throughout the Arab World	12.901	H98230-10-1-0093		83,609
Subtotal Direct Programs				2,745,617
Total U.S. Department of Defense				2,745,617
U.S. Department of Housing & Urban Development:				
Passed through County of Los Angeles				
Community Development Block Grant	14.218	105239	13,686	
Passed through City of Carson				
Carson Guidance	14.218	MOU	13,518	
Subtotal expenditures – Comm. Develop. Block Grants				27,204
Passed through Children’s Collective, Inc				
Children Collective Youth Program	14.227	C- 040110		39,319
Subtotal Pass-Through Programs				66,523
Total U.S. Department of Housing and Urban Development				66,523
U.S. Department of Justice:				
Watts Anti Gang	16.744	UL06011250/06AGIS		17,495
Subtotal Direct Program				17,495
Total U.S. Department of Justice				17,495
U.S. Department of Labor:				
Passed through Employment Development Department:				
Employment Development Department Trade Act				
East Los Angeles Skill Center	17.245	990089	27,201	
East Los Angeles Occupational Center	17.245	200344	170,173	
Harbor Occupational Center	17.245	200348	92,734	
North Valley Occupational Center	17.245	200522	10,269	
West Valley Occupational Center	17.245	200458	88,251	
Maxine Waters Employment Preparation Center	17.245	200469	13,833	
A Friedman Occupational Center	17.245	200462	15,731	
Subtotal expenditures – Trade Adjustment Assistance				418,192

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards (Continued)  
Year Ended June 30, 2011

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 – WATTS/WEP Auto Training Proj.	17.261	200519		\$ 43,665
Workforce Investment Act – One Stop WorkSource - Adult	17.258	200540	\$ 70,102	
Workforce Investment Act – One Stop WorkSource - Dislocated Worker	17.278	200540	19,205	
Workforce Investment Act – Youth	17.259	200024	84,287	
Passed through City of Long Beach:				
Workforce Investment Act – ARRA Adult	17.258	C - 31483	231,421	
Passed through South Bay WorkSource Center				
Workforce Investment Act – Adult - I Train	17.258	200467	37,048	
Passed through Homecare Workers Training Center				
Workforce Investment Act – Adult	17.258	N/A	1,590	
Passed through City of Los Angeles:				
Workforce Investment Act – Youth Program-Harbor	17.259	117892	638,617	
Workforce Investment Act – ARRA-Summer Youth Employment Program	17.259	C- 117817	3,269,000	
Passed through Para Los Ninos				
Workforce Investment Act – Youth	17.259	T4316	136,669	
Passed through Archdiocesan Youth Employment Services:				
Workforce Investment Act – Youth	17.259	N/A	96,642	
Subtotal expenditures – Workforce Investment Act Cluster			<u>96,642</u>	4,584,581
Subtotal Pass-Through Programs				<u>5,046,438</u>
Total U.S. Department of Labor				<u>5,046,438</u>
U.S. Department of Transportation:				
Passed through City of Long Beach:				
Pacific Gateway Workforce Investment Network-Construction Job Program	20.205	200505		54,245
Subtotal Pass-Through Programs				<u>54,245</u>
Total U.S. Department of Transportation				<u>54,245</u>
National Science Foundation:				
Wide Chge. Experimental Study	47.076	0070 G ND220		56,969
Total National Science Foundation				<u>56,969</u>
U.S. Environmental Protection Agency:				
Environmental Protection Agency – Indoor Air Quality	66.034	XA-00T03601-0		20,280
Total U.S. Environmental Protection Agency				<u>20,280</u>
U.S. Department of Education:				
Federal Supplemental Educational Opportunity Grant	84.007	P007A108953	154,761	
Regional Occupational Center College Work Study (ARRA)	84.033	P033A108953	34,199	
Pell Grant (ARRA)	84.063	P063P105911	180,871	
Subtotal expenditures – Student Financial Assistance Cluster			<u>180,871</u>	369,831
Indian Education	84.060	S060A100283		248,546
LA'S BEST	84.215	MOU	43,967	
Fund for Improv Edu Prog – Teach Am Hist	84.215	U215X070162; U215X100365	518,549	
Small Learning Communities (SLC)	84.215	S215L060084	2,185,219	
Small Learning Communities – COH 8	84.215	S215L080570	1,010,416	
Subtotal expenditures – Fund for the Imp. of Education			<u>1,010,416</u>	3,758,151
Foreign Language Assistance	84.293	T293B070149		100,425
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)				
GEAR-UP-Project Steps	84.334	P334A050008	1,028,787	
GEAR-UP-Project Higher Learning	84.334	P334A050178	2,947,109	
GEAR-UP-Project LASSO	84.334	P334A050217	988,126	
GEAR-UP-District 8	84.334	P334A050205	737,851	
GEAR-UP-District 6	84.334	P334A060124	634,941	
CA GEAR UP	84.334	10-GEAR UP-1135	37,669	
Subtotal expenditures – GEAR-UP			<u>37,669</u>	6,374,483
Los Angeles Early Deciders Teacher Recruit	84.336	P336C050011-07		79,889
I3 Fund ARRA-LA'S Bold Competition	84.396	U396C100336		465,571
Subtotal Direct Programs				<u>11,396,896</u>

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards (Continued)  
Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Grantor or Pass-Through Entity ID Number	Program Cluster Expenditures	Total Federal Expenditures
Passed through California Department of Education:				
Workforce Investment Act – Adult Basic Ed/ESL	84.002	PCA#14508	\$ 14,550,144	
Workforce Investment Act – Adult Secondary Ed	84.002	PCA#13978	736,934	
Eng Lit & Civic Ed-Adult-FY04	84.002	PCA#14109	15,196	
Subtotal expenditures – Adult Education				\$ 15,302,274
Elementary and Secondary Education Act, Title I	84.010	PCA 14329	295,946,268	
CE-NCLB T1 NPS	84.010	PCA 14329	5,962,176	
Elementary and Secondary Education Act, Title I Delinquent	84.010	PCA 14357	263,310	
Elementary and Secondary Education Act, Title I Neglected	84.010	PCA 14329	2,395,803	
CE-NCLB-PARENT/CLUSTER RESOURC	84.010	PCA 14329	1,595,745	
TI-A SUPPLEMENTAL SRVC(NCLB)	84.010	PCA 14329	58,256,077	
CE-NCLB T1 PROF DEV-RTI	84.010	PCA 14329	38,162	
CE-NCLB T1-RED TEAM	84.010	PCA 14329	95,179	
CE-NCLB-T1-PD-TENSCHS	84.010	PCA 14329	3,527,390	
CE-NCLB-T1-PROG IMPRVMT SCH	84.010	PCA 14329	19,376,438	
CE-NCLB T1-CAP EXP REIMB NPS	84.010	PCA 14329	725,441	
NCLB-T1-TRNSTION KNDRGRTN PROG	84.010	PCA 14329	1,431,351	
CE-NCLB T1 SUMMER PD	84.010	PCA 14329	4,772,897	
CE-NCLB-PROF DEV	84.010	PCA 14329	5,547,911	
CE-NCLB-PUBL SCH CHOICE	84.010	PCA 14329	1,428,640	
TI-EXTENDED LEARN ACAD	84.010	PCA 14329	1,186,544	
CE-NCLB-AEMP	84.010	PCA 14329	762,143	
NCLB: T1, ARRA	84.389	PCA 15005	202,427,134	
NCLB: T1, ARRA	84.389	PCA 15009	267,141	
Subtotal expenditures – Title I, Part A Cluster				606,005,750
Migrant Ed – Regular & Summer	84.011	09-14326-1019		1,023,536
Special Ed: IDEA Basic Local Assistance Entitlement	84.027	10-13379-6473-01	120,260,692	
Special Ed: IDEA Local Assistance, Private School ISPs	84.027	10-13379-6473-01	1,071,362	
Special Ed: IDEA Federal Preschool Grant	84.027	10-13430-6473	5,005,772	
Special Ed: IDEA Pre-School Local Assistance Entitlement	84.027	10-13682-6473	9,281,928	
Special Ed: ARRA IDEA Part B, Sec 611, Preschool Local Entitlement	84.391	PCA 15002	4,493,364	
Special Ed: ARRA IDEA Local Assistance	84.391	09-15003-6473-01	42,547,526	
Special Ed: ARRA IDEA Loc. Assistance Private Sch. ISPs	84.391	09-15003-6473-01	983,930	
IDEA Preschool	84.173	PCA 14688	176,450	
Preschool Expansion Grant	84.173	PCA 13431	24,571	
ARRA IDEA Part B, Sec 619, Preschool Grants	84.392	PCA 15000	3,530,047	
Subtotal expenditures – Special Education Cluster				187,375,642
Carl D. Perkins – SEC INSTR	84.048	14894	6,096,627	
Carl D. Perkins – Vocational and Technical Education	84.048	14893	3,684,012	
Subtotal expenditures – Career and Technical Education				9,780,639
Magnet Schools Assistance	84.165	U165A100057		1,071,075
Early Intervention Funds - Part C	84.181	PCA 23761		1,159,329
Title IV – Safe and Drug Free Schools & Community- National-Readiness Emergency Mgt 4 Schs.	84.184	Q184E100145		207,197
Title IV – Safe and Drug Free Schools-Healthy Student	84.184	Q184L080226		2,423,926
Title IV – Safe and Drug Free Schools & Community- State	84.186	Q186A090005		1,347,415
Public Charter School	84.282	PCA 14941		81,498
Homeless Education Project	84.196	14332	138,044	
NCLB:ARRA-T X McKinney-Vento Homeless Assistance	84.387	PCA 15007	365,237	
Subtotal expenditures – Education of Homeless Children and Youth Cluster				503,281
Twenty-first Century Learning Centers	84.287	14349	5,231,805	
Twenty-first Century Learning Centers	84.287	14535	13,434,930	
Twenty-first Century Learning Centers	84.287	14603	312,343	
Subtotal expenditures – Twenty-First Century Community Learning Centers				18,979,078
No Child Left Behind (NCLB) Title II – Enhancing Education Through Technology-Competitive	84.318	PCA 14368	555,953	
No Child Left Behind Title II – Enhancing Education Through Technology – Formula	84.318	PCA 14334	2,562,697	
No Child Left Behind Title II – Enhancing Education Through Technology – ARRA	84.386	PCA 15019; PCA15126	3,584,909	
Subtotal expenditures – Education Technology Grants Cluster				6,703,559

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards (Continued)  
Year Ended June 30, 2011

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
GSU Development & Valid of a behavioral Advanced Placement	84.324 84.330	13492-02 S330B110007		\$ 35,695 793,378
Transition Teaching Program	84.350	U350A0700039		427,688
ARTS IN EDU MODEL DEV & DISSEM	84.351	U351D100117		126,648
Reading First	84.357	PCA 14328		4,075,275
SCHOOL DROPOUT PREVENTION PROG	84.360	S360A100054		988,902
Title III, Limited English Proficient Professional Dev	84.365	PCA 14346		33,583,980
No Child Left Behind Title II-B – Math	84.366	PCA 14512		1,355,254
No Child Left Behind Title II-A – Teacher Quality	84.367	PCA 14341		51,457,171
SCHOOL IMPROVEMENT GRT	84.377	PCA15123;14971;15124	\$ 36,668,328	
SCHOOL IMPROVEMENT GRT - ARRA	84.388	PCA 15004	7,343,689	
Subtotal expenditures – School Improvement Grants Cluster				44,012,017
ARRA State Fiscal Stabilization Fund (SFSF)	84.394	PCA 25008		77,257,936
Passed through State Department of Rehabilitation:				
Rehab-Transition Partnership Program	84.158	26706		350,000
Voc Rehab-Trans Part-Greater LA	84.126	27973	809,743	
ARRA Cooperative Public Agency/CRP Contract	84.390	27689A	134,259	
Subtotal expenditures – Vocational Rehabilitation Cluster				944,002
Passed through Center for Collaborative Education				
Principal Residency Network	84.363	MOA		128,938
Subtotal Pass-Through Programs				1,067,501,083
Total U.S. Department of Education				1,078,897,979
U.S. Department of Health & Human Services:				
School Health Program	93.938	1U87DP001201-01/SU87DP001201-02		646,209
Subtotal Direct Programs				646,209
Passed through County of Los Angeles:				
Department of Health Services-Vocational Nurse Ed.	93.178	N/A		14,074
Department of Public Health-RENEW/TRUST (ARRA)	93.724	PH-001123; PH-001130		725,832
Los Angeles Cnty Office of Ed-SHAPE/TRUST (ARRA)	93.724	078891:10:11		229,274
Department of Mental Health-Medi-cal Rehab.	93.778	MH120522		4,013,983
Passed through California Department of Education:				
California Instructional Materials and Supplies	93.575	CCAP-9030	16,309	
General Child Care Center-Block Grant	93.575	PCA 15136	14,318,575	
General Child Care Center-Mandatory & Matching Fund	93.596	PCA 13609	37,978,056	
ARRA Child Care and Dev Block Grant, General Center Based	93.713	PCA 15010/PCA 15013	7,451,076	
Subtotal expenditures – Child Care Development Fund Cluster				59,764,016
Passed through California Department. of Health Services:				
Medi-Cal Billing Option	93.778	940830		13,521,406
Passed through Los Angeles County Office of Education:				
ARRA-Head Start	93.708	C-11724	2,231,746	
ARRA-Early Head Start	93.709	C-11730	1,474,199	
Subtotal expenditures – Head Start Cluster				3,705,945
Medi-Cal Administrative Activity	93.778	C-10606:08:09		7,575,667
Passed through University of California				
NIMH-ARRA School based Mental Program Research	93.701	1647 G NA105		80,269
Passed through Rand Corporation:				
CalServe Regional	94.004	14939		29,975
Subtotal Pass-Through Programs				89,660,441
Total U.S. Department of Health & Human Services				90,306,650
U.S. Department of Homeland Security:				
Passed through Governors Office of Emergency Services:				
Public Assistance - Disaster/FEMA 1810	97.036	OES ID #037-91146	6,005	
Public Assistance - Hazard Mitigation/FEMA 1731	97.039	FIPS #037-91146	387,475	
Public Assistance - Fire Management Asst	97.046	OES ID #037-91146	66,798	
Subtotal Pass-Through Programs				460,278
Total U.S. Department of Homeland Security				460,278
Total Expenditures of Federal Awards				\$ 1,420,465,373

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2011

**(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) \$7,439,734 of donated food commodities received from the U.S. Department of Agriculture, passed-through the State of California, during the year ended June 30, 2011.

**(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, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of the *California Code of Regulations* (CCR), Title 5, Education, Section 19810, et seq.

**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-11-01 and FS-11-02 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, 2011.

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 District management, the Board of Education, others within the entity, and federal awarding agencies, state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Los Angeles, California  
December 14, 2011



SIMPSON & SIMPSON  
 CERTIFIED PUBLIC ACCOUNTANTS

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

**Report on Compliance with Requirements That Could Have a Direct And  
 Material Effect on Each Major Program and on Internal Control over Compliance  
 in Accordance with OMB Circular A-133**

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, 2011. 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:

<b>Compliance requirement</b>	<b>Program Name and Catalog of Federal Domestic Assistance (CFDA) number</b>	<b>Finding number</b>
Allowable Costs	English Language Acquisition Grants, CFDA 84.365	F-11-01





---

<b>Compliance requirement</b>	<b>Program Name and Catalog of Federal Domestic Assistance (CFDA) number</b>	<b>Finding number</b>
Earmarking	WIA Youth Activities, CFDA 17.259	F-11-05
	Vocational Education Basic Grants to States, CFDA 84.048	F-11-05
Earmarking	ARRA Head Start and ARRA Early Head Start, CFDA Nos. 93.708 and 93.709	F-11-07
Reporting	Vocational Education Basic Grants to States, CFDA 84.048	F-11-12
Subrecipient Monitoring	Gaining Early Awareness and Readiness for Undergraduate Programs, CFDA 84.334.	F-11-16
Special Tests and Provisions	Title I Basic Grants to LEAs, CFDA 84.010	F-11-17
	English Language Acquisition Grants, CFDA 84.365	F-11-18

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

In our opinion, except for the noncompliance described in the table above, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. 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-11-01, F-11-02, F-11-03, F-11-04, F-11-05, F-11-06, F-11-07, F-11-08, F-11-09, F-11-12, F-11-15 and F-11-16.

### **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-11-01, F-11-02, F-11-03, F-11-05, F-11-07, F-11-08, F-11-12, F-11-15, F-11-16, F-11-17, and F-11-18 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items F-11-01 to F-11-18 to be significant deficiencies.

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

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

A handwritten signature in cursive script, appearing to read 'Simpson &amp; Simpson'.

December 14, 2011  
Los Angeles, California



**SIMPSON & SIMPSON**  
 CERTIFIED PUBLIC ACCOUNTANTS

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

## 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 2010-11* (the Guide), for the year ended June 30, 2011. 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, section 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 the state laws and regulations applicable to the following programs:

	<u>Number of Procedures in Education Audit Appeals Panel Audit Guide, Standards and Procedures for Audits of California K-12 Local Education Agencies 2010-11</u>	<u>Procedures performed</u>
Attendance Accounting:		
Attendance Reporting	8	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Kindergarten Continuance	3	Yes





---

	<b>Number of Procedures in Education Audit Appeals Panel Audit Guide, Standards and Procedures for Audits of California K-12 Local Education Agencies 2010-11</b>	<b>Procedures performed</b>
Instructional Time for:		
School Districts	6	Yes
County Office of Education	3	Not applicable
Instructional Materials General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not applicable
Gann Limit calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing requirement – Receipt of Funds	1	Yes
Class Size Reduction:		
General Requirements	7	Yes
Option One	3	Yes
Option Two	4	Not applicable
Districts or Charter School with only One School Serving K-3	4	Not applicable
After School Education and Safety Program:		
General Requirements	4	Yes
After School Program	4	Yes
Before School Program	5	Yes
Contemporaneous Records of Attendance for Charter Schools	1	Yes
Mode of Instruction, for Charter Schools	1	Yes
Nonclassroom-Based Instruction/Independent Study, for Charter Schools	15	Not applicable
Determination of Funding for Nonclassroom- Based Instruction, for Charter Schools	3	Not applicable
Annual Instructional Minutes – Classroom Based for Charter Schools	3	Yes



In our opinion, except for the noncompliance described in the accompanying schedule of findings and questioned costs as items S-11-01 to S-11-06 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, 2011.

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

A handwritten signature in black ink that reads "Simpson &amp; Simpson". The signature is written in a cursive, flowing style.

December 14, 2011  
Los Angeles, California



**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

June 30, 2011

**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
	<b>Department of Agriculture – Child Nutrition Cluster:</b>	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
	<b>Department of Agriculture – Food Stamp Cluster:</b>	Unqualified
10.561	State Administrative Matching Grants for Food Stamp Program	
17.259	Department of Labor – WIA Youth Activities	Unqualified
	<b>Department of Education – Title I, Part A Cluster:</b>	Unqualified
84.010	Title I Grants to Local Educational Agencies	
84.389	Title I Grant to Local Educational	

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

June 30, 2011

<b>CFDA #</b>	<b>Name of Federal Program</b>	<b>Opinion</b>
	Agencies, Recovery Act	
84.048	Department of Education – Vocational Education Basic Grants to States (Perkins IV)	Unqualified
	<b>Department of Education – Special Education Cluster:</b>	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> .	
	<b>Department of Education – State Fiscal Stabilization Fund Cluster:</b>	Unqualified
84.394	State Fiscal Stabilization Fund (SFSF) – Education State Grants, <i>Recovery Act</i> (Education Stabilization Fund)	
84.215	Department of Education – Fund for the Improvement of Education	Unqualified
84.287	Department of Education – Twenty-First Century Community Learning Centers	Unqualified
	<b>Department of Education – Education Technology State Grants Cluster:</b>	Unqualified
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
	<b>Department of Education – School Improvement Grants Cluster</b>	Unqualified
84.377	School Improvement Grants	
84.388	School Improvement Grants, <i>Recovery Act</i>	
84.357	Department of Education – Reading First State Grants	Unqualified
84.365	Department of Education – English	Qualified

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

June 30, 2011

<b>CFDA #</b>	<b>Name of Federal Program</b>	<b>Opinion</b>
	Language Acquisition Grants	
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
	<b>Department of Health and Human Services – Child Care Development Fund Cluster:</b>	Unqualified
93.575	Child Care and Development Block Grant;	
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund;	
93.713	ARRA – Child Care and Development Block Grant.	
	<b>Department of Health and Human Services – Head Start Cluster</b>	Qualified
93.708	ARRA – Head Start	
93.709	ARRA – Early Head Start	
93.778	Department of Health and Human Services – Medical Assistance Program	Unqualified
•	Any audit findings disclosed which are required to be reported in accordance with Section 510(a) of Circular A-133:	Yes
•	Dollar threshold used to distinguish between type A and type B programs:	\$4,261,396
•	Auditee qualified as low risk auditee	No
<b>State Awards</b>		
	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, 2011

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

**FS-11-01 - IFS Change Control – Significant Deficiency**

State Audit Guide Finding Code: 30000

**Criteria**

Changes to accounting application programs are highly critical as they can impact the integrity of financial reporting. Accordingly, such changes warrant accounting management's approval prior to being implemented into production.

**Condition**

Fourteen (14) of the twenty-nine (29) IFS Migration Request Forms sampled for the 2011 fiscal year did not contain a signature from a Business Sponsor (e.g., Accounting Management). Migration Request forms are required to be authorized by a business sponsor prior to the implementation of a new or changed program into the production environment.

**Cause and Effect**

Unauthorized programs could be implemented for IFS, this could adversely impact the integrity of accounting data.

**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.

**View of Responsible Officials and Planned Corrective Action**

ITD agrees with this recommendation. We have obtained signatures from the business sponsor for the 14 IFS migration forms sampled that did not contain a signature. We have also modified the IFS Migration Request Form to include a signature line for the Business sponsor's approval. The new form was put in place in December 2010.

**FS-11-02 - ISIS Change Control – Significant Deficiency**

State Audit Guide Finding Code: 30000

**Criteria**

Changes to accounting application programs are highly critical as they can impact the integrity of financial reporting. Accordingly, such changes warrant accounting management's approval prior to being implemented into production.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
Schedule of Findings and Questioned Costs  
June 30, 2011

**Condition**

Changes to accounting application programs are highly critical as they can impact the integrity of financial reporting. Accordingly, such changes warrant management's approval prior to being implemented into production. However, the following were noted relative to ISIS program changes:

- One (1) of the twenty (20) ISIS change requests sampled for the 2011 fiscal year did not contain an approval from a Business Sponsor (i.e. Student Information System Branch). Requests of ISIS changes that affect the functionality of the program are required to be authorized by a business sponsor prior to the implementation of a new or changed program into the production environment.
- Three (3) of the twenty (20) ISIS change requests sampled for the 2011 fiscal year did not contain approvals from all 4 required groups of the MOC (Management of Change) Committee. These groups consists of Security, Network, Database and Operations. According to ITD Change Management Procedures, a program change is required to be successfully tested prior to submitting the change request for MOC committee review. If any one of the four teams in the MOC committee denies a change request, it will automatically result in the change request being denied.

**Cause and Effect**

Unauthorized program changes could be implemented for ISIS, this could adversely impact the integrity of student accounting data.

**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.

**View of Responsible Officials and Planned Corrective Action**

ITD management considers the single missing signature to be an aberration; we will continue to strive to have all ISIS change requests that affect the functionality of the program signed by the Business Sponsor.

ITD management agrees with the finding regarding the Management of Change process. ITD is re-evaluating its Change Management process, along with other organizational processes. At the conclusion of the review, new Change Management processes will be in place.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

June 30, 2011

**Section III – Federal Award Findings and Questioned Costs**

**Program Identification**

Finding Reference Number: **F-11-01**

Federal Program Title, Awarding Agency, Pass-Through Entity, Catalog of Federal Domestic Assistance (CFDA) Number, and 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 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 (USED), 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, Contract CCTR-0124 and CSPP-0227;

Workforce Investment Act, 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 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 UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

June 30, 2011

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.

Compliance Requirement: Allowable Costs

State Audit Guide Finding Code: 30000 and 50000

### Criteria

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

- Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.
- Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation that meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant federal agency. Such documentary support will be required where employees work on:
  - (a) More than one federal award,
  - (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.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2011

#### 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 I Grants to LEAs and Title I Grants to LEAs (Recovery):** In our sample of 100 payroll expenditures (50 each for CFDA No. 84.010 and CFDA No. 84.389), we noted the following:

##### *Title I Grants to LEAs:*

- 1 employee totaling \$9,047 was unable to provide either multifunded timesheets or semiannual certifications to support the payroll expenditures charged to the program.

Total exceptions amounted to \$9,047 of the \$289,898 sampled from the \$313,655,108 of total payroll and benefit expenditures for the fiscal year ended June 30, 2011.

##### *Title I Grants to LEA (Recovery Act):*

- 3 employees totaling \$15,936 provided signed semiannual certifications; however, the certifications were signed and dated subsequent to our requests.
- 1 employee totaling \$6,244 was unable to provide us with time reporting documentation to support the hours charged to the program.

Total exceptions amounted to \$22,180 of the \$333,023 sampled from the \$ 160,794,352 of total payroll and benefit expenditures for the fiscal year ended June 30, 2011.

**Special Education Cluster:** In our sample of 50 payroll expenditures for CFDA No. 84.027, we noted the following:

- 3 employees totaling \$18,453 provided semiannual certifications; however, the certifications were signed and dated subsequent to our request.

Total exceptions amounted to \$18,453 of the \$404,278 sampled from the \$119,509,693 of total payroll and benefit expenditures for the fiscal year ended June 30, 2011.

**English Language Acquisition Grants:** In our sample of 60 payroll expenditures, we noted the following

- 2 employees totaling \$14,554 provided semiannual certifications; however, the certifications were signed and dated subsequent to our request.
- 1 employee totaling \$1,867 provided a timesheet; however, the hours reported on the timesheets did not support all hours recorded on the SAP payroll record.



## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2011

- 1 employee totaling \$7,502 provided a semiannual certification; however, the program code reported was different from the SAP payroll record.

Total exceptions amounted to \$23,923 of the \$362,043 sampled from the \$27,781,374 of total payroll and benefit expenditures for the fiscal year ended June 30, 2011.

**Child Care and Development Fund:** In our sample of 60 payroll expenditures, we noted the following:

- CFDA No. 93.596: 1 employee totaling \$7,871 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 \$7,871 of the \$221,819 sampled from the \$86,114,469 of total payroll and benefit expenditures for the fiscal year ended June 30, 2011.

- CFDA No. 93.713: 1 employee totaling \$4,754 was unable to provide either multifunded timesheets or semiannual certifications to support the payroll expenditures charged to the program.

Total exceptions amounted to \$4,754 of the \$131,371 sampled from the \$7,346,253 of total payroll and benefit expenditures for the fiscal year ended June 30, 2011.

**Workforce Investment Act:** In our sample of 60 payroll expenditures, we noted the following:

- 3 employees totaling \$10,022 provided semiannual certifications; however, the certifications were signed and dated subsequent to our request.

Total exceptions amounted to \$10,022 of the \$237,101 sampled from the \$10,788,768 of total payroll and benefit expenditures for the fiscal year ended June 30, 2011.

**Medical Assistance Program:** In our sample of 40 payroll expenditures, we noted the following:

- 2 employees totaling \$8,911 provided semiannual certifications; however, the certifications were signed and dated subsequent to our request.

Total exceptions amounted to \$8,911 of the \$251,169 sampled from the \$14,903,166 of total payroll and benefit expenditures for the fiscal year ended June 30, 2011.

**Head Start Cluster:** In our sample of 40 payroll expenditures, we noted the following:

- 3 employees totaling \$7,425 provided semiannual certifications; however, the certifications were signed and dated subsequent to our request.

Total exceptions amounted to \$7,425 of the \$121,244 sampled from the \$3,205,617 of total payroll and benefit expenditures for the fiscal year ended June 30, 2011.

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

June 30, 2011

Furthermore, based on our review of the District's policies and procedures for documentation requirement for employees funded by the federal programs, (i.e. BUL-2643.5), it is our understanding that Local District Superintendents or Division Administrators are required to submit a written assurance to the Accounting Controls & Oversight Branch (Accounting Controls) to certify that they have received the appropriate documentation for the time reporting by February 15<sup>th</sup> and August 15<sup>th</sup>.

Based on our review of the logs for the fiscal year 2010-11 maintained by the Accounting Controls, we noted that 2 out of 37 and 5 out of 43 divisions did not submit the assurance for the period July – December 2010 and for the period January – June 2011, respectively.

### Cause and Effect

The non-compliance appears to be a result of the lack of understanding of the federal compliance requirements by the District's employees.

These findings are repeat findings, have been reported previously for June 30, 2005 to June 30, 2010 (F-05-01, F-06-01, F-07-01, F-08-01, F09-01 and F-10-01).

**Questioned Costs:** \$112,586 (see summary below):

- **Title I Grants to LEA:** \$9,047 – semiannual certification or multi-funded timesheet was not provided
- **Title I Grants to LEA (Recovery Act):** \$22,180 (\$6,244 inadequate support, \$15,936 untimely)
- **Special Education Cluster:** \$ 18,453 – untimely
- **English Language Acquisition Grants:** \$23,923 (\$9,369 inadequate support, \$14,554 untimely)
- **Child Care and Development Fund CFDA No. 93.596:** \$7,871 – certification was not dated
- **Child Care and Development Fund CFDA No. 93.713:** \$4,754 – untimely
- **Workforce Investment Act:** \$10,022 – untimely
- **Medical Assistance Program:** \$8,911 – untimely
- **Head Start Cluster:** \$7,425 – untimely

### Recommendation

We recommend that the District continue to provide ongoing training to appropriate personnel on the updated procedures.

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

June 30, 2011

### View of Responsible Officials and Planned Corrective Action

The District agrees with the finding and will continue to provide information to appropriate personnel on time and effort requirements.

### Contact Information

Various District schools and departments  
Telephone: (213) 241-1000

### Program Identification

Finding Reference Number: **F-11-02**

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

Title I Grants to Local Educational Agencies: U.S. Department of Education (USED), Passed through the California Department of Education, CFDA No. 84.010 and 84.389, Grant Agreements 14329, 14981, and 15005 (Recovery Act);

School Improvement Grants, Recovery and Reinvestment Act: U.S. Department of Education (USED), 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 (USED), Passed through the California Department of Education, CFDA No. 84.365, Grant Agreement 10-10084-6473.

Compliance Requirement: Allowable Costs

State Audit Guide Finding Code: 50000

### Criteria

Code of Federal Regulations – Title 34 – Education, Part 75 – Direct Grant Programs – Subpart F – What Are the Administrative Responsibilities of a Grantee? Section 75.702 Fiscal control and fund accounting procedures.

- A grantee shall use fiscal control and fund accounting procedures that ensure proper disbursement of and accounting for federal funds.

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment A, General Principles for Determining Allowable Costs, Part C, Basic Guidelines:

- Factors affecting allowability of costs. To be allowable under federal awards, costs must meet the following general criteria:
  - a. Be necessary and reasonable for proper and efficient performance and administration of federal

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

June 30, 2011

awards.

- b. Be allocable to federal awards under the provisions of this circular.
  - c. Be authorized or not prohibited under state or local laws or regulations.
  - d. Conform to any limitations or exclusions set forth in these principles, federal laws, terms and conditions of the federal award, or other governing regulations as to types or amounts of cost items.
  - e. Be consistent with policies, regulations, and procedures that apply uniformly to both federal awards and other activities of the governmental unit.
  - f. Be accorded consistent treatment. A cost may not be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the federal award as an indirect cost.
  - g. Except as otherwise provided for in this circular, be determined in accordance with generally accepted accounting principles.
  - h. Not be included as a cost or used to meet cost sharing or matching requirements of any other federal award in either the current or a prior period, except as specifically provided by federal law or regulation.
  - i. Be the net of all applicable credits.
  - j. Be adequately documented.
- Allocable costs.
    - a. A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.
    - b. Any cost allocable to a particular federal award or cost objective under the principles provided for in this circular may not be charged to other federal awards to overcome fund deficiencies, to avoid restrictions imposed by law or terms of the federal awards, or for other reasons.

### Condition

As part of our procedures over program expenditures, we selected a sample of non-payroll expenditures that were recorded and charged to the program to ascertain whether or not they were allowable per program regulations, accurately charged to the program, and appropriately supported in accordance with the OMB cost circular documentation requirement. We noted that the following non-payroll expenditures recorded to expenditure accounts were not allowable:

**Title I Grants to LEAs:** Based on our 171 samples, we noted the following:

- 1 sample totaling \$9,418 was charged for Samsonite chair and tent purchase. This purchase was not program related and thus, it was not allowable.
- 1 sample totaling \$8,331 was charged for first aid student kit. This purchase was not program related and thus, it was not allowable.
- 1 sample totaling \$2,192 was for sports related goods including maxi-net, pickle ball swinger paddle, and badminton racket. These items were not allowable to the program.

Total exception of \$19,941 of the \$5,234,510 sampled of the \$116,246,138 charges of expenditures for the fiscal year 2010-11.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2011

**Title I Grants to LEAs, Recovery Act:** Based on our 40 samples, we noted the following:

- 2 samples totaling \$2,316 were charged for first aid student kit. These costs were unallowable to the program.

Total exception of \$2,316 of the \$8,635,490 sampled of the \$37,653,617 charges of expenditures for the fiscal year 2010-11.

**School Improvement Grants, Recovery Act:** Based on our 40 samples, we noted the following:

- A total of \$5,844 was charged for student incentive. This cost was not allowable to the program.
- 1 sample totaling \$6,685 was charged for janitorial supplies. This cost was unallowable to the program.

Total exception of \$12,529 of the \$420,088 sampled of the \$2,255,413 charges of expenditures for the fiscal year 2010-11.

**English Language Acquisition Grants:** Based on our 60 samples, we noted the following:

- 1 sample totaling \$15,650 was charged for training; however, no detailed documentation was provided to support the nature of the training and how it supported the program.
- 2 samples totaling \$7,503 were charged for printers. These costs were not allowable to the program.
- 3 samples totaling \$17,545 of instructional materials were allocated and charged to the program; however, the allocation basis used by the schools was not based on the number of the English Learners of the total number of students as required by the Program and Budget Handbook. No other documentation was provided to support how the charges were allocated. Based on our re-computation using the percentage listed for the schools, the program was over-charged by \$8,430.
- 1 sample totaling \$8,348 was 100% charged to the program for TI-Navigator system for connection between student graphing calculators to the classroom computers; however, based on the allocation, \$2,671 (32%) should have been allocated to the program. As a result, \$5,677 (\$8,348 - \$2,671) was not allowable to charge to the program.

Total exception of \$37,260 of the \$1,017,540 sampled of the \$5,144,096 charges of expenditures for the fiscal year 2010-11.

### **Cause and Effect**

There does not appear to be adequate controls to ensure that all program expenditures are allowable to the federal programs and sufficiently supported with appropriate documentation for allowable activities.

These findings are repeat findings, have been reported previously for June 30, 2007 to June 30, 2010 (F-07-03, F-08-03, F-09-02, and F-10-02).

### **Questioned Costs**

Title I Grants to LEAs (CFDA 84.010): \$19,941

Title I Grants to LEAs Recovery Act (CFDA 84.389): \$2,316

School Improvement Grants Recovery Act (CFDA 84.388): \$12,529

English Language Acquisition Grants: \$37,260

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

June 30, 2011

### **Recommendation**

We recommend that the District provide additional guidance/training to ensure appropriate documentation is maintained to support expenditures charged to federally funded programs. The District should also strengthen its controls over its charges to the federally funded programs to ensure that the reimbursement is in accordance with federal guidelines.

### **Views of Responsible Officials, Planned Corrective Actions, and Contact Information**

**Title I Grants to LEAs and Title I Grants to LEAs Recovery Act:** The District will continue to provide guidance and training to ensure expenditures fall within program guidelines. The District's handbooks and materials on budgeting that are part of the budget packet given to schools clearly identify allowable expenditures.

Name: Deborah Ernst

Title: Director, Federal and State Education Programs

Telephone: (213) 241-6990

**School Improvement Grants, Recovery Act:** Student Incentives – Partnership for Los Angeles (PLAS) will be issuing a check for \$5,844 to the school to be deposited into the Donation Account (program 3986). Student incentives expenditures will be transferred to program 3986 upon check deposit and clearance.

Janitorial Supplies – a transfer of expenditures was submitted to General Accounting Branch – Specially Funded Program on 12/05/2011. A total of \$3,000 are to be transferred to program 4731 (Materiel – Operation – Schools), and a total of \$3,685 to program 3986 (School Determined Needs – General Program.)

The District will continue to provide guidance and training to ensure expenditures fall within program guidelines. The District's handbooks and materials on budgeting that are part of the budget packet given to schools clearly identify allowable expenditures.

Name: Nader Fard Delnavez

Title: Administrative Coordinator, Secondary Programs

Telephone: (213) 241-2144

### **English Language Acquisition Grants:**

The District will continue to strengthen policies and controls to ensure that schools comply with the spending and documentation requirements to support expenditures charged to federally funded programs.

1. Using 2010-11 Single Audit findings, the Language Acquisition Branch, in conjunction with Local District English Learner staff, will provide support to schools not meeting the program spending requirements.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

June 30, 2011

- 2. Rewrite the District’s *Master Plan for English Learners* and include explicit guidelines regarding the mandates and procedures pertaining to categorical funds, program requirements, maintenance of fiscal documentation, and allowable expenditures. This publication will be distributed to all schools and professional development will be provided to all school-site, local district, and central office staff (Refer to timeline referenced in Item 4).
- 3. Revise the District’s existing *Program and Budget Handbook* to include explicit guidelines regarding categorical funds, program requirements, maintenance of fiscal documentation, and allowable expenditures. This handbook will be posted on both the Federal and State Education Program (FSEP) and the Language Acquisition Branch webpages.
- 4. Provide professional development that is designed to ensure that school-site Principals and EL Coordinators receive comprehensive training on federal and state mandates pertaining to categorical programs, including the purpose of the funds, program requirements, maintenance of fiscal documentation, and allowable expenditures.

<u>Professional Development</u>	<u>Training Date</u>
Title III Master Plan Institute	June 2012
<i>Master Plan for English Learners</i> (all schools)	May – June 2012 September – October 2012
Local District EL Coordinator Monthly Meetings	Various
Local District Principal Meetings	Various

- 5. Continue to work collaboratively with Local District staff to provide on-going professional development to school-site EL Coordinators that focuses on categorical programs, including the purpose of the funds, program requirements, maintenance of fiscal documentation, and allowable expenditures. Each local district meets with school-site EL Coordinators on a monthly basis. Refer to Attachment A for specific dates.

Name: Ana Estevez-Andressian  
 Title: Coordinator  
 Telephone: (213) 241-5582

**Program Identification**

Finding Reference Number:	<b>F-11-03</b>
Federal Catalog of Domestic Assistance Number(s):	93.575, 93.596, and 93,713
Federal Program Title:	Child Care and Development Fund: Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fun, Department of Health and Human Services, and ARRA – Child Care and

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

June 30, 2011

Development Block Grant.

Pass-Through Entity: California Department of Education

Award Numbers: CCTR-0124 and CSPP-0227

Compliance Requirement: Eligibility

State Audit Guide Finding Code: 30000 and 50000

### Criteria

#### Section D of the District Contract with CDE, Certification of Eligibility:

The contractor shall designate the staff person authorized to certify eligibility. Prior to initial enrollment and at the time of recertification, an authorized representative of the contractor shall:

- Certify each family's/child's eligibility for child care and development services after reviewing the completed application and documentation contained in the family data file.
- Issue a notice of Action and Application for services.

#### Section E, Child Care and Development Center-Based Program Requirements, Contents of Family Data File:

- The Contractor shall establish and maintain a family data file for each family receiving child care and development services.
- The family data file shall contain a completed and signed application for services and the following records as applicable to determine eligibility and need in accordance with above:
  - 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, 2011

- A signed Child Care data collection Privacy Notice and Consent Form CD 9600A (Rev. 01/04) shall be included.
- Notice of Action, Application for Services and/or Recipient of Services shall be included.
- The family data file shall contain all child health and current emergency information required by California Code of regulations, Title 22, Social Security, Division 12, and Community Care Facilities Licensing Regulations with the following exception. Immunization records are not required to be in the family data file for children attending a public or private elementary school or for children receiving care in licensed facilities and reimbursed pursuant to Education Code sections 8220 and 8350.

#### **Condition**

In our procedures performed to determine eligibility for the childcare programs funded by this cluster, we sampled a total of 36 from CSPP0277 and 24 from CCTR0124 from 16 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 participant files, we noted that the program personnel did not sign and date the Confidential Application for Child Development Services and Certification of Eligibility for 10 out of 36 samples to certify that eligibility and document the review process. Certification is required to be signed and dated in order to complete the process of the eligibility.

Additionally, we also noted that the family income for 7 out of 60 files was erroneously calculated; as a result, the respective family fee was not properly calculated and collected. In all 7 cases, family income was under-reported resulting in assessment of lower family fees.

This is a repeat finding F-10-03.

#### **Cause and Effect**

It appears that a lack of effective and timely monitoring by the District over the functions performed by the center managers and possible staffing issues has resulted in a failure to follow procedures during eligibility determination and annual recertification.

#### **Questioned Costs**

The total net under-billed family fee amounted to \$3,320. Questioned cost was calculated 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, 2011.

#### **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.

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

June 30, 2011

### Views of responsible Officials and Planned Corrective Actions

The District agrees with the finding. The Early Childhood Education (ECE) Division has conducted training on eligibility documentation for all Principals and Office Managers at Early Education Centers (EEC). This training occurred in the month of November 2011 and 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. Furthermore, the ECE Division conducted training for new Office Managers and Principals during the month of October 2011.

Additionally, Local District Administrators and Principal Leaders, who oversee and monitor EEC's, were also trained in October 2011. This training included how to conduct monitoring visits, how to review family files and how to fill out monitoring checklist that is forwarded to central office administrators. The above identified Administrators are to visit each EEC in their respective Local District by June 30, 2012, and send their monitoring checklist report to central for evaluation.

The above identified training and monitoring will be a standard operational procedure for future years.

### Contact Information

Name: Ted Nelson

Title: Assistant Budget Director

Telephone: (213) 241- 3175

### Program Identification

Finding Reference Number:

**F-11-04**

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 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 (ED), 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

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

June 30, 2011

(USED), 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 (USED), 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 (USED), CFDA No. 84.215, Grant Agreement Nos. S215L060084 and V215L052108.

Compliance Requirement: Equipment Management

State Audit Guide Finding Code: 20000, 30000, and 50000

### Criteria

Title 7 – Agriculture, Chapter XXX –Office of the Chief Financial Officer, Department of Agriculture Part 3015.169 – Uniform Federal Assistance Regulations – Equipment Management requirements:

Recipient procedures for managing equipment shall, as a minimum, meet the following requirements (including replacement equipment) until such actions as transfer, replacement or disposal takes place:

- (a) Property records shall be maintained accurately. (Subpart D of this part contains retention and access requirements for these records.) The records shall include for each item of equipment the following:
  - (1) A description of the equipment including manufacturer's serial numbers.
  - (2) An identification number, such as the manufacturer's serial number.
  - (3) Identification of the grant under which the recipient acquired the equipment.
  - (4) The information needed to calculate the Federal share of the equipment (see § 3015.172).
  - (5) Acquisition date and unit acquisition cost.
  - (6) Location, use and condition of the equipment and the date the information was reported.
  - (7) All pertinent information on the ultimate transfer, replacement, or disposal of the equipment.
- (b) Every two years, at a minimum, a physical inventory shall be conducted and the results reconciled with the property records to verify the existence, current utilization, and continued need for the equipment. Any discrepancies between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the differences.
- (c) In order to insure adequate safeguards to prevent loss, damage or theft of equipment, a control system shall be used. Any loss, damage or theft of equipment shall be investigated and fully documented. The awarding agency may require a report of the circumstances involving the loss, damage, or theft of equipment.

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

June 30, 2011

(d) In order to keep the equipment in good condition, adequate maintenance procedures shall be implemented.

Code of Federal Regulations, Title 34 – Education, Part 80 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments – Subpart C – Post – Award Requirements, Section 80.32, Equipment, Part (d):

- Management Requirement – Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:
  - (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
  - (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
  - (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.
  - (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.

### **Condition**

**Child Nutrition Cluster and Child and Adult Care Food Program:** The District uses a computerized system called Filemaker for recording its food services or cafeteria equipment and updating inventory records for inventory checks performed. A review of the inventory records maintained in Filemaker showed that vital information such as unit acquisition cost, grant award number under which the equipment was obtained and condition of the property was missing.

Through discussion with the District’s responsible personnel, we noted that the District performs an inventory count of equipment at all of its locations once every 2 years. The process begins in April of the fiscal year and is expected to be completed by June 30 of the fiscal year. The District provides each school with an inventory log, listing the most current equipment at that school based on the most recent inventory count. The cafeteria personnel performing the inventory must place a checkmark against each item of inventory that exists at the locations. For additions and deletions, the cafeteria personnel are required to check off the equipment, and

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2011

write down quantities of added or deleted equipments on the add or delete form respectively. After the inventory is completed the cafeteria personnel must sign and date the logs and submit to the District office to update the master inventory list.

In our sample of 60 schools selected to perform testing for compliance with equipment management, we noted the following:

- a. Inventory logs for 9 schools did not have checkmarks against equipment item indicating the physical existence of the item.
- b. Inventory logs for 5 schools did not have the cafeteria personnel's signature.
- c. Inventory logs for 8 schools were not dated after the inventory was performed.
- d. The master inventory list was not updated with additions for 7 schools that had equipment(s) checked off on the add sheet.
- e. The master inventory list was not updated with deletions for 4 schools that had equipment(s) checked off on the delete sheet.
- f. The master inventory list contained 1 duplicate piece of equipment for 1 school.

As part of our testing, we inquired about the District's salvage policy for deleted equipments. We were informed that it was the District's policy to transport all salvaged equipment to the District's Salvage Warehouse which is managed by the District's Procurement Department. The salvaged equipment was then auctioned off to the public by the Procurement department, and no proceeds were returned to the Food Services Equipment Division that is responsible for managing and monitoring cafeteria equipment, to be returned to the granting agency. No copy of the policy, however, was made available to us.

**Title I Grants to LEAs:** Based on our review of the District's latest policies and procedures for inventory for equipment purchased through categorical programs (i.e. BUL-3508.3), it is our understanding that 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. 135 out of 734 schools did not submit either Principal Certification (PC) or Categorical Equipment Inventory (CEI) as required by the BUL-3508.3.
2. If schools did not purchase any equipment during the year, they are required to submit the PC to the Title I Office to certify that no equipment purchase was over \$500. During our review of the Inventory Log, we noted that there were a total of 178 schools who submitted a PC. However, based on the detailed expenditures recorded in the Integrated Financial System (IFS), we noted that twenty-one (21) schools purchased equipment above \$500 for the fiscal year 2010-11. As such, those schools should have submitted the CEI, instead of the PC.
3. In addition, we also noted that another ten (10) schools erroneously used the object code 4490 or 4410 for equipment items purchased below \$500. For items below \$500, object code 4501 or 4310 should be used.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

June 30, 2011

- 4. Further, we noted a total of another nine (9) schools had both exceptions for item #2 and #3 above.

**Vocational Education Basic Grants to States (Perkins IV)**

*Section 132 – ROC/P Adult Vocational Education Basic Grants (contract numbers 10-14894-64733-00 and 10-14893-7435-00):* 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 and, acquisition date. In our sample of 17 out of 34 schools to perform procedures to test the equipment management, we noted that certain equipment reported on the inventory logs did not contain all required components for 10 schools. The following summarizes the components missing from the inventory logs:

<u>Missing Required Component</u>	<u>Number of Schools<sup>(1)</sup></u>
Serial Number	3
Purchase Date	7
Cost of property	10
Property description	1

<sup>(1)</sup> *The acquisition cost for one school was omitted entirely from the equipment log.*

In addition, we also noted that the object code 4490 was erroneously used by two (2) schools for equipment items purchased below \$500. For items below \$500, object codes 4501 and 4310 should be used and object code 4490 is for items costing from \$500 to \$24,999 per BUL-1158.

*Section 131 – Secondary Vocational Education (contract number 10-14893-64733):* In our procedures performed over the inventory for equipment purchased with the Vocational Education Basic Grants for 25 out of 56 secondary schools, we noted that one (1) school did not update its purchases of eight (8) equipment totaling \$35,894 in the inventory equipment logs submitted to the Office of Curriculum - Instruction and School Support CTE (Office) for the fiscal year 2010-11. Additionally, 17 schools had not submitted the 2010-11 equipment logs to the Office.

**Workforce Investment Act, Title II:** Through discussion with the District’s responsible personnel, we noted that the District’s inventory management is decentralized, so detailed inventory logs are kept at each individual school rather than at the District. At yearend, the District collects the certificates from the schools stating that the inventory had been updated to reflect the current year transactions.

In our procedures performed over the equipment inventory (BUL-953.1 dated August 23, 2010) to verify if the Annual Certification Inventory form was submitted and prepared properly, we sampled 19 out of all 34 schools which were funded by the grant during the fiscal year 2010-11 and noted that the date and the name of the employee who performed the physical inventory was not identified for one (1) school.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

June 30, 2011

We further selected another 11 schools to determine if the inventory logs were completed in accordance with the BUL-953.1 and noted the following:

1. The inventory logs did not contain the required components for 4 schools. The following summarizes the components missing from the inventory logs:

<u>Missing Required Component</u>	<u>Number of Schools *</u>
Serial Number	1
Purchase Date	1
Cost of property	2
Tag number	3

2. Based on our review of the vendor invoices, we noted that one (1) school recorded only 30 CPUs and 30 monitors instead of 40 each on the log.
3. Instead of program code (i.e. funding source), we noted that one (1) school inadvertently reported the object codes for the entire inventory log.

*\* One school has 3 components missing and one school has 2 components missing on the logs.*

**Fund for the Improvement of Education (FIE):** Through discussion with the District’s responsible personnel, we noted that the District’s inventory management is decentralized, so detailed inventory logs are kept at each individual school rather than at the District.

Based on our review of the District’s latest policies and procedures for inventory for equipment purchased through categorical programs (i.e. BUL-3508.3), it is our understanding that schools and local district offices are required to be compliant with specific policies stated therein, if the equipment was purchased with categorical funds.

In the fiscal year 2010-11, there were a total of twenty-two (22) schools awarded with the FIE grants. Of the total schools, we noted that only eleven (11) schools had purchased equipment using the object code 4490. According to the BUL-1158, items costing from \$500 to \$24,999 are considered “non-capital” and object code 4490 should be used.

In our procedures performed to determine if the schools were in compliance with those policies and procedures, we sampled five (5) schools and requested the inventory logs from the school and noted the following exceptions:

1. The inventory logs did not contain the required components for 4 schools. The following summarizes the components missing from the inventory logs:

<u>Missing Required Component</u>	<u>Number of Schools <sup>(1)</sup></u>
Description of Equipment	1
Serial Number	2
Property Location	2

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

June 30, 2011

Purchase Date	2
Cost of property	2
Funding Source	1

*(1) The acquisition cost and date for one school was omitted entirely from the equipment log and the serial number for one school was omitted entirely from the equipment log.*

2. In our procedures performed over the inventory for equipment purchased with FIE grant funds, we noted that one (1) school did not update its purchases of equipment totaling \$10,990 in the inventory equipment log.

**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 and 2009-10 (F-09-06 and F-10-04).

**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.

**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**

**Child Nutrition Cluster and Child and Adult Care Food Program:** The District agrees with the recommendation. There will be an inventory conducted this year (2011-12) to review the accuracy of the master inventory log and take random samples to ensure staff is following procedures.

Name: Laura Benavidez  
Title: Deputy Director of Food Services – Operation  
Telephone: (213) 241-2999

**Title I Grants to LEAs:** FSEP will continue to work with the local district coordinators to resolve the deficiency in schools completing equipment inventory logs. The Program and Budget Handbook for 2012-2013 will continue to provide guidance on the appropriate object codes for purchasing capitalized and non-capitalized equipment, including equipment with a unit cost of less than \$500.

Name: Deborah Ernst  
Title: Director, Federal and State Education Programs  
Telephone: (213) 241-6990



# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

June 30, 2011

### **Vocational Education Basic Grants to States (Perkins IV):**

*Section 131 – Secondary Vocational Education:* Because of the District lay-offs of school clerical personnel, we are developing a new inventory system that our CTE advisors will be in control of budget, POs, receivers, and inventory. The highlights of this new system are the following:

1. Budget control sheets will be kept by each advisor. The budget sheets will include justifications for each item budgeted, Record of PO, Receiver Log, Inventory and Spot Inventory check list.
2. Central office will receive the control sheets once per month for review, spot checks and log.
3. Schools are assigned evenly to the advisors by the Central Staff. The Central Staff will send the inventory list to the advisors by April 16, 2012.
4. The physical inventory will be conducted at the same time as other school inventories for other programs in May 2012.
5. It is our intention to implement this process for school year 2011-2012 and future years in compliance with BUL-1158 above.

Name: Kathy Halsey

Title: Coordinator

Telephone: (213) 241-5687

*Section 132 – ROC/P Adult Vocational Education Basic Grants:* Equipment Log requirements have been reviewed with all Perkins Advisors. All logs have been updated and completed. Central office staff has scheduled visits to DACE schools to ensure logs are completed in accordance with requirements. Items under \$500.00 dollars will be itemized separately when purchased rather than "bundled" in adherence to district policy.

Name: Isabel Vazquez

Title: Director, Career Technical Education

Telephone: (213) 241-3821

**Workforce Investment Act, Title II:** The District agrees with the finding. The Division of Adult Education will retrain Principals and Assistant Principals at their monthly meetings on equipment inventories. The training will be followed up with communications reminding them to have accurate and complete inventories.

Name: Ted Nelson

Title: Assistant Budget Director

Telephone: (213) 241-3788

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

June 30, 2011

**Fund for the Improvement of Education (FIE):** Principals will be reminded at the beginning of each semester of the District procedures for maintaining appropriate inventory logs and asked to disseminate BUL-1158 to their designee responsible for the inventory of equipment at the school site and provide training as needed. In addition, Central office will provide schools with an equipment log template that has all of the required components by the second semester of the 2011-12 school year. In addition, identified schools with existing problems with inventory logs will be asked to provide documentation of corrections made by February 29, 2012 given that they have the needed documents available to do so.

Name: Janice Collins, Ph.D.  
Title: Project Director,  
Telephone: (213) 241-4131

**Program Identification**

Finding Reference Number:

**F-11-05**

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

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 (USED), 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 Agreement C-11730:10:11 and C-11724:10:11.

Compliance Requirement:

Earmarking

State Audit Guide Finding Code:

30000 and 50000

**Criteria**

**WIA Youth Activities:**

202 – Statement of Work of the Agreement, C-6 (a) states:

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2011

At least 50%<sup>(1)</sup> of all youth registered within the Youth Opportunity System must be out-of-school youth and at least 50%<sup>(1)</sup> of the system *funds expended must be for the benefit of out-of-school youth*. Contractor shall enroll and serve at least the minimum number of out-of-school youth found in the contract Performance Measures and Customer Service Level table as their network contribution toward the system wide goal. An out-of-school youth is defined as an eligible youth who 1) is a school dropout or 2) has graduated from high school or holds a GED, but is basic skills deficient, unemployed, or underemployed. Under WIA, youth enrolled in alternative schools are considered to be in school.

202 – Statement of Work of the Agreement, E-1 requires that minimum percentage of Out-of-School Youth to be served is 40%<sup>(1)</sup>.

#### **Vocational Education Basic Grants to States:**

*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 to administer 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

#### **ARRA – Head Start and ARRA Early Head Start:**

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2011

Head Start Act, 42 U.S.C. § 9837, Section 640(d)(1), which requires that “the Secretary shall establish policies and procedures to assure that for fiscal year 2009 and thereafter, not less than 10 percent of the total number of children actually enrolled by each Head Start agency and each delegate agency will be children with disabilities who are determined to be eligible for special education and related services, or early intervention services, as appropriate, as determined under the Individuals with Disabilities Education Act (20 U.S.C. 1400 et seq.), by the State or local agency providing services under section 619 or part C of the Individuals with Disabilities Education Act (IDEA).”

#### Condition

**WIA Youth Activities – Department of Labor:** The District’s WIA youth contract with the City of Los Angeles (City) consists of *In-school youth* and *Out-of-school youth programs*. In our procedures of reviewing the District’s compliance with earmarking, we noted that the program costs for the contract were not separately accounted for between the two (2) categories. We also noted that the District did not have a cost allocation plan to allocate the shared program costs between the two (2) programs; all program costs were recorded into one general ledger. As such, the District was unable to determine whether or not the minimum earmarking percentage was met for the contract year.

<sup>(1)</sup> According to the District’s Program Coordinator, the District’s agreement number C-117892 with the City requires the minimum percentage to be spent for out-of-school youth should have been 40% instead of 50%.

**Vocational Education Basic Grants to States:** 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 10-14893-64733):* The reported G&C amounted to \$678,610 which represented 60% of the account code 3228 for the program year 2010-11; however, the percentage was not supported. Additionally, the reported G&C cost exceeded the 10% limitation by \$34,736. The reported total cost for the contract for the program year 2010-11 amounted to \$6,438,737 and 10% of the total amounted to \$643,874.

*Section 132 – ROC/P Adult Vocational Education Basic Grants (contract numbers 10-14894-64733-00 and 10-14893-7435-00):* The G&C expenditures were 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 2010-11 were less than 1% of the program costs for both contracts.

**ARRA – Head Start and ARRA Early Head Start:** The District’s enrollments for individuals with disabilities (IEP) for both Head Start and Early Head Start programs did not meet the earmarking compliance requirement. To meet the 10% requirement, the Head Start and the Early Head Start needed IEP enrollments of 32 and 9, respectively. However, only 14 and 3 IEPs were enrolled for the Head Start and Early Head Start programs (under enrolled by 44% and 33%).

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

June 30, 2011

### Cause and Effect

**WIA Youth Activities:** There appears to be a lack of effective controls to ensure that the District is in compliance with the applicable contract requirements.

**Vocational Education Basic Grants to States:** Existing policies and procedures do not provide adequate support for the percentage used in meeting the earmarking provision.

**ARRA – Head Start and ARRA Early Head Start:** The District was not in compliance with the earmarking requirement.

### Questioned Costs

**WIA Youth Activities:** The District's final program cost claimed for the contract year 2010-11 amounted to \$638,617. Since the program costs were not allocated and reported separately, we were unable to determine whether or not the District met the 40% earmarking contract provisions.

**Vocational Education Basic Grants to States:** The known questioned is \$34,736.

**ARRA – Head Start and ARRA Early Head Start:** The questioned cost may not be applicable as a programmatic non-compliance issue does not usually constitute any questioned cost from the current year funding.

### 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.

### Views of responsible Officials, Planned Corrective Actions, and Contact Information

**WIA Youth Activities:** There was nothing in the contract which requires that the costs and number of out-of-school students be segregated or allocated in the General Ledger. Thus, the total costs of salaries and all other expenditures including those for in and out of school youths are not segregated in district's subcontractor invoices or billings to the City. Also, the number of students are identified as in/out of school and reported to the City in the Performance and Evaluation Report for each contract or year. These practices have been used since 2001 without negative comments from the City on its annual Program Monitor and FMD Audits.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2011

For 2011-12, to comply with this audit finding, the District has created a new program code (2A27) for the salary and benefits to separate the out-of-school youth from the in-school youth. In addition, there is still only one Contract and one Expenditure Plan (Budget) submitted and approved by the City fiscal year 2011-12. The audit recommendation to identify by student type the actual salary of personnel & operating expenses is not necessary and not cost efficient as the main goal and objective of the contract is to meet the overall numbers as established by the aforementioned Performance Measures and Customer Service Level form.

Name: José Artilles

Title: Work Experience Education Specialist

Telephone: (213) 241-7053

#### **Vocational Education Basic Grants to States:**

##### *Section 131 – Secondary Vocational Education*

1. We plan on adjusting the allocation to the Guidance & Counseling category not to exceed 10% of total expenditure.
2. We are going to create personnel activity report for time study for each employee.
3. We will create policies and procedures to support the earmarking provision.
4. We will have our procedure in place before the beginning of the second semester (about Feb 2012).

Name: Kathy Halsey

Title: Coordinator

Telephone: (213) 241-5687

*Section 132 – ROC/P Adult Vocational Education Basic Grant:* The Division of Adult and Career Education staff is aware of the 10% limit on G &C. Therefore school-based Perkins Advisors activities in that category were intentionally limited to providing information on non-traditional populations and referrals to other non-Perkins funded school-based staff to assist students. The multi-funded form, Perkins job duties and Perkins Claims forms will be reviewed and aligned so that activities that fall under each of the authorized areas will be easily identifiable. All activities will be completed by December 15, 2011.

Name: Isabel Vazquez

Title: Director, Career Technical Education

Telephone: (213) 241-3821

**ARRA – Head Start and ARRA Early Head Start:** The District agrees with the finding. Should the District participate in these programs in the future, policies and procedures will be implemented to ensure compliance with the requirement that no less than 10% of the total number of students enrolled will be

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

June 30, 2011

children with disabilities who are determined to be eligible for special education and related services or early intervention services.

Name: Ted Nelson

Title: Assistant Budget Director

Telephone: (213) 241-3788

### Program Identification

Finding Reference Number: **F-11-06**

Federal Catalog of Domestic Assistance Number(s): 84.010

Federal Program Titles: Title I Grants to LEAs, U.S. Department of Education (USED)

Pass-Through Entity: California Department of Education

Award Number Grant Agreement 11-14329-6473

Compliance Requirement: Earmarking – Targeting Funds for Choice-Related Transportation and Supplemental Education Services

State Audit Guide Finding Code: 30000 and 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.

### Condition

The District's supplemental education services (SES) funded by 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 each school year to verify the eligibility of a sample of 3,000 households selected from applications that it has approved for the free and reduced price meals. The data for the student eligibility is then updated automatically on November 1<sup>st</sup> to reflect the status changes and notifications must be provided to households by November 15<sup>th</sup>. On November 16<sup>th</sup>, 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.

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

June 30, 2011

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 3,896 students was being adjusted to a “denied” status, i.e. ineligible for the SBP program. Furthermore, we compared those 3,896 students with the roster that BTB obtained from ITD on November 16<sup>th</sup> and noted that 163 of those ineligible students were included in the BTB list and received SES services. Through our discussion with the BTB SES Coordinator, we were informed that the data provided by ITD was inadvertently generated based on the information captured in the FSB data files as of September 2010 instead of the updated data files as of November 16, 2010; as such, the eligibility information used by the BTB was not the most updated, resulting in services provided to ineligible students.

### **Cause and Effect**

The condition was due to a miscommunication between the BTB and ITD as to the date to capture the eligibility information from the FSB data files.

### **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 163 ineligible students amounted to \$241,004.

### **Recommendation**

We recommend that the District update its procedures to ensure that the data used for the SES eligibility determination is updated file based on the SBP verification.

### **Views of Responsible Officials and Planned Corrective Actions**

We will ensure all future requests highlight the need to capture the most current information. In addition, starting with the 2011-12 school year, Beyond the Bell will request an update of the SES database after November 15 to reflect any changes in the Lunch application status for all SES eligible students. Beyond the Bell will inform SES providers of any students that may become ineligible based on their meal application denial so they can be removed from the program.

### **Contact Information**

Name: Luis Mora

Title: SES Coordinator

Telephone: (213) 241-3082

### **Program Identification**

Finding Reference Number:

**F-11-07**

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), California Department of Education (CDE), CFDA No. 84.048, Grant Agreement 10-



**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

June 30, 2011

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 Fun, Department of Health and Human Services (HSS), and ARRA – Child Care and Development Block Grant. California Department of Education (CDE), CFDA Nos. 93.575, 93.596, and 93.713, Grant Agreement Nos. CCTR-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.

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 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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2011

indirect costs and audits. Contractors shall maintain written documentation of the rationale used in determining direct and administrative costs.

**Head Start and Early Head Start (Recovery Act):** Code of Federal Regulations – Title 45 – Public Welfare, Part 1301 – Head Start Grants Administration – Subpart D – Personnel and General Administration, Section 1301.32, Limitations on costs of development and administration of a Head Start program:

- 1) Allowable costs for developing and administering a Head Start program may not exceed 15 percent of the total approved costs of the program, unless the responsible HHS official grants a waiver approving a higher percentage for a specific period of time not to exceed twelve months.
- 2) Grantees must charge the costs of organization-wide management functions as development and administrative costs. These functions include planning, coordination and direction; budgeting, accounting, and auditing; and management of purchasing, property, payroll and personnel

Section 11 (d) of OMB Circular A-87 states: “Fringe Benefits”

- 5) The cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and worker's compensation insurance (except as indicated in section 22, Insurance and indemnification); pension plan costs (see subsection e.); and other similar benefits are allowable, provided such benefits are granted under established written policies. Such benefits, whether treated as indirect costs or as direct costs, shall be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities.

**Condition**

**Vocational Educational Basic Grants to States:** Section 131 – Secondary Vocational Education: During our procedures performed over program earmarking requirements, we noted that the District claimed its State’s approved indirect cost rate of 2.14 percent of total program costs as administrative cost for the fiscal year 2010-11.

Based upon our additional analysis, we identified the following positions and their salaries which appeared to be administrative functions, but their salaries were included in the program expenditures for the fiscal year 2010-11.

Secretary	\$ 54,698
Office Technicians	56,879
Senior Financial Analyst	55,868
	\$ 167,445

The Department that operates the Secondary Vocational Education provided us with their analysis to indicate that the job duties for the above positions were all program directly related functions. However, based on our review of their analysis, we concluded that their job duties (i.e. processing purchase orders,

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

June 30, 2011

filing, accounting, budget development, financial reporting) are solely administrative functions. As such, the above positions should be reported under administrative costs instead of program costs.

The District’s claim for the administrative expenditures amounted to \$156,197 for the fiscal year 2010-11. The maximum allowed administrative cost amounted to \$305,755 which is 5% (excluding the approved indirect rate of 2.14%) of the total direct program expenditures of \$6,115,095 (including obligations) for the fiscal year 2010-11. Therefore, the expenditures in question listed above would cause the District to exceed its administrative earmarking limitation by \$17,888 (167,445+156,197-305,755) for the fiscal year ended June 30, 2011.

**Child Care and Development Fund:** During procedures performed over program earmarking requirements, we noted that the administrative costs of the District’s Early Childhood Education Division (Division) were not separately accounted for and therefore, they were not reported accordingly on the final CDFS 9500 (CCTR-9129) and CDFS 8501(CSPP-9233) for the fiscal year ended June 30, 2010 (which was due in February 2011).

Based upon our additional analysis, the combined estimated administrative personnel cost appeared to be \$4,658,749 for 2009-10. The maximum allowed amount for administrative cost amounted to \$17,566,623 which is 15% of the combined total direct program expenditures of \$117,110,821, (\$7,525,976 for CCTR-9129 and \$109,584,845 for CSPP-9233) for the fiscal year 2009-10. 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, 2010. 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.

**Head Start and Early Head Start (Recovery Act):** During our procedures performed over program earmarking requirements, we noted that the Early Childhood Education that operates the Head Start and Early Head Start programs calculated and tracked the administrative costs on a spreadsheet, to support the earmarking provision. The Division’s claim for the administrative costs amounted to \$205,391 for the Head Start program and \$99,195 for the Early Head Start program. In our review of the expenditures recorded on the spreadsheet, the District’s administrative costs claimed for the contract year 2010-11 did not exceed the 15% administrative earmarking limitation for those grants awarded in the fiscal year. However, based on our review of the detailed expenditures on the spreadsheet, we noted that the following line items were reported based on allocation percentages of the total costs incurred per the Integrated Financial System (IFS), the book of record. However, the allocation percentages used in splitting between the program and administrative costs were not supported by a cost allocation plan or any other verifiable data. As such we could not determine if the allocation methodology and calculations were reasonable and acceptable for the cost of the line items allocated within the total administrative cost claimed.

Program	Description	Total	Allocation for Admin	Program Cost	Admin Cost
HS	Managers:	\$ 6,362	50%	\$ 3,181	\$ 3,181
HS	FICA, SUI, Worker's Comp	54,787	5%	52,048	2,739
HS	Health & Welfare	140,025	5%	133,024	7,001

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

June 30, 2011

HS	Utilities, Telephone	16,428	50%	8,214	8,214
HS	Retirement (PERS & STRS)	63,663	5%	60,480	3,183
		<u>\$ 281,265</u>		<u>\$ 256,947</u>	<u>\$ 24,318</u>

Program	Description	Total	Allocation for Admin	Program Cost	Admin Cost
EHS	Disabilities Services Personnel:	\$ 710	10%	\$ 639	\$ 71
EHS	Managers	3,015	50%	1,507	1,508
EHS	FICA, SUI, Worker's Comp	26,647	5%	25,315	1,332
EHS	Health & Welfare	75,999	5%	72,199	3,800
EHS	Retirement (PERS & STRS)	41,690	5%	39,605	2,085
EHS	Office Supplies	12,665	45%	6,966	5,699
EHS	Other Supplies - Adv Committee	2,999	20%	2,399	600
EHS	Other Costs	220	10%	198	22
EHS	Office Supplies	18,762	45%	10,319	8,443
EHS	Other Contracts	<u>11,825</u>	60%	<u>4,730</u>	<u>7,095</u>
	Total	<u>\$ 194,532</u>		<u>\$ 163,877</u>	<u>\$ 30,655</u>

**Cause and Effect**

**Vocational Educational Basic Grants to States:** The District's Secondary Programs department did not concur with the finding and claimed that the positions in question were funded 100% directly by the program and therefore, such costs should be considered as direct program costs. The direct and indirect administrative cost is defined as activities necessary for the proper and efficient performance of the eligible fiscal and data collection responsibilities under the Perkins Act of 2006. The job functions of executives, secretaries, office clerks and accountants should be reported under the administrative category as either direct or indirect cost.

**Child Care and Development Fund:** It appears that the Division did not follow the District's policies and procedures to properly account for administrative costs for these grants which impose the earmarking limitation.

**Head Start and Early Head Start (Recovery Act):** The District was not able to provide an explanation (or the support) for the allocation methodology.

This is a repeat finding, having been reported previously for June 30, 2007 to June 30, 2010 (F-07-15, F-07-16, F-08-07, F-08-09, F-09-08 and F-10-07).

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

June 30, 2011

### Questioned Costs

**Vocational Educational Basic Grants to States:** \$17,888

**Child Care and Development Fund:** The questioned cost may not be applicable as our estimate is below the limitation of the administrative cost.

**Head Start and Early Head Start (Recovery Act):** The total contract award for the fiscal year 2010-11 amounted to \$1,924,761 and \$1,389,085, respectively for Head Start and Early Head Start programs. The maximum program administrative cost would be 15% of the total contract award amount or \$288,714 and \$208,363 for Head Start and Early Head Start, respectively. The Division's claims for the administrative costs amounted to \$205,391 for Head Start program and \$99,195 for the Early Head Start program; and therefore, Early Childhood Education's remaining allowable administrative costs for the contracts were \$83,323 and \$109,168, respectively.

Since the allocation percentages were not supported, we were not able to determine if the administrative costs for the two (2) programs exceeded the provision.

### 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.

### Views of responsible Officials, Planned Corrective Actions, and Contact Information

**Vocational Educational Basic Grants to States:** The salaries of the three positions were considered direct program costs due to the following reasons:

- a. They were primarily hired to work exclusively for the Perkins program.
- b. They did not perform activities for any other District general or specially funded programs and the District general activities that may refer to the position or title used by District Human Resources.
- c. The titles used for the Perkins positions were different from those used by LAUSD. However, they are the same job descriptions.
- d. The positions were included as part of Direct Program Costs in the Request for Fund Application submitted and approved by CDE.

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

June 30, 2011

The District will review the job functions of the individuals involved and ensure that administrative cost in the grant does not exceed 5%.

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 has realigned the budget for Fiscal Year 2011-12 to show all administrative costs in one program code. This allows us to separate those costs from direct program costs for reporting purposes. By February 2012, ECE Fiscal Services will identify school based positions that may appear to be administrative in nature but are actually performing direct program activities and have them maintain activity logs as required by District Policy Bulletin BUL-5999.0, Documentation for Employees Performing Administrative & Direct Program Activities, dated February 9, 2011. In Fiscal Year 2010-11, administrative costs were identified, even though they were in various program codes, and given to General Accounting for inclusion for the final report that will be issued in 2012.

Name: Ted Nelson

Title: Assistant Budget Director

Telephone: (213) 241-3175

**Head Start and Early Head Start (Recovery Act):** The District agrees with the finding. The methodology for the allocation of administrative expenditures had been discussed but never formalized into a written document. If the District participates in these programs in the future, methods of allocating administrative and program expenditures will be formalized into a written document that provides the rationale for the percentages used. Furthermore, activity logs will be maintained to document time spent in administrative and program activities.

Name: Ted Nelson

Title: Assistant Budget Director

Telephone: (213) 241-3175

### Program Identification

Finding Reference Number:

**F-11-08**

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

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP), U.S. Department of Education (USED), CFDA NO. 84.334, Grant Agreements P334A050178 and P334A060124;

Head Start and Early Head Start (Recovery Act), Department of Health and Human Services (HHS),

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

June 30, 2011

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.

Compliance Requirement: Matching  
State Audit Guide Finding Code: 30000 and 50000

### Criteria

**GEAR-UP:** Code of Federal Regulations – Title 34 – Education, Part 80 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments – Subpart C – Post-Award Requirements, Section 80.24, Matching or cost sharing:

- Records. Costs and third-party in-kind contributions counting toward satisfying a cost sharing or matching requirement must be verifiable from the records of grantees and subgrantee or cost-type contractors. These records must show how the value placed on third-party in-kind contributions was derived. To the extent feasible, volunteer services will be supported by the same methods that the organization uses to support the allocability of regular personnel costs.

U.S Department of Education: Gaining Early Awareness and Readiness for Undergraduate Programs, Office of Postsecondary Education:

- Section 404C(b) of the Higher Education Act requires at least 50% of the total cost of a GEAR UP project to be paid with State, local, institutional, or private funds.
- Some GEAR UP grantees proposed in their applications matching contributions exceeding the statutory minimum. Under the GEAR UP regulations at 34 CFR 694.7(a) (2), a grantee is obligated to contribute the entire amount of match stated in its application, even if the amount exceeds the statutory requirement.
- Grantees are required by the GEAR UP regulations at 34 CFR 694.7(a) (2) to comply with the matching percentage stated in their applications for each individual year of the grant.

**Head Start and ARRA Early Head Start (Recovery Act):** Code of Federal Regulations – Title 45 – Public Welfare, Part 1301 – Head Start Program Performance Standards and Other Regulations – Subpart C - Federal Financial Assistance –, Section 1301.20, matching requirements:

- (a) Federal financial assistance granted under the act for a Head Start program shall not exceed 80 percent of the total costs of the program, unless:
- (1) An amount in excess of that percentage is approved under section 1301.21; or
  - (2) The Head Start agency received Federal financial assistance in excess of 80 percent for any budget period falling within fiscal year 1973 or fiscal year 1974. Under the circumstances described in clause
  - (3) Of the preceding sentence, the agency is entitled to receive the same percentage of Federal financial assistance that it received during such budget periods.

Section 11 (h) of OMB Circular A-87 states: “*Support of salaries and wages*”

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2011

- (4) 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 which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:
- a. More than one Federal award,
  - b. A Federal award and a non-Federal award,
  - c. An indirect cost activity and a direct cost activity,
  - d. Two or more indirect activities which are allocated using different allocation bases, or
  - e. An unallowable activity and a direct or indirect cost activity.
- (5) 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.
  - e. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:
    - i. The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;
    - ii. At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and
    - iii. The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.
- (6) Substitute systems for allocating salaries and wages to Federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable *measures of* employee effort.
- (7) Salaries and wages of employees used in meeting cost sharing or matching requirements of Federal awards must be supported in the same manner as those claimed as allowable costs under Federal awards.

#### **Condition**

**GEAR-UP: Grant P334A050178 (Finding Code 30000)**



## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2011

In our procedures performed over matching contributions, we selected grant P334A050178 for LD 4 that reported matching expenditures totaling \$2,585,667, for the fiscal year. We requested documentation to support the reported matched expenditures and noted the following:

In our review of 40 Personnel Activity Reports (PARs), we noted the following internal control deficiencies over reporting of matching:

- 1 PAR was under-reported by 4 hours compared to the actual hours reported on the payroll records (SAP);
- 12 PARs were over-reported by a total of 133.50 hours compared to the actual hours reported on the payroll records (SAP);

The total net over-reported matching amounted to \$7,875 of \$382,016 sampled from \$2,031,774 of the total cash match for salary and benefits.

The total cash match of personnel and non-personnel from LD 4 amounted to \$2,031,774 and \$54,276, respectively. The remaining balance of the \$499,617 matching was contributed from LD4's sub-recipients.

#### **GEAR-UP: Grant P334A060124 (Finding Code 30000)**

In our procedures performed over matching contributions, we selected grant P334A060124 for LD 6 that reported matching expenditures totaling \$942,815, in the annual performance report submitted for the reporting period ending March 31, 2011. We requested documentation to support the reported matched expenditures and noted the following:

In our review of 20 PARs, we noted the following internal control deficiencies over reporting of matching:

- 2 PARs were over-reported by a total of 4 hours compared to the actual hours reported on the payroll records (SAP);

The total net over-reported matching amounted to \$250 of \$255,859 sampled from \$795,842 of the total cash match for salary and benefits.

The total cash match of personnel and non-personnel from LD 6 amounted to \$795,842 and \$34,959, respectively. The remaining balance of the \$112,374 matching was contributed from LD 6's sub-recipients.

**Head Start and ARRA Early Head Start, Recovery Act (Finding Codes 30000 and 50000):** The District satisfied the mandatory non-federal matching requirements mandated by the Head Start Act by using the State and local funding, such as the California State Preschool grant (CSPP), First 5 LA (F5LA) and CalSafe, as a match to pay the partial salaries and benefits for program personnel such as teachers, early education aides and other personnel that rendered services to the ARRA Head Start and ARRA Early Head Start programs.

In our procedures performed over matching contributions to verify if the activities funded by the matching funds were in fact allocated or charged in accordance with the relative benefits received, we

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2011

sampled 40 employees (31 from ARRA Head Start and 9 from ARRA Early Head Start) and requested supporting documentation (either Semi-Annual Certifications “SAC” or Multi Funded Time Reports “MFTR”) for the matched expenditures. The payroll timesheets which indicated the location where the employee worked supported the direct benefit to the program. However, we noted the following exceptions related to additional supporting documentation to comply with the OMB requirements:

1. MFTRs provided were signed but not dated for 2 employees.
2. The SACs/MFTRs for 23 employees (18 from Head Start and 5 from Early Head Start) were not prepared timely; these were signed and dated subsequent to our requests.
3. The District was unable to provide the timesheet to support the work hours of 1 ARRA Head Start employee; only a MFTR was provided. Since MFTR does not contain location code information, we were unable to verify if the employee actually worked for the ARRA Head Start program. The same employee’s MFTR was also not prepared timely (signed and dated subsequent to our request).

The inadequately supported match for item number 3 above amounted to \$13,375 of \$957,973 sampled from \$1,162,822 of the total cash match for salary and benefits for the ARRA Head Start Program.

For the fiscal year 2010-11, the District reported federal expenditures of \$1,521,679 and \$1,007,028 respectively for ARRA Head Start and ARRA Early Head Start programs.

#### **Cause and Effect**

**GEAR-UP:** The causes of the above conditions were attributed to formula errors in the electronic spreadsheets utilized by the District to track the matching hours and human error in failing to detect the errors.

These findings are repeat findings, having been reported previously for June 30, 2006 to June 30, 2010 (F-06-13, F-07-12, F-08-08, F-09-17 and F-10-06).

**Head Start and ARRA Early Head Start (Recovery Act):** The District satisfied the non-federal matching requirements mandated by Title 45, Section 1301.20. However, our testing indicated a 65% (sixty five percent) error rate for non-compliance with preparation of the supporting SAC’s and MFTR’s in a timely manner. The cause of the above conditions were due to insufficient controls in place by the District to ensure that salaries and wages of employees used in meeting matching requirements for the ARRA Head Start and ARRA Early Head Start programs, were supported in the same manner as those claimed as allowable costs under Federal awards.

#### **Questioned Costs**

**GEAR-UP:** Questioned costs are not applicable. The deficiencies noted above did not result in incorrect reporting to the grantor. The District’s matching costs for Fiscal Year 2010-11 are not due to the grantor until the FY 10-11 APR submission date of April 2012 and are subject to revisions until such time the report is submitted.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2011

**Head Start and ARRA Early Head Start (Recovery Act):** The questioned matching costs totaling \$13,375 resulted from the unsupported matching hours (missing timesheets). For the employees whose SACs and MFTRs were not prepared untimely or not dated, there is no questioned cost because we were able to determine with the timesheets and the work locations that the employees in fact worked in the Head Start program and were funded by non-federal funds. However, these exceptions are a result of a control deficiency over the documentation requirements in accordance with Circular A-87 as part of the support for the non-federal matching.

#### **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.

#### **Views of responsible Officials, Planned Corrective Actions, and Contact Information**

##### **GEAR-UP: *Grant P334A050178***

This was the first year a self-calculating spreadsheet was used to document match. If this system is used next year (2011-12)

1. Tighter controls will be imposed by not allowing GEAR UP staff access to the sheet containing formulas to eliminate the over and under reporting of match.
2. Regular checks will be throughout the year while documenting match to eliminate more problems at the end of the year.

We have engaged an external evaluator to work with GEAR UP 4 LA. Our understanding is that an online match database system is included in those services which have been tailored for GEAR UP.

Name: Micaela Vazquez-Hahn

Title: Director

Telephone: (213) 241-0128

##### **GEAR-UP: *P334A060124***

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

June 30, 2011

Match forms will be individually, manually reviewed by the senior office technician and director to correct over-reporting due to manual inputting errors for previous year and regularly on an ongoing basis.

Name: Monique Dacay

Title: Director

Telephone: (323) 806-0941

**Head Start and ARRA Early Head Start (Recovery Act):** The District agrees with the finding. The District has been able to obtain the Semi-Annual Certification and MFTR for the majority of the employees. These documents, along with the time sheets, provide the necessary support for the matching requirement. Even though adequate documentation was missing for a few employees, the District exceeded the matching dollar amount required by the program. If the District should participate in this program in the future, policies and procedures will be implemented to support and document the matching requirement.

Name: Ted Nelson

Title: Assistant Budget Director

Telephone: (213) 241-3788

### Program Identification

Finding Reference Number:	<b>F-11-09</b>
Federal Catalog of Domestic Assistance Number(s):	84.367
Federal Program Titles:	Improving Teacher Quality State Grants, U.S. Department of Education (USED)
Pass-Through Entity:	California Department of Education
Award Number	PCA14344
Compliance Requirement:	Period of Availability
State Audit Guide Finding Code:	30000 and 50000

### Criteria

Code of Federal Regulations Title 34 – Education, Part 80 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments – Subpart C – Post-Award Requirements, Section 80.23, Period of availability of funds:

- General: Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case, the carryover balances may be charged for costs resulting from obligations of the subsequent funding period.

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

June 30, 2011

- Liquidation of obligations: A grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation) to coincide with the submission of the annual Financial Status Report (SF-269). The federal agency may extend this deadline at the request of the grantee.

### **Condition**

In our review of the period of availability, we noted that for all federal grants, the District has implemented alternative policies and procedures to manually monitor the expenditure of funds and the 90-day liquidation period at the end of an award year.

In our procedures of reviewing the District's compliance with the period of availability requirement, we selected samples from each of the grants and noted that for the current year expenditure testing of 60 samples from the Improving Teacher Quality State Grants, 2 transactions totaling \$54,920 were paid for services rendered in fiscal year 2009-10, 90 days after the end of the period of availability, which was September 30, 2010.

Total exceptions amounted to \$54,920 of \$1,981,693 sampled from the \$51,457,171 total program expenditures for the fiscal year ended June 30, 2011.

### **Cause and Effect**

This is an isolated case where the year-end accrual by the program department was not timely determined and submitted to accounts payable branch.

This finding is a repeat finding; it has been reported previously for June 30, 2005 – June 30, 2009 (F-06-17, F-07-18, F-09-09, and F-10-09)

### **Questioned Costs**

\$54,920

### **Recommendation**

We recommend that the District continue to closely monitor the expenditures charged to an appropriate grant award period.

### **Views of Responsible Officials and Planned Corrective Actions**

The District agrees that certain transactions were either not accrued or liquidated properly. The District will continue with its established procedures to closely monitor the expenditures charted to an appropriate grant award period. The District will continue to review these procedures for opportunities to improve the controls over period of availability.

### **Contact Information**

Name: Yumi Takahashi

Title: Controller

Telephone: (213) 241-7889

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

June 30, 2011

### Program Identification

Finding Reference Number: **F-11-10**

Federal Catalog of Domestic Assistance Number(s): 84.010

Federal Program Titles: Title I Grants to LEAs, U.S. Department of Education (USED)

Pass-Through Entity: California Department of Education

Award Number 11-14329-6473 and 11-14981-6473

Compliance Requirement: Procurement, Suspension and Debarment

State Audit Guide Finding Code: 30000

### Criteria

Code of Federal Regulations, Title 34 – Education, Part 80 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments – Subpart C – Post-Award Requirements, Section 80.36, Procurement:

- Procurement standards:
  - i. Grantees and subgrantees will use their own procurement procedures, which reflect applicable state and local laws and regulations, provided that the procurements conform to applicable federal law and the standards identified in this section.
  - ii. Grantees and subgrantees will maintain records sufficient to detail the significant history of a procurement. These records will include, but are not necessarily limited to the following: Rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.
- Methods of procurement to be followed:
  - i. Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source, or after solicitation of a number of sources, competition is determined inadequate.
    - a. Procurement by noncompetitive proposals may be used only when the award of a contract is infeasible under small purchase procedures, sealed bids or competitive proposals and one of the following circumstances applies:
      - (A) The item is available only from a single source;
      - (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.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2011

- 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 40 expenditures funded by Title I Grants to LEA, 26 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 contract rates were properly applied, we noted that items purchased for 9 purchase orders totaling \$1,027,973 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. Through our discussion with the procurement personnel, we were informed that its current policies and procedures did not require the District's buyers to verify the reasonableness of the original price or to perform any additional procurement procedures.

#### **Cause and Effect**

The District's current policies did not include procedures to ensure that purchases through master contracts be subject to normal competitive bids process if the items were not covered in the contracts when originally procured.

#### **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 and Planned Corrective Actions**

We agree with the finding and will modify our appropriate desktop procedures to require procurement staff to validate discounts received followed up with verification of discount by accounts payable. This requirement may be evaluated and addressed as part of the blueprint phase of SAP Release 3 SRM module.

#### **Contact Information**

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, 2011

### Program Identification

Finding Reference Number:	<b>F-11-11</b>
Federal Catalog of Domestic Assistance Number(s):	93.575 and 93.596
Federal Program Title:	Child Care and Development Fund: Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fun, Department of Health and Human Services.
Pass-Through Entity:	California Department of Education
Award Numbers:	CCTR-0124 and CSPP-0227
Compliance Requirement:	Program Income
State Audit Guide Finding Code:	30000

### Criteria

Section IV – F of the District Contract with CDE General Child Care and Development Program Requirements:

For contractors providing direct services to children, fees shall be considered delinquent after seven (7) calendar days from the date the fees were due.

A Notice of Action, Recipient of Services shall be used to inform the family of the following:

1. The total amount of unpaid fees
2. The fee rate
3. The period of delinquency
4. Services shall be terminated two (2) weeks from the date of the Notice unless all delinquent fees are paid before the end of the two-week period.

### Condition

In our procedures performed for the parent fee collection, we noted that a total past due amount of \$95,893 from the parents as of June 30, 2011 was recorded in the District's Early Education Student Information System (EESIS). Of the total, \$55,595 was outstanding for 120 days or more, \$5,939 between 90 to 120 days, \$8,431 between 60 to 90 days, \$6,726 between 30 to 60 days and \$19,202 for less than 30 days. These outstanding amounts were spread over 714 families and 99 centers.

We further randomly selected 5 families who had outstanding balances over 120 days and verified if those families were properly terminated. Based on our review and discussion with the Child Care Centers responsible personnel, we noted that all 5 families continued to receive services beyond the end of Fiscal Year 2010-11 and payment plans were not implemented until October 2011 and November 2011 when this issue was brought to their attention.



# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

June 30, 2011

### Cause and Effect

There appears to be a lack of adequate internal controls to ensure the parent fees are collected by the child care centers timely.

### Questioned Costs

\$95,893

### 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.

### Views of responsible Officials and Planned Corrective Actions

The District agrees with the finding. In November 2011, the Early Childhood Education (ECE) Division conducted training for Principals and Office Managers on how to collect delinquent fees using the Early Education Student Information System (EESIS). This included how to set up alerts reminding Office Managers that fees are due, how to properly record payment of late fees, and how to create a payment plan for families owing money to the District. Emphasis was placed upon terminating families from the program if delinquent fees are not paid. They were also instructed on how to flag them in EESIS so that they would not be able to enroll at a different site without paying past due fees. This training will be conducted yearly.

### Contact Information

Name: Ted Nelson

Title: Assistant Budget Director

Telephone: (213) 241-3175

### Program Identification

Finding Reference Number: **F-11-12**

Federal Catalog of Domestic Assistance Number: 84.048

Federal Program Title: Vocational Education Basic Grants to States (Perkins IV), U.S. Department of Education (USED), 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;

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

June 30, 2011

Twenty-First Century Community Learning Centers, U.S. Department of Education (USED), California Department of Education (CDE), CFDA No 84.287, Grant 10-14349-6473-4A, 10-14349-6473-5A, 10-14535-6473-4A, 10-14535-6473-5A, 10-14535-6473-6A.

Compliance Requirement: Reporting  
State Audit Guide Finding Code: 30000 and 50000

### Criteria

Code of Federal Regulations Title 34 – Education, Part 80 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, Subpart C – Post – Award Requirements, Section 80.20, Standards for financial management systems:

- A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:
- Permit preparation of reports required by this part and the statutes authorizing the grant, and
- 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.

**ARRA – Head Start:** Code of Federal Regulations – Title 45 – Public Welfare, Part 92 – Uniform administrative requirements for grants and cooperative agreements to state, local and tribal governments – Subpart C – Post Award requirements –, Section 92.20, Standards for financial management systems:

- (a) A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2011

1. Permit preparation of reports required by this part and the statutes authorizing the grant, and
2. 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 of applicable statutes.

(b) The financial management systems of other grantees and subgrantees must meet the following standards:

(6) *Source documentation.* Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.

**Condition**

**Vocational Education Basic Grants to States: Program Reporting:** In our procedures performed over programmatic reporting, we noted that the District compiled CDE Form 101: E1 Report of Career Technical Education Enrollment and Program Completion (CDE Form 101 or E1) for 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 7 CBEDs and traced student population data reported on the E1 and E2 to SIS and noted discrepancies between the numbers of the students reported. In the E1 report for school year 2009-2010, we were unable to reconcile the data on all 7 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	CDE E2 Report	Variance Over(Under)
4298	Ethnicity	465	135	(330)
4421	Ethnicity	389	387	(2)
4613	Ethnicity	375	286	(89)
5557	Ethnicity	186	166	(20)
5661	Ethnicity	63	51	(12)
5756	Ethnicity	203	115	(88)
4050	Ethnicity	882	1173	291

**ARRA – Head Start:** As per the District’s contract with the grantor, LACOE, the District is required to submit Center-based Monthly Attendance Reports (CMARs) to LACOE providing details of the number of days present, excused absences and unexcused absences for each student enrolled at the center. The District uses parent sign-in and sign-out sheets to record attendance for students at each of the District’s Head Start centers, which are then summarized and reported to LACOE at the end of each month.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

June 30, 2011

In our procedures performed to test the accuracy of the CMARs submitted to LACOE, we selected sixty (60) students from 4 months (15 from each month) and requested the CMARs and the parent sign-in and sign-out sheets for the corresponding months sampled. Our verification of the number of days present, excused absences and unexcused absences between the CMARs and the sign-in and out sheets disclosed the following:

1. 12 unexcused absences had been inadvertently reported as excused absences for 6 students;
2. 9 unexcused absences had been inadvertently reported as days present for 3 students;
3. 3 excused absences had been inadvertently reported as days present for 2 students;
4. 1 day present had been inadvertently reported as excused absence for 1 student.

**21<sup>st</sup> CCLC:** In our procedures performed over the attendance reporting to the California Department of Education (CDE), we sampled the two (2) Semiannual Attendance Reports (SAR) to CDE and 25 schools to trace the reported attendance information from the District’s SAR submitted to CDE to the “Monthly Attendance Report” (MAR), a report provided directly by the District’s individual afterschool providers related to the school attendance data. We noted that the attendance was over-and-underreported for 2 and 12 schools, respectively.

<b>Agency</b>	<b>School Name</b>	<b>Attendance to CDE</b>	<b>Attendance per MAR</b>	<b>Over(Under) Reported</b>
Boys & Girls Club of Carson	Carson Senior High	13,627	13,443	184
Woodcraft Rangers	Manual Art Senior High	9,062	8,530	532
Ready, Set, Go!	Grape Elementary	1,758	1,784	(26)
LA’s Best	Lizarraga Elementary	7,695	7,965	(270)
LA’s Best	28 <sup>th</sup> Street Elementary	19,593	19,628	(35)
YS Plus	Millikan Middle	12,459	12,521	(62)
Boys & Girls Club LA Harbor	Banning Senior High	10,198	10,225	(27)
Boys & Girls Club of Carson	Narbonne Senior High	13,458	13,525	(67)
Champions Sports	Gardena Senior High	9,645	9,831	(186)
Champions Sports	Los Angeles Senior High	11,364	11,701	(337)
Keep Youth Doing Something	Arleta Senior High	10,060	10,089	(29)
Lacer	Fairfax Senior High	11,228	11,245	(17)
	North Hollywood Senior High			
Youth Policy Institute	High	5,178	5,197	(19)
Youth Policy Institute	Roybal Learning Center	9,323	9,361	(38)
	<b>Total:</b>	<b>144,648</b>	<b>145,045</b>	<b>(397)</b>

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2011

In another procedure performed over the attendance reported by the District's sub-recipients funded by 21<sup>st</sup> CCLC, we tested the attendance documentation of 933 students from 13 schools for the After School Education and Safety Program (ASES), which was jointly funded by State and Federal.

There were a total of 86 students in 7 different schools who did not have complete sign-in and sign-out time on the sign-in/sign-out sheets (note: exceptions noted for the following five (5) elementary schools were also reported on S-11-05 of the Findings and Questioned Costs Relating to State Awards). Some students didn't have either the sign-in time or sign-out time. Some students didn't have both. As a result, we were unable to determine how long each student participated in the program. The following are the details of the exceptions:

- **Apperson Elementary School**- 12 students signed in, but did not properly sign out for a total of 12 days.
- **116<sup>th</sup> Elementary School** - one (1) student signed in, but did not properly sign out for a total of one (1) day.
- **20<sup>th</sup> Elementary School** – 12 students signed in, but did not properly sign out for a total of 60 days.
- **Grape Elementary School**- five (5) students signed in, but did not properly sign out for a total of eight (8) days.
- **Griffin Elementary School** – one (1) student signed in, but did not properly sign out for a total of one (1) day.
- **Banning High School**<sup>1</sup>– forty-six (46) students signed in, but did not properly sign out for a total of one (1) day.
- **Los Angeles High School**<sup>1</sup> – nine (9) students signed in, but did not properly sign out for a total of one (1) day.

<sup>1</sup> School funded by 21<sup>st</sup> CCLC only.

We also obtained the Quarterly Attendance Reports (QAR) for the same schools we sampled and compared the total attendance reported to the attendance records (e.g. sign in/sign out sheets) for the schools for a sample week during the school year 2010-2011. We also tested the completeness and accuracy of the reports by selecting a sample of the students and tracing the same students to attendance records and vice versa. QARs are reports used by the District to report attendance to the California Department of Education (CDE). We noted the following exceptions:

- **Millikan Middle School** – QAR was overstated by 24 days, compared to the sign-in sheets. Upon examining the QAR, we also noted that two (2) students were entered three times on the QAR for the entire week tested, overstating it by 20 days. In addition, three (3) students marked present for a total of seven (7) days on the QAR were not found on the sign in sheets. We also noted three (3) students marked present for three (3) days on the sign-in sheets were not found on the QAR.
- **Colfax Elementary School** - QAR was understated by 15 days, compared to the sign-in sheets.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2011

- **20th Elementary School** – QAR was overstated by two (2) days, compared to the sign-in sheets. We noted that three (3) students marked present for three (3) days in the QAR were not found in the sign in sheets.
- **State Street Elementary School** – QAR was overstated by five (5) days, compared to the sign in sheets.
- **28<sup>th</sup> Elementary School** – We noted that one (1) student marked present for one (1) day in the QAR was not found in the sign in sheets. We also noted five (5) students marked present for a total of five (5) days in the sign-in sheets were not found on the QAR.
- **Chavez Elementary School** – We noted two (2) students marked present for a total of two (2) days in the sign-in sheets were not found on the QAR.
- **Grape Elementary School** – We noted that one (1) student marked present for one (1) day in the QAR was not found in the sign in sheets.
- **Lizarraga Elementary School** – QAR was understated by two (2) 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 QAR.
- **Banning High School** – We noted nine (9) students marked present in the QAR but were not found in the sign-in sheets. We also noted twenty-four (24) students marked present in the sign-in sheets were not found on the QAR.
- **Arleta High School** – We noted six (6) students marked present in the QAR but were not found in the sign-in sheets. We also noted eleven (11) students marked present in the sign-in sheets were not found on the QAR.
- **Manual Arts High School** – We noted twenty –three (23) students marked present in the sign-in sheets were not found on the QAR.
- **North Hollywood High School** – We noted three (3) students marked present in the QAR but were not found in the sign-in sheets. We also noted ten (10) students marked present in the sign-in sheets were not found on the QAR.
- **Los Angeles High School** – We noted six (6) students marked present in the QAR but were not found in the sign-in sheets. We also noted three (3) students marked present in the sign-in sheets were not found on the QAR.
- **Carson High School** – We noted thirteen (13) students marked present in the QAR but were not found in the sign-in sheets. We also noted six (6) students marked present in the sign-in sheets were not found on the QAR.
- **Narbonne High School** – We noted one (1) student marked present in the sign-in sheets were not found on the QAR.

#### Cause and Effect

**Vocational Education Basic Grants to States:** The District’s policy does not require documentation to be maintained to support numbers reported on E1 and E2 and any reconciliation between the information submitted by the individual schools and SIS. The District does not have policies and procedures in place to ensure accuracy of the conversion from CDE course definition to the District secondary education class code.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2011

This is a repeat finding from June 30, 2006 to June 30, 2010 (F-06-25, F-07-25, F-08-18, F-09-15 and F10-11).

**ARRA – Head Start:** Our sample testing of the attendance reporting process indicated a 20% error rate. The causes of the above conditions were due to insufficient controls in place by the District to adequately record and report attendance of the students enrolled in the program.

**21<sup>st</sup> CCLC:** In general, there does not appear to be effective controls in place to ascertain that sufficient documentation is maintained to support the District's compliance with reporting under this grant. Additionally, The District's internal control policy and procedures do not require documentation to be maintained to support the reconciliation between the MAR and SAR and do not require that SARs be reviewed and approved by the supervisor prior to submission.

This is a repeat finding from June 30, 2006 – June 30, 2011 (F-06-36, F-07-33, F-08-22, F-09-20, and F-10-12).

#### 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.

**ARRA – Head Start:** This finding is a reportable condition in internal control over the attendance recording and reporting process. Questioned costs may not be applicable because the program was a cost-reimbursement contract not based on attendance reported.

**21<sup>st</sup> CCLC:** 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.

**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.

**21<sup>st</sup> 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

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

June 30, 2011

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.

### **Views of Responsible Officials, Planned Corrective Actions, and Contact Information**

**Vocational Education Basic Grants to States:** We are in the process of updating or making changes in our SIS system. The corrections that are being made are the following.

1. Clerical personnel have changed District-wide due to budget cut. DATA on CTE students has not been populated in the correct field in SIS. We are now having the Advisors populate field 231 in the SIS system which is the Career Field. They will also populate the graduation information fields in April and May, 2012 which is the same calendar at high school sites.
2. We are changing field 231 to reflect the current pathways offered in LAUSD. That change is from 5 pathways to 58 pathways. The change in SIS was implemented on December 1, 2011. For school years 2010-2011 and 2011-2012, we will be able to have better information on CTE students.
3. We are working on the formula for extracting the accurate information from the SIS system. Also, we are working on information on completers in the year the student completed the pathway. Furthermore, we are developing a formula in SIS for seniors who have finished completer courses and have continued the pathway post-secondary.
4. We have set a new calendar for checking the process for populating fields, retrieving and reporting DATA on students.

Name: Kathy Halsey

Title: Coordinator

Telephone: (213) 241-5687

**ARRA – Head Start:** The District agrees with the finding. Should the District participate in this program in the future, policies and procedures over reporting will be implemented and school personnel will be trained on reporting requirements and procedures.

Name: Ted Nelson

Title: Assistant Budget Director

Telephone: (213) 241-3788



## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2011

**21<sup>st</sup> CCLC:** The following is a synopsis of the audit finding and the corrective measures implemented to ensure the programs comply with the requirement in the Education Code, operate at full capacity and offer students the best possible programming while maximizing our resources:

The finding demonstrates the need to strengthen our policies and procedures on attendance documentation for the 21<sup>ST</sup> Century Community Learning Centers Program (CCLC) and explain how we would provide more training on the policies and procedures to our numerous after-school providers so that attendance documentation is accurate when it is reported.

LAUSD - Beyond The Bell Branch has implemented the following procedures 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 are required to attend a **“Start-Up Meeting”** scheduled prior to the beginning of the school year. Extensive training on attendance documentation is offered during this meeting.
2. During the “Start-Up Meeting,” extensive time is spent on training staff on the importance of properly documenting and maintaining accurate attendance.
3. Beyond the Bell Branch Administrators and Traveling Supervisors attend the training meeting and interject their role in monitoring attendance procedures as they travel to sites. Beyond the Bell staff routinely monitor attendance to ensure procedures are being used and documentation is maintained as required.
4. Contractors and agency program personnel are required to attend an annual **“Policies and Procedures/Risk Management”** training. **As a result of the audit finding** and reflection on best practices, Beyond the Bell has developed an attendance documentation training scheduled for implementation for the 2011 – 2012 year. The training is offered on a monthly basis. Newly hired personnel must register for and attend the next available training date. Returning personnel must register for and attend the training during the fiscal year.
5. The following “Policies and Procedures/Risk Management” training dates are 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
6. Contractors and agency program personnel are required to attend Federal **Program Monitoring (FPM)** training. The FPM training reflects the CDE’s Program Dimensions. The goal of this training is to offer personnel a best practices approach to running exemplary programs that comply with the requirements in the Education Code. Extensive training on “attendance documentation” is offered during this meeting.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2011

7. Beyond The Bell Branch conducts “**site visits**” to monitor program quality and student attendance through:

#### **Field Office Administrators**

- Certificated Administrators conduct site visits to evaluate and monitor agency program implementation. Attendance documentation is closely monitored during these site visits.

#### **Field Office Traveling Playground Supervisors**

- Classified/Unclassified Traveling Playground Supervisors conduct weekly visits to evaluate and monitor agency program implementation. Attendance documentation to ensure appropriate staff-to-student ratio and observation of sign-in/sign-out procedures is closely monitored during these site visits.

#### **Central Office Administrators**

- Central Office Administrators conduct site visits to evaluate and monitor agency program implementation. In addition to program quality and compliance, attendance documentation is closely monitored during these site visits.

8. Beyond the Bell Branch conducts “**Random Reviews/Audits of Monthly Attendance Reports**” to examine agency sign-in/sign-out procedures. The agency’s “Attendance Documentation” procedures are further evaluated to ensure the agency’s record keeping corresponds to data submitted to Beyond the Bell. In addition, evaluation of these documents ensures they:

- Comply with Beyond the Bell’s “Early Release Policy.”
- Verify the sign-in/sign-out forms are certified by Site Coordinator.
- Contain Student ID Numbers.

9. To ensure the documentation for the 21<sup>st</sup> CCLC Program accurately reflects the number of students served and reported to the California Department of Education by the District, Beyond the Bell Branch contracted with City-Span Technologies Incorporated (A nationally recognized service firm which specializes in administering online attendance monitoring programs.) to administer an online attendance reporting and monitoring system. Beyond the Bell Branch through our needs assessments and evaluations recognized the need to strengthen our internal controls to ensure attendance data is compiled and reported accurately. Furthermore, Beyond the Bell Branch recognizes the need to maintain sufficient documentation for the reconciliation between the District’s Quarterly Attendance Reports (QAR) and information submitted to the California Department of Education. Consequently, Beyond the Bell’s gathering of attendance data and reporting procedures has evolved. As a result of previous audit findings, the following system and procedures have been implemented:

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

June 30, 2011

- **Monitoring has been strengthened from quarterly to monthly** and all contractors and staff are now required to submit attendance documentation monthly which has resulted in more accurate attendance reporting to the CDE.
- **Beyond the Bell issues a current "Alpha List"** containing student identification numbers to agencies. Prior to this practice, agencies were responsible for obtaining student identification numbers from schools. Frequently, the information was outdated or incomplete.
- Agencies **submit their attendance electronically** through a secured website to City-Span Technologies Incorporated.
- A **discrepancy report is issued** to agencies requesting them to make corrections of errors when they are identified.
- Agencies **correct and resubmit** the reports and discrepancies are fixed in attendance reports.
- The reporting of attendance to the California Department of Education (CDE) is accomplished on-line bi-annually through the ASSIST through close collaboration with CDE's technical staff to ensure accurate transfer of the information.
- As a result of the volume generated by Beyond the Bell programs, **the CDE has approved the submission** of attendance through an EXCEL program via e-mail. Personnel at CDE then upload the data into ASSIST. Once the data is in the system, the Beyond the Bell designee approves the data submitted.

We will continue to monitor these changes in protocol to ensure that the procedures are followed and all information is reported accurately and documented as necessary for auditing purposes. Should problems arise in any area for contractors or staff, Beyond the Bell will alter and refine the process accordingly to ensure continuous improvement in operations continues.

Name: Harry Talbot

Title: Administrative Coordinator

Telephone: (213) 241-7900

### Program Identification

Finding Reference Number: **F-11-13**

Federal Catalog of Domestic Assistance Number(s): 10.553, 10.555, and 10.559

Federal Program Title(s): Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children, U.S. Department of Agriculture (USDA)

Pass-Through Entity: California Department of Education

Award Number: 19-64733-0000000-01

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

June 30, 2011

Compliance Requirement: Reporting

State Audit Guide Finding Code: 30000

### Criteria

Title 7 – Agriculture, Chapter II – Food and Nutrition Service, Department of Agriculture, Part 210 – National School Lunch Program, Subpart B – Reimbursement Process for States and School Food Authorities, Section 210.8, Claims for reimbursement:

*Internal controls.* The school food authority shall establish internal controls which ensure the accuracy of lunch counts prior to the submission of the monthly Claim for Reimbursement. At a minimum, these internal controls shall include: an on-site review of the lunch counting and claiming system employed by each school within the jurisdiction of the school food authority; comparisons of daily free, reduced-price and paid lunch counts against data that will assist in the identification of lunch counts in excess of the number of free, reduced-price, and paid lunches served each day to children eligible for such lunches; and a system for following up on those lunch counts that suggest the likelihood of lunch-counting problems.

*School food authority claims review process.* Prior to the submission of a monthly Claim for Reimbursement, each school food authority shall review the lunch count data for each school under its jurisdiction to ensure the accuracy of the monthly Claim for Reimbursement. The objective of this review is to ensure that monthly claims include only the number of free, reduced price and paid lunches served on any day of operation to children currently eligible for such lunches.

### Condition

#### *Meal counting process:*

In the past, the District has been using the Food Services Data Capture (FSDC) system to record the number of meals served at its school sites (performed by physically counting and entering the number of meal tickets collected at meal times) and the Unisys system to report the meals to California Department of Education (CDE) for reimbursement purposes. In November 2009, Food Services Branch (FSB), which administers the meal programs at all of the District's schools, implemented the Cafeteria Management System (CMS) to replace its legacy systems of FSDC and Unisys. Initially the CMS was only implemented for back-of-house purposes, such as reporting to CDE and inventory management. Starting April 2010, FSB started rolling out the CMS at Points of Service (POS) for initial meal count data capture at its schools in a phased in manner. As of April 2011, 219 schools had implemented the CMS POS. The POS is designed to replace the legacy system of paper meal tickets with an electronic software application that stores and connects information relating to the student names, their meal eligibilities (free, reduced price or full price) and their photographs by homeroom. At meal times, the POS terminals, which resemble touchscreen computer monitors, display the names and photographs of the students for one homeroom at a time and the students line up by homeroom at the cafeteria windows to collect their meals. In order to record meal counts, the cafeteria workers operating the terminal tap the

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2011

appropriate photograph image or name of the student as the student passes through the terminal with his/her meal. This ensures that the meal claimed can be traced back to the particular student and his/her eligibility.

During our procedures to observe the operation of the CMS – POS (at fourteen of the District's schools), we observed students lined up at the window with their meals and the cafeteria workers operating the POS tapped the appropriate student's picture on the POS screen to signify that the transaction was complete. We further noted that the students appeared in rapid succession and in more than one instance, the cafeteria workers tapped the screen even before the student appeared at the window; in some instances the students appeared later and the cafeteria workers realized that the wrong pictures had been tapped and made a note of the names to be rectified later. It appeared very likely that the POS operators would tap the wrong pictures and not notice the mistakes. Therefore, we designed our substantive procedures to test the CMS to verify if a student who was absent on a specific day was claimed as having been served a meal on that day.

Accordingly, we selected 8 schools that had CMS implemented at POS. We then selected 5 students from each of the 8 schools for a total of 40 students. For these 40 students, we obtained the Student Monthly Attendance Summary (SMAS) reports for 1 month, each showing the dates on which the student was absent (the SMAS reports used for testing were tested without exception, by us for the state compliance attendance audit). Total number of absences tested for the 40 students were 85 days.

We also obtained CMS meal history reports for the 40 students for the month tested showing the dates on which each student ate a school meal (breakfast and/or lunch). A comparison of the SMAS reported absences and the CMS meal history reports showed that for 11 out of the 40 students, at least one breakfast or lunch was claimed in CMS for the day even though the student was absent. The total number of meals over claimed, was 3 breakfasts and 14 lunches, over 14 days.

#### ***Claims Review Process:***

Upon inquiry, we noted that prior to submission of monthly claims for reimbursement; the FSB performed an analysis of meal count data by location to test for reasonableness. For this purpose, the FSB had its six Accounting Technicians (ATs) download meal count reports from the CMS and compare the current month data with the preceding month's and preceding six months' data. A comparison was also made to see if the meal count for each day of the month was reasonably close to the month's average. However, we noted that the FSB did not have a formalized standard set of procedures to be followed by its ATs; as a result, each of the ATs performed his/her own procedures. Further, not all the ATs maintained a copy of the analysis performed each month. Therefore, we were unable to test if the analysis was in fact performed as represented to us.

#### **Cause and Effect**

Our sample testing of the meal count process indicated a 25% error rate. It appears that a lack of oversight and adequate training of the CMS-POS meal count process at the school cafeteria level has resulted in some over counting of meals served.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2011

It appears that the District has policies in place that require an analysis of meal counts prior to claims for reimbursement. However, the policies do not require documentation to be retained to evidence the analyses performed. Also, the policies do not prescribe a standard set of analysis procedures to be performed by each FSB AT.

#### **Questioned Costs**

This finding is a reportable condition in internal control over the meal count process and the claims review process. The question cost for the over claimed meals is \$43.36 which is less than \$10,000, the OMB Circular A-133 510(a)(3) requirement for reporting of known questioned costs.

#### **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.

#### **Views of responsible Officials and Planned Corrective Actions**

Food Services reviewed the information provided and has the following response:

Student meals are rung up in the POS system at the checkout point. All students on the list are at Elementary schools. Elementary students line up by classroom and alphabetically. Food Services is constantly requesting schools to provide photographs for students so that the cashier can not only verify the name but also match the student's face to the photograph.

- All the students on the list had a photograph in the POS system with the exception of 3 students.
- While there is always a possibility for human error with the cashier accidentally hitting the wrong student's name on the POS screen, the possibility for error is low especially when the student can be matched by both name and face. Also, students are required to state their name to the manager.

Based on this report we will do the following to inform our managers of the findings and highlight and emphasize to our staff:

- Follow up with school Principals to provide student photographs at the beginning of the school year and follow up on students without photographs, during the course of the year. Please note we have to rely on the school Principals for student photographs.
- Pay greater attention to matching both the name and face of the student to the name and photograph in the POS at the checkout point.

#### **Contact Information**

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

June 30, 2011

Name: Laura Benavidez  
Title: Deputy Director of Food Services – Operation  
Telephone: (213) 241-2999

**Program Identification**

Finding Reference Number:	<b>F-11-14</b>
Federal Program Title and Federal Catalog of Domestic Assistance Number(s):	Federally Funded Programs
Pass-Through Entity:	All Pass-through entities
Compliance Requirement:	Reporting
State Audit Guide Finding Code:	30000

**Criteria**

**Subpart C—Auditees §\_\_\_.300 Auditee responsibilities.**

The auditee shall:

- (a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.
- (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.
- (c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.
- (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §\_\_\_.310.

**§\_\_\_.310 Financial statements.**

- (b) Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

June 30, 2011

major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.

Code of Federal Regulations Title 34 – Education, Part 80 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, Subpart C – Post – Award Requirements, Section 80.20, Standards for financial management systems:

- A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:
- Permit preparation of reports required by this part and the statutes authorizing the grant, and
- Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions or applicable statutes.

The financial management systems of other grantees and subgrantees must meet the following standards:

- Financial reporting: Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- Accounting records: Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

### Condition

In our review of the first draft schedule of expenditures of federal awards (SEFA), including the accuracy of the CFDA numbers, the accuracy and completeness of expenditure amounts reported and the grouping of the clustered programs on the SEFA, we noted the following errors:

1. The total federal awarded amount reported on the SEFA was erroneously under-reported by \$237,099,030 due to a formula footing error;
2. Expenditures for two (2) non-federal funded grants were included in the original SEFA causing an over-reporting of \$1,506,902 (\$669,014 reported under CFDA #93.709 and \$837,888 under CFDA #84.215);
3. The passed through entity for CFDA #17.245 was inadvertently reported under the California Department of Education instead of Employment Development Department;
4. The following programs were not reported as a cluster in accordance with the OMB Circular A-133:
  - Student Financial Assistance Cluster: CFDA #84.007, #84.033 and #84.063
  - Vocational Rehabilitation Cluster: CFDA #84.126 and 84.390
  - Head Start Cluster: CFDA #93.708 and #93.709



# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

June 30, 2011

5. In June 2011 the District received notification from the pass-through entity requiring the Head Start Cluster programs (a non-major program) to be audited as a major program in the District's 2010-11 Single Audit. However, this was not communicated to the auditors prior to their discovery of the letter.

*Note that all errors were corrected in the final SEFA.*

### **Cause and Effect**

The determination of which programs will be audited and audit costs are affected by the accuracy of the SEFA at the time of the audit. An inaccurate SEFA can affect the amount of audit coverage required, and delay an audit beyond the required reporting deadline. In addition, should omissions or other errors be made and not identified in a timely manner, the District could miss its federal reporting deadline, jeopardize future federal funding and report its financial information inaccurately to grantors. Timely accurate reporting is an important accountability measure.

### **Questioned Costs**

Not applicable. This finding is considered a significant internal control deficiency over reporting.

### **Recommendation**

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.

### **Views of Responsible Officials and Planned Corrective Actions**

The District agrees with the finding. The District will review its procedures and make improvements as necessary. The District will ensure that proper controls are in place to allow for accurate SEFA reporting next fiscal year.

### **Contact Information**

Name: Yumi Takahashi  
Title: Controller  
Telephone: (213) 241-7889

### **Program Identification**

Finding Reference Number:

**F-11-15**

Federal Program Title, Awarding Agency, Pass-Through Entity,

Title I Grants to Local Educational Agencies: U.S. Department of Education (ED), Passed through the

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

June 30, 2011

Catalog of Federal Domestic Assistance(CFDA) Number, Award Number and Year:

California Department of Education, CFDA No. 84.010, Grant Agreements 14329 and 14981;

Vocational Education Basic Grants to States: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.048, Grant Agreements 09-14894-64733-00;

Medical Assistance Program (Medicaid; Title XIX), Department of Health Services, CFDA 93.778, Grant Agreement C-10606:08:09.

Compliance Requirement:

Reporting

State Audit Guide Finding Code:

30000 and 50000

### Criteria

Title I Part A--Improving Basic Programs Operated by Local Educational Agencies

Sec. 6339. Carryover and waiver

- (a) Limitation on carryover - Notwithstanding section 1225(b) of this title or any other provision of law, not more than 15 percent of the funds allocated to a local educational agency for any fiscal year under this subpart (but not including funds received through any reallocation under this subpart) may remain available for obligation by such agency for one additional fiscal year.
- (b) Waiver – A State educational agency may, once every 3 years, waive the percentage limitation in subsection (a) of this section if:
  1. the agency determines that the request of a local educational agency is reasonable and necessary; or
  2. Supplemental appropriations for this subpart become available.

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.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2011

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.

**Carl D. Perkins Career and Technical Education Improvement Act of 2006:** CDE Grant Number 09-14894: Grant Award Notification states:

6. All Perkins IV funds must be expended within the dates designated and for the maximum amount indicated in the AO-400. Encumbrances may be made at any time after the beginning date of the grant stated on the AO-400. All funds must be expended or legally obligated by June 30, 2010. Any funds left unclaimed after September 30, 2010, will revert to the CDE for reallocation to other LEAs. Unauthorized expenditures shall become the responsibility of the LEA. No extension of this grant will be allowed.

**Medical Assistance Program:** Code of Federal Regulations Title 42 – Public Health, Part 431 – State Organization and General Administration, Subpart A:

- Submit all reports required by the Secretary;
- Follow the Secretary's instructions with regard to the form and content of those reports; and
- Comply with any provision that the Secretary finds necessary to verify and assure the correctness of the reports.

### Condition

**Title I Basic Grants to LEA's:** In our procedures performed for expenditures reported for Title I Basic, we noted that the total expenditures reported in the Consolidated Application (ConApp) for the 2009-10 grant included accrued expenditures of \$7,226,844 (also called AC transactions) for the fiscal year 2009-10. *(Note that the final expenditures for 2009-10 are included in Part II of ConApp which is due to CDE in January 2011).* Of the total accrual, we noted that \$631,252 was subsequently adjusted in December 2010 by the District's Accounts Payable as over-accrual. However, the total expenditure reported on the ConApp submitted to CDE was not adjusted accordingly. As a result, the program cost was over-reported and the carryover amount thus under-reported.

**Vocational Education Basic Grants to States:** In our review of the Final Claim Document covering actual expenditures on the Carl D. Perkins Section 131 Secondary, Grant #09-14894 for the grant period ending June 30, 2010, we noted that a total of \$157,602 was obligated but not spent; however, such unspent funds had not been refunded to the grantor.

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

June 30, 2011

**Medical Assistance Program:** The Medicaid program is a national health care program designed to furnish medical assistance to families; to the aged, blind, disabled; and to individuals whose income and resources are insufficient to meet the cost of necessary medical services. The District is reimbursed for the salaries of the employees who are involved with the eligible activities. To claim the salary expenditures incurred for such activities, employees are required to perform a Time Survey quarterly. The Time Survey is a representative sample of staff's work, which is to be used as the basis of the Medi-Cal Administrative Activities (MAA) claim. The ratio of MAA time to total hours of the employees who participated in the Time Survey is the basis used for claims. That ratio is then applied to total salaries and other expenditures for the reporting period. Calculated expenditures are reduced by 50% to arrive at the reimbursable claims.

During our review, we noted that the District's current policies included certain procedures to identify and exclude the employees who were funded by any federal programs in the quarterly claim calculations. Further, through our discussion with the District, we noted that procedures performed for such were only for payroll expenditures recorded in SAP, the District's payroll system, which interfaces with their book of records, IFS. However, we noted that there were adjustments related to payroll that were booked directly in IFS. These adjustments; therefore, were not subjected to this analysis. As such, it is possible that there may have been payroll that were originally funded by non-federal program and recorded in the SAP that was adjusted in IFS to other federally funded programs.

### Cause and Effect

**Title I Basic Grants to LEA's:** According to the NCLB regulations, LEAs may only carry over 15% of its allocation from one year to the next. The State is permitted to waive this 15% limitation once every three (3) years. Had the District's carry over amount exceeded the 15% limitation in the year when the waiver was not allowed, the adjustment for the over-accrual is required to be returned to the grantor. For the fiscal year 2009-10, the District requested an approval from CDE to carry over more than 15%; as such, the adjustment of \$631,252 was allowed to be spent and obligated until September 30, 2011.

**Vocational Education Basic Grants to States:** The District's existing policy did not include a monitoring review of unspent fund to be returned in a timely manner.

### Cause and Effect

**Medical Assistance Program:** The District's existing policy did not include a review of these journal entries recorded in the IFS.

This is a repeat finding from fiscal year 2009-10 (F-10-13).

### Questioned Costs

**Title I Basic Grants to LEA's** None noted. This is a control deficiency over reporting procedures.

**Vocational Education Basic Grants to States:** \$157,602

### Questioned Costs

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

June 30, 2011

**Medical Assistance Program:** We were unable to determine a possible questioned cost since a system has not been set-up by the District to track all the journal entries that could have an impact on the Medicaid claims process.

### 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:** 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.

### Views of Responsible Officials, Planned Corrective Actions, and Contract Information

**Title I Basic Grants to LEAs and Vocational Education Basic Grants to States:** The District agrees with the findings. The District will strengthen its procedures to ensure that report to the granting agency reflects, or a revised report is submitted, for any adjustments made subsequent to the reporting period. Any unspent funds will be refunded accordingly, upon receipt of invoice from grantor.

Name: Teresa Rojas  
Title: Director of Accounting  
Telephone: (213) 241-7970

**Medical Assistance Program:** The District agrees with the finding and will incorporate a review of the journal entries affecting federal programs into its policies. It should be noted that the job classifications that are used for the reimbursement claim are not typically a part of these journal entries.

Name: Sherry Purcell, Ph.D.  
Title: Coordinator, Media-Cal Reimbursement and Wellness Programs  
Telephone: (213) 241-0551

### Program Identification

Finding Reference Number:

**F-11-16**

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

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP), U.S. Department of Education (USED), CFDA No 84.334, Grant Agreement P334A050178;

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

June 30, 2011

### Award Number

Twenty-First Century Community Learning Centers, U.S. Department of Education (USED), California Department of Education (CDE), CFDA No 84.287, Grant Agreements 09-14535-6473-4A, 09-14349-6473-5A, 09-14535-6473-5A, 09-14349-6473-4A, 10-14535-6473-6B, 10-14535-6473-6C, 10-14535-6473-6D, 10-14603-6473-6B, 10-14603-6473-6C, 10-14603-6473-6D, 10-14349-6473-4A, 10-14349-6473-5A, 10-14535-6473-4A, 10-14535-6473-5A, 10-14535-6473-6A .

### Compliance Requirement:

Sub-recipient Monitoring

### State Audit Guide Finding Code:

30000 and 50000

### Criteria

United States Code, Title 31 – Money and Finance, Subtitle V – General Assistance Administration, Chapter 75 – Requirements for Single Audits, Section 7502, Audit requirements; exemptions:

- Each pass-through entity shall:
  - (a) provide such subrecipient the program names (and any identifying numbers) from which such assistance is derived, and the federal requirements which govern the use of such awards and the requirements of this chapter;
  - (b) monitor the subrecipient’s use of federal awards through site visits, limited scope audits, or other means;
  - (c) review the audit of a subrecipient as necessary to determine whether prompt and appropriate corrective action has been taken with respect to audit findings, as defined by the Director, pertaining to federal awards provided to the subrecipient by the pass-through entity; and
  - (d) require each of its subrecipients of federal awards to permit, as a condition of receiving federal awards, the independent auditor of the pass-through entity to have such access to the subrecipient’s records and financial statements as may be necessary for the pass-through entity to comply with this chapter.

### Condition

**GEAR-UP:** Local District 4 contracts with subrecipients to meet its grant matching contributions to the program. Matching for grant number P334A050178 derived from its subrecipients accounted for approximately twenty-five percent (25%) of its total matching reported in the Annual Performance Report (APR) for the program year 2009-10. Through our discussions with the Program Director, the monitoring policies and procedures have been drafted but they have not been implemented to document their monitoring reviews of its subrecipients’ matching costs to ascertain whether or not (1) they were necessary and reasonable for proper and efficient accomplishment of the GEAR-UP program objectives; and, (2) if the cost were allowable under the applicable cost principles and conformed to the provisions of the OMB circular.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2011

For the grant year 2009-10 (September 09 – August 10), the total matching contributions derived from the subrecipients amounted to \$808,670 for grant number P334A050178. The District's total reported matching contributions for the grant amounted to \$3,180,712.

**Twenty-First Century Community Learning Centers:** The District's Beyond the Bell, which operates the before-and-after-School programs funded by 21<sup>st</sup> CCLC, contracted with 36 agencies. During our procedures performed over subrecipient monitoring, we noted the following:

1. According to the District's sub-recipients Single Audit report log, 16 agencies were subject to the A-133 audits and 9 of them did not submit their Single Audit Reports for the fiscal year 2009-10 until 9 months after their audit period. However, the OMB Circular A-133 requires audits be completed within 9 months of the end of audit period. Through our discussion, the personnel in-charge of collecting the audit reports represented that she had made several attempts during the year with the agencies to remind them to submit their reports; however, such attempts were not documented.
2. Furthermore, the District did not collect the Single Audit report from one agency called LA's Best. According to the Program Coordinator, LA's Best is not a subrecipient of the District. However, based on our review, LA's Best is a separate legal entity under 501 (c)(3) code of the Internal Revenue Service. Therefore, the District should have collected the Single Audit report from this agency.

#### **Cause and Effect**

**GEAR-UP:** The Local District was in the process of finalizing the subrecipient monitoring procedures over the matching.

**Twenty-First Century Community Learning Centers:** Proper policies and procedures for subrecipient monitoring do not appear to be in place to ensure that the District is in compliance with the applicable OMB requirements.

These findings are repeat findings, having been previously reported for June 30, 2005 to June 30, 2010 (F-05-30, F-06-28, F-06-29, F-07-29, F-08-21, F-09-17 and F-10-16).

#### **Questioned Costs**

**GEAR-UP:** Not applicable.

**Twenty-First Century Community Learning Centers:** Not applicable.

#### **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.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

June 30, 2011

**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.

**Views of Responsible Officials, Planned Corrective Actions, and Contact Information**

**GEAR-UP:** We agree with the findings and recommendation. We have finalized and will implement the subrecipient policies and procedures immediately.

Name: Micaela Vazquez-Hahn

Title: Project Director

Telephone: 213-241-0128

**Twenty-First Century Community Learning Centers:** The District agrees with the finding and will develop procedures to document follow-up communications with subrecipients related to compliance with the contractual obligation for the agency to provide their audit within 90 days of the end of the agency's fiscal year. The District agrees and will modify our procedures to collect the required Audit.

Name: Harry Talbot

Title: Administrative Coordinator

Telephone: (213) 241-7900

**Program Identification**

Finding Reference Number:	<b>F-11-17</b>
Federal Catalog of Domestic Assistance Number(s):	84.010
Federal Program Titles:	Title I Grants to LEAs, U.S. Department of Education (ED)
Pass-Through Entity:	California Department of Education
Award Number	Grant Agreement 11-14329-6473
Compliance Requirement:	Special Tests and Provisions – Highly Qualified Teachers and Paraprofessionals
State Audit Guide Finding Code:	30000 and 50000

**Criteria**



## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2011

Title 34 – Education, Secondary Education, Department of Education, Part 200 – Title I – Improving the Academic Achievement of the Disadvantaged, Subpart A – Improving Basic Programs Operated by Local Educational Agencies, Section 200.58, Qualifications of paraprofessionals:

- New paraprofessionals. A paraprofessional covered under paragraph (a) of this section, who is hired after January 8, 2002, must have:
  - (1) Completed at least two years of study at an institution of higher education;
  - (2) Obtained an associate’s or higher degree; or
  - (3) (i) Met a rigorous standard of quality, and can demonstrate through a formal State or local academic assessment knowledge of, and the ability to assist in instructing, as appropriate:
    - (a) Reading/language arts, writing, and mathematics or
    - (b) Reading readiness, writing readiness, and mathematics readiness.
  - (ii) A secondary school diploma or its recognized equivalent is necessary, but not sufficient, to meet the requirement in paragraph (c)(3)(i) of this section.

No Child Left Behind Act Section 1119, (i) Verification of Compliance:

- (1) In General – In verifying compliance with this section, each local educational agency, at a minimum, shall require that the principal of each school operating a program under section 1114 or 1115 attest annually in writing as to whether such school is in compliance with the requirements of this section.

#### MEM-5313: D – Principal Certification Form for the 2010-2011 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 3, 2010.

#### **Condition**

In our procedures of verifying the schools’ compliance of the Principal Attestation over the certifications and notices on teacher and paraprofessional qualifications, we obtained a log maintained by the Certificated Workforce Management & Qualification Division (Division), and noted that 190 out of 879 schools did not submit the annual Principal Certification Form (PCF) to the Division as required by MEM-5313.0.

Through our discussion with the Division’s personnel, we also noticed that the Division was in the process of manually identifying teachers’ highly qualified status school by school and maintained schedules to track completion of such review. Based on our review of the schedules, we noted that there were a total of 38 schools which submitted the PCF certifying that their schools were in compliance with NCLB (i.e. all teachers at the school are compliant with NCLB); however, the results of the Division’s review disclosed that at least one teacher at those schools was not highly qualified.

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

June 30, 2011

### Paraprofessionals

In our procedures performed for the salaries charged to the Title I –Basic Grants, we noted that three (3) paraprofessionals totaling \$41,586 did not meet the NCLB highly qualified requirement but their salaries and benefits were charged to the program.

### **Cause and Effect**

There appear to be isolated incidents where certain schools may have misunderstood the requirements and erroneously submitted the certification.

### **Questioned Costs**

\$41,586

The finding related to the Principal Attestation is a programmatic non-compliance issue and it does not constitute any questioned costs.

### **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.

### **Views of Responsible Officials and Planned Corrective Actions**

The District agrees with the finding. The returning of the “Principal’s Certification Form” will be monitored, with principals being contacted when the document has not been forwarded.

The concept of an electronic “Principal Certification Form” will be explored as an option as the tool for the principals to utilize to provide verification.

1. “Principal Verification Forms” will be reviewed for accuracy.
2. Principals will be notified if changes are necessary and “Principal Certification Forms” will be adjusted.

### **Contact Information**

Name: Derek Ramage

Title: Director, Certificated Workforce Management and Qualifications

Telephone: (213) 241-4663

Paraprofessionals: Since all but two paraeducators in the District have presented documentation showing that they meet NCLB requirements, the only time we anticipate that there may be an issue of a non-compliant employee being placed in a Title 1 school, would be in the event of that the employee is

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

June 30, 2011

bumped during the RIF process. In order to ensure that that will not happen, the following steps will be taken:

- (1) Staff will review the Qualifications infotype (IT24) in SAP to ensure NCLB Compliance
- (2) If there is no record of NCLB compliance is in SAP, staff will contact the Talent Acquisition and Selection Branch to verify compliance
- (3) If the employee does NOT qualify, the selection branch staff will arrange for testing immediately
- (4) If the employee fails to qualify prior to the effective date of the RIF, the employee will be separated from the District

### Contact Information

Name: Eva Segee

Title: Assistant Director, Personnel

Telephone: 213/241-7830

### Program Identification

Finding Reference Number:	<b>F-11-18</b>
Federal Catalog of Domestic Assistance Number(s):	84.365
Federal Program Titles:	English Language Acquisition Program, U.S. Department of Education (ED)
Pass-Through Entity:	California Department of Education
Award Number:	Grant Agreement 11-14346-64733-00
Compliance Requirement:	Special Tests and Provisions – Parental Notification
State Audit Guide Finding Code:	30000 and 50000

### Criteria

Elementary & Secondary Education Act, Subpart 5 – Administration, Part C – General Provisions, Section 3302, Parental Notification:

In General – Each eligible entity using funds provided under this title to provide a language instruction educational program shall, not later than 30 days after the beginning of the school year, inform a parent or the parents of a limited English proficient child identified for participation in, or participating in, such program of:

- (1) The reasons for the identification of their child as limited English proficient and in need of placement in a language instruction educational program;

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2011

- (2) The child's level of English proficiency, how such level was assessed, and the status of the child's academic achievement;
- (3) The method of instruction used in the program in which their child is, or will be, participating, and the methods of instruction used in other available programs, including how such programs differ in content, instruction goals, and use of English and a native language in instruction;
- (4) How the program in which their child is, or will be participating will meet the educational strengths and needs of the child;
- (5) How such program will specifically help their child learn English, and meet age-appropriate academic achievement standards for grade promotion and graduation;
- (6) The specific exit requirements for such program, the expected rate of transition from such program into classrooms that are not tailored for limited English proficient children, and the expected rate of graduation from secondary school for such program if funds under this title are used for children in secondary schools;
- (7) In the case of a child with a disability, how such program meets the objectives of the individualized education program of the child; and
- (8) Information pertaining to parental rights that includes written guidance:
  - a) Detailing:
    - The right that parents have to have their child immediately removed from such program upon their request and
    - The options that parents have to decline to enroll their child in such program or to choose another program or method of instruction, if available and
    - Assisting parents in selecting among various programs and methods of instruction, if more than one program or method is offered by the eligible entity.
  - b) Separate Notification – In addition to providing the information required to be provided under subsection (a), each eligible entity that is using funds provided under this title to provide a language instruction educational program, and that has failed to make progress on the annual measurable achievement objectives described in Section 3122 for any fiscal year for which part A is in effect, shall separately inform a parent or the parents of a child identified for participation in such program, or participating in such program, of such failure not later than 30 days after such failure occurs.
  - c) Receipt of Information – The information required to be provided under subsections (a) and (b) to a parent shall be provided in an understandable and uniform format and, to the extent practicable, in a language that the parent can understand.
  - d) Special rule applicable during school year for a child who has not been identified for participation in a language instruction educational program prior to the beginning of the school year, the eligible entity shall carry out subsections (a) through (c) of this section with respect to the parents of the child within 2 weeks of the child being placed in such a program.

### Condition

In our procedures performed over participating limited English proficiency (LEP) students, we requested copies of the required parental notifications for the students participating in the program during the 2010-

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2011

2011 school years. 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 30 schools for certifications of AMAO, we noted the following:

- 9 schools did not issue the AMAO Certification Form before October 9, 2010.
- 2 schools could not locate the AMAO certification.

In our sample of 60 participating students for annual parent notifications, we noted the following:

- 10 annual parent notifications were unable to be located.
- 6 annual parent notifications were issued after 30 days of the beginning of the school year/or not within 2 weeks from the program enrollment.
- 2 annual parent notifications were issued without any dates.

In our sample of 38 participating students for initial parental notification, we noted the following:

- 10 initial parent notifications, schools were unable to locate.
- 9 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.

#### **Cause and Effect**

In general, there does not appear to be effective controls in place to ascertain that sufficient documentation is maintained to support the District's compliance.

This is a repeat finding from June 30, 2006 – June 30, 2010 (F-06-36, F-07-33, F-08-22, F-09-20, and F-10-18).

#### **Questioned Costs**

Not applicable. This finding is considered a programmatic non-compliance issue as well as a deficiency in the internal control system to properly monitor the parental notification process.

#### **Recommendation**

We recommend the District continue to strengthen its policies and procedures to ensure that the schools comply with the requirement that all parental notifications are made in a timely manner and the supporting documentation is maintained on file to support the schools' compliance.

#### **Views of responsible Officials and Planned Corrective Actions**

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

June 30, 2011

The District will continue to strengthen policies and procedures to ensure that schools comply with the requirement that all parental notifications are provided in a timely manner and the required supporting documentation is maintained on file to support the schools' compliance:

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.
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, and central office staff (Refer to timeline referenced in Item 4).
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 *Master Plan for English Learners* professional development that will be provided to all schools (Refer to timeline referenced in Item 4).
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

Training Date

Title III Master Plan Institute

June 2012

*Master Plan for English Learners* (all schools)

May – June 2012

September – October 2012

5. Continue to work collaboratively with Local District staff to provide on-going professional development to school-site EL Coordinators that focuses on federal and state mandates. Each local district meets with school-site EL Coordinators on a monthly basis.

**Contact Information**

Name: Ana Estevez-Andressian

Title: Coordinator

Telephone: (213) 241-5582

\*\*\*\*\*

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

June 30, 2011

### Section IV - Findings and Questioned Costs Relating 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

##### **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 three (3). SMASRs are system-generated reports from the District's Integrated Student Information System (ISIS), a system utilized by the teachers to electronically input, submit and certify student attendance on a daily basis. This system, which replaced the manual daily attendance recording through Student Apportionment Attendance Record Cards, was fully implemented for all of the District's elementary schools during FY 2009-2010. We verified whether these SMASRs were reported accurately in the *Second Principal Report (P2)* and the *Annual Principal Report (P3)*. We obtained the monthly statistical reports where all the SMASRs are summarized, for our sampled schools and 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.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2011

Out of the 27,823 days of attendance tested, 580 days of absences, we noted the following findings.

- **Hooper Elementary School** - Of 1,600 days of attendance and 29 absences sampled, we noted the following exceptions:
  - Fifteen (15) students were absent for one (1) day each for a total of 15 days, but the excused absences were not supported by absence notes or an absence log.
- **Alta California Elementary School** - Of 1,106 days of attendance and 23 absences sampled, we noted the following exceptions:
  - Five (5) students were absent for one (1) day each for a total of five (5) days, but the excused absences were not supported by absence notes or an absence log.
  - 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.
- **Bandini Elementary School** - Of 1,064 days of attendance and 16 absences sampled, we noted the following exceptions:
  - Two (2) students were absent for one (1) day each for a total of two (2) days, but the excused absences were not supported by absence notes or an absence log.
- **Monlux Elementary School** - Of 1,148 days of attendance and 25 absences sampled, we noted the following exceptions:
  - Two (2) students were absent for one (1) day each for a total of two (2) days, but the excused absences were not supported by absence notes or an absence log.
- **Saticoy Elementary School** - Of 980 days of attendance and 22 absences sampled, we noted the following exceptions:
  - Six (6) students were absent for one (1) day each for a total of six (6) days, but the excused absences were not supported by absence notes or an absence log.
  - One (1) student was tardy for one (1) day but was marked as absent in the school's monthly attendance summary.
- **Lane Elementary School** - Of 1,064 days of attendance and 29 absences sampled, we noted the following exceptions:
  - Four (4) students were absent for one (1) day each for a total of four (4) days, but the excused absences were not supported by absence notes or an absence log.
- **Norwood Elementary School** - Of 1,064 days of attendance and 29 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.
- **Mount Washington Elementary School** - Of 1,372 days of attendance and 21 absences sampled, we noted the following exceptions:
  - Four (4) students were absent for one (1) day each for a total of four (4) days, but the absences were not supported by absence notes or an absence log.



## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2011

- **Raymond Avenue Elementary School** - Of 1,372 days of attendance and 24 absences sampled, we noted the following exceptions:
  - Two (2) students were absent for one (1) day each for a total of two (2) days, but the excused absences were not supported by absence notes or an absence log.
- **Beckford Elementary School** - Of 938 days of attendance and 13 absences sampled, we noted the following exceptions:
  - Two (2) students were absent for one (1) day each for a total of two (2) days, but the excused absences were not supported by absence notes or an absence log.
- **Harvard Elementary School** - Of 882 days of attendance and 17 absences sampled, we noted the following exception:
  - Two (2) students were absent for a total of two (2) days, as evidenced by an absence note but was marked as present in the school's monthly attendance summary.
- **Cabrillo Elementary School** - Of 1,106 days of attendance and 15 absences sampled, we noted the following exception:
  - Two (2) students were absent for one (1) day each for a total of two (2) days, but the excused absences were not supported by absence notes or an absence log.
  - 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, 2010 (S-10-1) but for different schools.

#### Questioned Costs

4 days / 121 days = 0.033 ADA overstated \* \$5,264.22 = \$174

- **Alta California Elementary School** – 1 day overstated/121 days in single track school year
- **Saticoy Elementary School** – 1 day understated/121 days in single track school year
- **Norwood Elementary School** – 1 day overstated/121 days in single track school year
- **Harvard Elementary School** – 2 days overstated/121 days in single track school year
- **Cabrillo 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

These schools will conduct in-service training to their office staff and/or teachers, as well as add to their attendance procedures the periodic review of attendance/absence records to help increase accuracy and compliance with required documentation.

#### S-11-02 Regular and Special Day Classes – Secondary Schools – Attendance Computations

**State Audit Guide Finding Codes:** 10000 and 40000

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

June 30, 2011

### 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

### 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 three (3). 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 25,037 days of attendance and 481 absences for testing and noted the following findings:

- **Carver Middle School** - Of 1,335 days of attendance and 17 absences sampled, we noted the following exceptions:
  - Two (2) students were absent for a total of two (2) days, but the excused absences were not supported by absence notes or an absence log.

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

June 30, 2011

- **Orchard Academies #2B** - Of 1,200 days of attendance and 13 absences sampled, we noted the following exceptions:
  - Six (6) students were absent for one (1) day each for a total of six (6) days, but the excused absences were not supported by absence notes or an absence log.
- **Bethune Middle School** - Of 586 days of attendance and 25 absences sampled, we noted the following exceptions:
  - Two (2) students were absent for a total of two (2) days, as evidenced by absence notes but was marked as present for two (2) out of the four (4) periods of those days in the school's weekly attendance summary
- **Olive Vista Middle School** - Of 1,815 days of attendance and 44 absences sampled, we noted the following exceptions:
  - Two (2) students were absent for one (1) day each for a total of two (2) days, but the excused absences were not supported by absence notes or an absence log.
- **Hale Middle School** - Of 2,870 days of attendance and 50 absences sampled, we noted the following exceptions:
  - One (1) student was absent for one (1) day, but the excused absence was not supported by an absence note or an absence log.
- **Marshall High School** - Of 2,280 days of attendance and 29 absences sampled, we noted the following exceptions:
  - Five (5) students were absent for one (1) day each for a total of five (5) days, but the excused absences were not supported by absence notes or an absence log.
  - One (1) student was absent for a day, as evidenced by an absence note but was marked as present in four (4) out of the five (5) periods for that day in the school's weekly attendance summary.
- **Bell High School** - Of 2,810 days of attendance and 40 absences sampled, we noted the following exceptions:
  - One (1) student was absent for one (1) day, but the excused absence was not supported by an absence note or an absence log.
  - One (1) student was absent for three (3) periods in one (1) day, as evidenced by an absence note but was marked as present in the same periods for that day in the school's weekly attendance summary.
- **San Pedro High School** - Of 3,405 days of attendance and 42 absences sampled, we noted the following exceptions:
  - 22 students were absent for one (1) to two (2) days each for a total of 24 days, but the excused absences were not supported by an absence note or an absence log.
- **Torres ELA Performing Arts High School** - Of 780 days of attendance and 25 absences sampled, we noted the following exceptions:
  - Three (3) students were absent for one (1) day each for a total of three (3) days, but the excused absences were not supported by absence notes or an absence log.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2011

- **San Fernando High School** - Of 2,885 days of attendance and 89 absences sampled, we noted the following exceptions:
  - Seven (7) students were absent for one (1) day each and one (1) student for two (2) days for a total of nine (9) days, but the excused absences were not supported by absence notes or an absence log.
  
- **Bravo Medical Magnet High School** - Of 2,310 days of attendance and 36 absences sampled, we noted the following exceptions:
  - Six (6) students were absent for one (1) day each for a total of six (6) days, but the excused absences were not supported by absence notes or an absence log.
  - One (1) student was absent for periods 2-6 for one (1) day, as evidenced by an absence note but was recorded as present for those periods. Upon further review, we noted that the student's teacher for periods 5 and 6 did not submit attendance for those periods and all the students in those classes were reported as present.
  - One (1) student was absent for periods 2-6, as evidenced by an absence note but was recorded as present for periods 3, 5 and 6. This student was under the same teachers above who did not submit attendance for periods 5 and 6.

These findings are repeat findings, having been reported previously at June 30, 2010 (S-10-02) but for different schools.

#### Questioned Costs

2 days / 121 days = 0.017 ADA overstated \* \$5264.22 = \$89

1 day / 132 days = 0.008 ADA overstated \* \$5264.22 = \$42

- **Bethune Middle School** – 2 days overstated/121 days in single track school year
- **Marshall High School** – 1 day overstated/ 132 days in multi-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

These schools will conduct in-service training to their office staff and/or teachers, as well as add to their attendance procedures the periodic review of attendance/absence records to help increase accuracy and compliance with required documentation.

#### S-11-03 Attendance Accounting – Continuation Education – Attendance Computations

**State Audit Guide Finding Codes:** 10000 and 40000

#### School Affected

- Metropolitan High School

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

June 30, 2011

### 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:

- **Metropolitan High School** – Of the 1,516 hours (300 days) of attendance, 30 days of absences sampled and tested, we noted the following findings:
  - Attendance for one (1) student was understated by six (6) hours and attendance for another student was overstated by one (1) hour.

This finding is a repeat finding, having been reported previously at June 30, 2010 (S-10-03) but for different schools.

### Questioned Costs

1.67 days understated/121 days in single track school year= 0.014 ADA \* \$5264.22 = (\$74)

### 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

To help ensure accuracy of calculation, the school has assigned 2 staff members to the task of compiling attendance hours for the monthly statistical (attendance) report—one to compile the data, one to review the compiled data for accuracy. School has also changed its procedure to compile attendance data on a weekly basis to better manage data.

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

June 30, 2011

### **S-11-04 Attendance Accounting – Dependent Charter School – Attendance Computations**

**State Audit Guide Finding Codes:** 10000 and 40000

#### **School Affected**

- Kenter Canyon Elementary School

#### **Criteria**

*California Education Code, Section 46300(a)* – in computing average daily attendance of a school district or county office of education, there shall be included the attendance of pupils while engaged in educational activities required of those pupils and under the immediate supervision and control of an employee of the district or county office who possessed a valid certification document, registered as required by law.

#### **Condition, Cause and Effect**

In our sample of two (2) elementary schools, we obtained the Student Monthly Attendance Summary Reports (SMASRs) for a sample of teachers for school month three (3). SMASRs are system-generated reports from the District's Integrated Student Information System (ISIS), a system utilized by the teachers to electronically input, submit and certify student attendance on a daily basis. This system, which replaced the manual daily attendance recording through Student Apportionment Attendance Record Cards, was fully implemented for all of the District's elementary schools during FY 2009-2010. We verified whether these SMASRs were reported accurately in the *Second Principal Report (P2)* and the *Annual Principal Report (P3)*. We obtained the monthly statistical reports where all the SMASRs are summarized, for our sampled schools and verified whether the SMASRs were completely and accurately summarized. We then traced these monthly statistical reports to Revised Annual Attendance Ledgers (i.e. ACES Dump Reports), which in turn were traced to the *Second Principal Report (P2)* and the *Annual Principal Report (P3)*.

To test the integrity of data reported in the sampled SMASRs, we selected a sample of absences from notes, phone logs and other absence records and compared these to the SMASRs to verify that these were not included in the calculation of Average Daily Attendance reported in the P2 and P3. In addition, since the SMASRs are generated through ISIS, we also tested the system's general internal controls which included, but were not limited to appropriate access controls.

Out of the 2,184 days of attendance and 37 days absences tested, we noted the following finding:

- **Kenter Canyon Elementary School** – Of 1,120 days of attendance and 19 absences sampled, we noted the following exceptions:
  - Five (5) students were absent for one (1) day each for a total of five (5) days, but the absences were not supported by absence notes or an absence log.
  - One (1) student was marked as absent for one (1) day in the school's monthly attendance summary but upon verification, the student was only tardy, as evidenced by a tardy note. The student should have been recorded as present.

This is a repeat finding having been reported at June 30, 2010 (S-10-05) but for different schools.

#### **Questioned Costs**

1 day understated/ 121 days in single track school year = 0.008 ADA understated \* \$5,264.22 = (\$42)

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

June 30, 2011

### Recommendation

We recommend that the District strengthen its review process over dependent charter schools to ensure accuracy of supporting documentation in order for proper reporting of attendance.

### Views of Responsible Officials and Planned Corrective Actions

At the beginning of the school year, the school provided staff with a review of the attendance procedures, and teachers were encouraged to review their work more frequently. With regards to absence verifications, school also implemented a new procedure which has resulted in increased written absence verifications.

### S-10-05 – After School Education and Safety Program

State Audit Guide Finding Codes: 40000

### School 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
- 116<sup>th</sup> Elementary School
- 20<sup>th</sup> 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
- 66<sup>th</sup> 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

### 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*

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2011

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 54 schools and 3,240 students who participated in the After School Education and Safety Program. We examined the attendance records for the selected students and verified that the attendance reporting was complete and accurate. We also verified whether the selected students complied with the attendance requirements established by the District, as required by the California Education Code. We noted the following exceptions:

#### **After School Component of the Program**

On a sample basis, we tested the attendance documentation of 44 schools and 2,890 students who participated in the after school component of the After School Education and Safety Program.

There were a total of 168 students in 13 different schools who did not have complete sign-in and sign-out time on the sign-in/sign-out sheets. Some students didn't have either the sign-in time or sign-out time. Some students didn't have both. Due to the missing sign-in or sign-out time, we were unable to determine whether the elementary school students participated in the full day of after school program on every day during which students participated except as consistent with the established early release policy and whether students in middle or junior high schools attended the after school program a minimum of nine hours a week and three days a week, except as consistent with the established early release policy. There were also some students who did not have proper sign-in/ sign-out, as a result,



## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2011

we were unable to determine how long each student participated in the program. The following are the details of the exceptions:

- **Analee Elementary School** - 33 students signed in, but did not properly sign out for a total of 33 days.
- **Wilmington Elementary School** – 66 students signed in, but did not properly sign out for a total of 66 days.
- **Patrick Henry Middle School** – 19 students signed in, but did not properly sign out for a total of 19 days.
- **Herrick Elementary School** – one (1) student signed in, but did not properly sign out for a total of one (1) day.
- **Griffith Middle School** - one (1) student signed in, but did not properly sign out for a total of one (1) day.
- **Heliotrope Elementary School** - 12 students signed in, but did not properly sign out for a total of 12 days.
- **Apperson Elementary School**- 12 students signed in, but did not properly sign out for a total of 12 days.
- **Holmes Middle School** – three (3) students signed in, but did not properly sign out for a total of 9 days.
- **116<sup>th</sup> Elementary School** - one (1) student signed in, but did not properly sign out for a total of one (1) day.
- **20<sup>th</sup> Elementary School** – 12 students signed in, but did not properly sign out for a total of 60 days.
- **Grape Elementary School**- five (5) students signed in, but did not properly sign out for a total of eight (8) days.
- **Griffin Elementary School** – one (1) student signed in, but did not properly sign out for a total of one (1) day.
- **Bridge Elementary School** - two (2) students signed in, but did not properly sign out for a total of two (2) days.

There were 227 students in 24 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:

- **Millikan Middle School** - eight (8) 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 to explain why such requirement was not complied with.
- **San Fernando 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 to explain why such requirement was not complied with.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2011

- **Heliotrope Elementary School** – six (6) students did not participate in the full period of the after school program for a total of 35 days that they participated and there were no early release forms to explain why such requirement was not complied with.
- **Analee Elementary School** – eight (8) students did not participate in the full period of the after school program for a total of 29 days that they participated and there were no early release forms to explain why such requirement was not complied with.
- **Wilmington Elementary School** - 14 students did not participate in the full period of the after school program for a total of 56 days that they participated and there were no early release forms to explain why such requirement was not complied with.
- **Commonwealth Elementary School** - 13 students did not participate in the full period of the after school program for a total of 65 days that they participated and there were no early release forms to explain why such requirement was not complied with.
- **Patrick Henry Middle School** – nine (9) 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 to explain why such requirement was not complied with.
- **Herrick Elementary School** – nine (9) students did not participate in the full period of the after school program for a total of 11 days that they participated and there were no early release forms to explain why such requirement was not complied with.
- **Gulf Elementary School** – nine (9) students did not participate in the full period of the after school program for a total of 11 days that they participated and there were no early release forms to explain why such requirement was not complied with.
- **Edison 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 to explain why such requirement was not complied with.
- **Heliotrope Elementary School** – 18 students did not participate in the full period of the after school program for a total of 74 days that they participated and there were no early release forms to explain why such requirement was not complied with.
- **Lilian Elementary School** – 15 students did not participate in the full period of the after school program for a total of 69 days that they participated and there were no early release forms to explain why such requirement was not complied with.
- **66<sup>th</sup> Street Elementary School** – eight (8) students did not participate in the full period of the after school program for a total of 37 days that they participated and there were no early release forms to explain why such requirement was not complied with.
- **Angeles Mesa Elementary School** – six (6) students did not participate in the full period of the after school program for a total of 30 days that they participated and there were no early release forms to explain why such requirement was not complied with.
- **Cimarron Elementary School** – nine (9) students did not participate in the full period of the after school program for a total of 31 days that they participated and there were no early release forms to explain why such requirement was not complied with.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2011

- **Apperson Elementary School** – six (6) students did not participate in the full period of the after school program for a total of 26 days that they participated and there were no early release forms to explain why such requirement was not complied with.
- **Colfax Elementary School** – seven (7) students did not participate in the full period of the after school program for a total of 19 days that they participated and there were no early release forms to explain why such requirement was not complied with.
- **Ford Boulevard Elementary School** – nine (9) students did not participate in the full period of the after school program for a total of 36 days that they participated and there were no early release forms to explain why such requirement was not complied with.
- **Holmes Middle School** – seven (7) 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 to explain why such requirement was not complied with .
- **116th Elementary School** – Two (2) students did not participate in the full period of the after school program for a total of six (6) days that they participated and there was no early release form to explain why such requirement was not complied with.
- **28th Elementary School** – One (1) student did not participate in the full period of the after school program for a total of one (1) day that he participated and there was no early release form to explain why such requirement was not complied with.
- **Dyer Elementary School** – four (4) students did not participate in the full period of the after school program for a total of four (4) days that they participated and there were no early release forms to explain why such requirement was not complied with.
- **Richland Elementary School** – 20 students did not participate in the full period of the after school program for 83 days that they participated and there were no early release forms to explain why such requirement was not complied with .
- **Eshelman Elementary School** – 19 students did not participate in the full period of the after school program for a total of 85 days that they participated and there were no early release forms to explain why such requirement was not complied with.

We also obtained the Quarterly Attendance Reports (QAR) for the same schools we sampled and compared the total attendance reported to the attendance records (e.g. sign in/sign out sheets) for the schools for a sample week during the school year 2010-2011. We also tested the completeness and accuracy of the reports by selecting a sample of the students and tracing the same students to attendance records and vice versa. QARs are reports used by the District to report attendance to the California Department of Education (CDE). We noted the following exceptions:

- **Millikan Middle School** – QAR was overstated by 24 days, compared to the sign-in sheets. Upon examining the QAR, we also noted that two (2) students were entered three times in the QAR for the entire week tested, overstating it by 20 days. In addition, three (3) students marked present for a total of seven (7) days in the QAR were not found in the sign in sheets. We also noted three (3) students marked present for three (3) days in the sign-in sheets were not found on the QAR.
- **San Fernando Middle School** - QAR was understated by eight (8) days, compared to the sign-in sheets. Upon examining the QAR, we also noted that two (2) students were entered

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2011

- two times in the QAR for the entire week tested, overstating it by 10 days. In addition, two (2) students marked present for a total of seven (6) days in the QAR were not found in the sign in sheets. We also noted three (3) students marked present for a total of 10 days in the sign-in sheets were not found on the QAR.
- **Heliotrope Elementary School** – QAR was understated by three (3) 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 QAR.
  - **Audubon Middle School** - – QAR was understated by 366 days, compared to the sign-in sheets. In addition, 14 students marked present for a total of 14 days in the QAR were not found in the sign in sheets. We also noted 22 students marked present for a total of 22 days in the sign-in sheets were not found on the QAR.
  - **Analee Elementary School** – QAR was overstated by 36 days, compared to the sign-in sheets. In addition, 14 students marked present for a total of 14 days in the QAR were not found in the sign in sheets. We also noted 5 students marked present for a total of 5 days in the sign-in sheets were not found on the QAR.
  - **Wilmington Elementary School** – QAR was overstated by 67 days, compared to the sign-in sheets. In addition, 19 students marked present for a total of 19 days in the QAR were not found in the sign in sheets. We also noted 28 students marked present for a total of 28 days in the sign-in sheets were not found on the QAR.
  - **Commonwealth Elementary School** – We noted 11 students marked present for a total of 11 days in the sign-in sheets were not found on the QAR.
  - **Patrick Henry Middle School** – QAR was understated by 292 days, compared to the sign-in sheets. Upon examining the QAR, we also noted that four (4) students were entered twice in the QAR for one (1) day each, overstating it by 4 days. We also noted 55 students marked present for a total of 55 days in the sign-in sheets were not found on the QAR.
  - **Griffith Middle School** – QAR was overstated by 13 days, compared to the sign-in sheets. We also noted 2 students marked present for a total of 2 days in the sign-in sheets were not found on the QAR.
  - **Edison Middle School** – QAR was understated by 69 days, compared to the sign-in sheets. We also noted seven (7) students marked present for a total of seven (7) days in the sign-in sheets were not found on the QAR.
  - **Dodson Middle School** – QAR was understated by 3 days, compared to the sign-in sheets. In addition, three (3) students marked present for a total of three (3) days in the QAR were not found in 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 QAR.
  - **Drew Middle School** - QAR was understated by 11 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 QAR.
  - **Carver Middle School** - QAR was understated by five (5) days, compared to the sign-in sheets. Upon examining the QAR, we also noted that one (1) student was entered two times in the QAR for the entire week tested, overstating it by one (1) day.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2011

- **Gage Middle School** - QAR was overstated by two (2) days, compared to the sign-in sheets. Upon examining the QAR, we also noted that one (1) student was entered two times in the QAR for one (1) day but the same student did not have supporting sign-in sheet, overstating QAR by two (2) days.
- **Heliotrope Elementary School** – QAR was overstated by 27 days, compared to the sign-in sheets. We noted that one (1) student marked present for one (1) day in the QAR was not found in the sign in sheets.
- **Lilian Elementary School** – QAR was overstated by two (2) days, compared to the sign-in sheets. We noted that one (1) student marked present for one (1) day in the QAR was not found in the sign in sheets.
- **66<sup>th</sup> Street Elementary School** – QAR was overstated by two (2) days, compared to the sign-in sheets.
- **Angeles Mesa Elementary School** - QAR 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 QAR.
- **Cimarron Elementary School** - QAR was understated by three (3) 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 QAR.
- **Colfax Elementary School** - QAR was understated by 15 days, compared to the sign-in sheets.
- **20th Elementary School** – QAR was overstated by two (2) days, compared to the sign-in sheets. We noted that three (3) students marked present for three (3) days in the QAR were not found in the sign in sheets.
- **28<sup>th</sup> Elementary School** – We noted that one (1) student marked present for one (1) day in the QAR was not found in the sign in sheets. We also noted five (5) students marked present for a total of five (5) days in the sign-in sheets were not found on the QAR.
- **Chavez Elementary School** – We noted two (2) students marked present for a total of two (2) days in the sign-in sheets were not found on the QAR.
- **Grape Elementary School** – We noted that one (1) student marked present for one (1) day in the QAR was not found in the sign in sheets.
- **Lizarraga Elementary School** – QAR was understated by two (2) 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 QAR.
- **Alta Loma Elementary School** – QAR 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 QAR.
- **Bridge Elementary School** – We noted that one (1) student marked present for one (1) day in the QAR was 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 QAR.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2011

- **Dyer Elementary School** – We noted one (1) student marked present for a total of one (1) day in the sign-in sheets was not found on the QAR.
- **Grant Elementary School** – QAR was understated by one (1) day, compared to the sign-in sheets. We noted that one (1) student marked present for one (1) day in the QAR was not found in 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 QAR.
- **Richland Elementary School** – We noted two (2) students marked present for a total of 10 days in the sign-in sheets were not found on the QAR.

#### **Before School Component of the Program**

##### **Condition, Cause and Effect**

On a sample basis, we tested the attendance documentation of 10 schools and 350 students who participated in the before school component of the After School Education and Safety Program.

There were 14 students in eight (8) schools that did not comply with the established late arrival policy.

- **Burton Elementary School** - One (1) student did not participate in at least one-half of the before school program for one (1) day that he participated and there was no late arrival form to explain why such requirement was not complied with. The student was counted as present in the attendance summary.
- **Fair Avenue Elementary School** - One (1) student did not participate in at least one-half of the before school program for one (1) day that he participated and there was no late arrival form to explain why such requirement was not complied with. The student was counted as present in the attendance summary.
- **Grape Elementary School** - One (1) student did not participate in at least one-half of the before school program for one (1) day that he participated and there was no late arrival form to explain why such requirement was not complied with. The student was counted as present in the attendance summary.
- **Gridley Elementary School** – Four (4) students did not participate in at least one-half of the before school program for a total of four (4) days that they participated and there were no late arrival forms to explain why such requirement was not complied with. The students were counted as present in the attendance summary.
- **Leo Politi Elementary School** - One (1) student did not participate in at least one-half of the before school program for one day that he participated and there was no late arrival form to explain why such requirement was not complied with. The student was counted as present in the attendance summary.
- **State Street Elementary School** - One (1) student did not participate in at least one-half of the before school program for one day that he participated and there was no late arrival form to explain why such requirement was not complied with. The student was counted as present in the attendance summary.
- **Sylmar Elementary School** – Two (2) students did not participate in at least one-half of the before school program for a total of two (2) days that they participated and there were no late

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2011

arrival forms to explain why such requirement was not complied with. The students were counted as present in the attendance summary.

- **Sylvan Elementary School** – Three (3) students did not participate in at least one-half of the before school program for one day that they participated and there were no late arrival forms to explain why such requirement was not complied with. The students were counted as present in the attendance summary.

We also obtained the Quarterly Attendance Reports (QAR) for the same schools we sampled and compared the total attendance reported to the attendance records (e.g. sign in/sign out sheets) for the schools for a sample week during the school year 2010-2011. We also tested the completeness and accuracy of the reports by selecting a sample of the students and tracing the same students to attendance records and vice versa. QARs are reports used by the District to report attendance to the California Department of Education (CDE). They serve as a summary of the sign in/sign out sheets. We noted the following exceptions:

- **Barton Hill Elementary School** - One (1) student marked present for one (1) day in the QAR was not found in the sign in sheets. One (1) student marked present for one (1) day in the sign-in sheets was not found on the QAR.
- **Burton Elementary School** – QAR was understated by 89 days, compared to the sign in sheets. In addition, two (2) students marked present for a total of two (2) days in the QAR were not found in the sign in sheets. 17 students marked present for a total of 17 days in the sign-in sheets were not found on the QAR.
- **Fair Avenue Elementary School** – QAR was understated by 89 days, compared to the sign in sheets. In addition, 11 students marked present for a total of 11 days in the sign-in sheets were not found on the QAR.
- **Gridley Elementary School** – QAR was overstated by one (1) day, compared to the sign in sheets. In addition, one (1) student marked present for a total of one (1) day in the QAR was not found in the sign in sheets. One (1) student marked present for a total of one (1) day in the sign-in sheets was not found on the QAR.
- **Leo Politi Elementary School** – QAR was overstated 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 QAR was not found in the sign in sheets. One (1) student marked present for a total of one (1) day in the sign-in sheets was not found on the QAR.
- **State Street Elementary School** – QAR was overstated by five (5) days, compared to the sign in sheets.
- **Sylmar Elementary School** – QAR was overstated by one (1) day, compared to the sign in sheets. In addition, four (4) students marked present for a total of four (4) days in the QAR was not found in the sign in sheets. Two (2) students marked present for a total of one (1) day in the sign-in sheets was not found on the QAR.
- **Sylvan Elementary School** – QAR was understated by five (5) days, compared to the sign in sheets. In addition, two (2) students marked present for a total of one (1) day in the QAR was not found in the sign in sheets. Two (2) students marked present for a total of two (2) days in the sign-in sheets was not found on the QAR.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2011

- **West Vernon Elementary School** – QAR was understated by two (2) days, compared to the sign in sheets. In addition, one (1) student marked present for a total of one (1) day in the QAR was not found in the sign in sheets. One (1) student marked present for a total of one (1) day in the sign-in sheets was not found on the QAR.

These findings are repeat findings, having been reported previously at June 30, 2010 (S-10-05) but for different schools.

#### **Questioned Costs**

As a result of the above testing, the total under reporting of attendance was 925 days. The California Department of Education will determine the impact of the above exceptions on the After School Education and Safety Program funding if there is any.

#### **Recommendation**

We recommend that the District strengthen its procedures on attendance documentation for the After School Education and Safety program. The District should ensure that the agencies performing the services for these programs are aware of the district policies, specifically on maintaining accurate attendance records. We also recommend for the District to continue performing agency visits to make sure that the established policies are complied with.

#### **Views of Responsible Officials and Planned Corrective Actions**

The District has always reviewed attendance data to ensure that what is reported to the State is accurate. In a program with 84,473 units of service rendered daily by over 30 agencies at over 700 sites, (an annual total of 15,205,140 units of service) error is anticipated. (The total underreporting noted in the audit represents .006% of this total.)

To improve the attendance reporting/monitoring process, Beyond The Bell (BTB) has undertaken the following specific policy/procedures improvements.

1. On July 18, 2011, BTB entered into a 5 year contract with Cityspan Technologies Incorporated, a nationally recognized service firm which specialized in administering online attendance monitoring programs, to administer an online attendance reporting system or attendance monitoring and reporting. The goal was both to adopt a standard attendance monitoring system, to unify reporting procedures across all of the Districts' sites, and to eliminate the errors, delays, and inefficiencies in the various systems previously employed. This procurement was a direct result of the audit findings.
2. BTB created a new set of procedures by which attendance at BTB agency programs would be recorded and monitored.
3. To ensure proper attendance documentation and reporting Cityspan transmits, at the beginning of each year, a detailed description of attendance policies, step-by-step attendance procedures, and uploading instructions will be provided to each agency. Additionally, Cityspan offered online assistance to agencies having trouble adopting the new attendance monitoring and reporting system.
4. At the beginning of each year, BTB staff conducts a meeting with agency technical staff to provide instruction so that agency after school site staff is trained to follow the necessary



## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2011

- policies and procedures, particularly regarding sign in procedures and early dismissal paperwork, on an ongoing basis. The attendance procedures also provide a detailed description of how attendance will be verified and who will do the verification. This is an ongoing action.
5. BTB has increased the number of staff conducting on site audits, and the frequency of audits at after school program agency sites and at school sites has increased. If any discrepancy is found, BTB staff will instruct agency staff as to proper procedures. The schedule of site visits (CMP audits) is available for review in the BTB office.
  6. The results of the annual site visit audits are included in the annual review for each agency, and if material discrepancies are observed then letters of corrective action are issued by BTB to which the agency must respond. Agencies delinquent in responding to corrective action are subject to payment withholding until discrepancies are corrected.

While BTB is in the first year of using the new attendance monitoring and reporting system our experience has been positive. The new system should free staff time to monitor program compliance, and will further create efficiencies in mandated reporting which should allow more time for staff to conduct training and program staff development. The increased auditing has increased compliance with sign in procedures. Again, given the positive response to date, a positive result (being greater fidelity to procedures) after the first year of the new policy and procedures is anticipated.

#### **S-11-06 After School and Safety Program**

**State Audit Guide Finding Codes:** 40000

##### **Criteria**

*California Education Code 8482* – The purpose of this program is to create incentives for establishing locally driven before and after school enrichment programs both during schooldays and summer, intersession, or vacation days that partner public schools and communities to provide academic and literacy support and safe, constructive alternatives for youth. The applicants for grants pursuant to this article agree to provide school day attendance rates and Program attendance to the Department of Education.

##### **Condition**

We performed procedures to verify that the number of students served and reported to CDE by the District for the ASES Program is supported by written records that document pupil participation. We compared the numbers reported to CDE and the numbers supported by the District's Quarterly Attendance Reports (QARs), the documents that summarize the number of students served in the District's ASES Program. We also tested, on a sample basis, the attendance reporting made in these QARs. We noted over/under-reporting of attendance for the schools on page 322.

These findings are repeat findings, having been reported previously at June 30, 2010 (S-10-06) but for different schools.

##### **Questioned Costs**

The California Department of Education will determine the impact of the above exceptions on the After School Education and Safety Program funding if there is any.

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

June 30, 2011

### Recommendation

We recommend that the District strengthen its procedures on attendance documentation for the After School Education and Safety program. The District should ensure that the agencies performing the services for these programs are aware of the district policies, specifically on maintaining accurate attendance records. We also recommend for the District to perform agency visits to make sure that the established policies are complied with.

### Views of Responsible Officials and Planned Corrective Actions

LAUSD - Beyond The Bell Branch has implemented the following procedures 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 are required to attend a **“Start-Up Meeting”** scheduled prior to the beginning of the school year. Extensive training on attendance documentation is offered during this meeting.
2. During the “Start-Up Meeting,” extensive time is spent on training staff on the importance of properly documenting and maintaining accurate attendance.
3. Beyond the Bell Branch Administrators and Traveling Supervisors attend the training meeting and interject their role in monitoring attendance procedures as they travel to sites. Beyond the Bell staff routinely monitor attendance to ensure procedures are being used and documentation is maintained as required.
4. Contractors and agency program personnel are required to attend an annual **“Policies and Procedures/Risk Management”** training. **As a result of the audit finding** and reflection on best practices, Beyond the Bell has developed an attendance documentation training scheduled for implementation for the 2011 – 2012 year. The training is offered on a monthly basis. Newly hired personnel must register for and attend the next available training date. Returning personnel must register for and attend the training during the fiscal year.
5. The following “Policies and Procedures/Risk Management” training dates are 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
6. Contractors and agency program personnel are required to attend a **Federal Program Monitoring (FPM)** training. The FPM training reflects the CDE’s Program Dimensions. The goal of this training is to offer personnel a best practices approach to running exemplary programs that comply with the requirements in the Education Code. Extensive training on “attendance documentation” is offered during this meeting.
7. Beyond The Bell Branch conducts **“site visits”** to monitor program quality and student attendance through:
  - **Field Office Administrators**
    - Certificated Administrators conduct site visits to evaluate and monitor agency program implementation. Attendance documentation is closely monitored during these site visits.
  - **Field Office Traveling Playground Supervisors**
    - Classified/Unclassified Traveling Playground Supervisors conduct weekly visits to evaluate and monitor agency program implementation. Attendance documentation to

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

June 30, 2011

ensure appropriate staff-to-student ratio and observation of sign-in/sign-out procedures is closely monitored during these site visits.

- **Central Office Administrators**
    - Central Office Administrators conduct site visits to evaluate and monitor agency program implementation. In addition to program quality and compliance, attendance documentation is closely monitored during these site visits.
8. Beyond the Bell Branch conducts **“Random Reviews/Audits of Monthly Attendance Reports”** to examine agency sign-in/sign-out procedures. The agency’s “Attendance Documentation” procedures are further evaluated to ensure the agency’s record keeping corresponds to data submitted to Beyond the Bell. In addition, evaluation of these documents ensures they:
- Comply with Beyond the Bell’s “Early Release Policy.”
  - Verify the sign-in/sign-out forms are certified by Site Coordinator.
  - Contain Student ID Numbers.
9. To ensure the documentation for the ASES Program accurately reflects the number of students served and reported to the California Department of Education by the District, Beyond the Bell Branch contracted with City-Span Technologies Incorporated (A nationally recognized service firm which specializes in administering online attendance monitoring programs.) to administer an online attendance reporting and monitoring system. Beyond the Bell Branch through our needs assessments and evaluations recognized the need to strengthen our internal controls to ensure attendance data is compiled and reported accurately. Furthermore, Beyond the Bell Branch recognizes the need to maintain sufficient documentation for the reconciliation between the District’s Quarterly Attendance Reports (QAR) and information submitted to the California Department of Education. Consequently, Beyond the Bell’s gathering of attendance data and reporting procedures has evolved. As a result of previous audit findings, the following system and procedures have been implemented:
- **Monitoring has been strengthened from quarterly to monthly** and all contractors and staff are now required to submit attendance documentation monthly which has resulted in more accurate attendance reporting to the CDE.
  - **Beyond the Bell issues a current “Alpha List”** containing student identification numbers to agencies. Prior to this practice, agencies were responsible for obtaining student identification numbers from schools. Frequently, the information was outdated or incomplete.
  - Agencies **submit their attendance electronically** through a secured website to City-Span Technologies Incorporated.
  - A **discrepancy report is issued** to agencies requesting them to make corrections of errors when they are identified.
  - Agencies **correct and resubmit** the reports and discrepancies are fixed in attendance reports.
  - The reporting of attendance to the California Department of Education (CDE) is accomplished on-line bi-annually through the ASSIST through close collaboration with CDE’s technical staff to ensure accurate transfer of the information.
  - As a result of the volume generated by Beyond the Bell programs, **the CDE has approved the submission** of attendance through an EXCEL program via e-mail. Personnel at CDE then upload the data into ASSIST. Once the data is in the system, the Beyond the Bell designee approves the data submitted.

We will continue to monitor these changes in protocol to ensure that the procedures are followed and all information is reported accurately and documented as necessary for auditing purposes.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

June 30, 2011

<b>No</b>	<b>School Name</b>	<b>CDE Report</b>	<b>Attendance Reports</b>	<b>Variance</b>
1	Burton El	7,410	7,415	(5)
2	Gridley El	11,980	11,981	(1)
3	Politi El	15,735	15,870	(135)
4	Sylmar El	9,235	9,273	(38)
5	Sylvan Park El	8,915	8,940	(25)
6	West Vernon El	13,320	13,409	(89)
7	66Th St El	15,579	15,666	(87)
8	Alta Loma El	32,351	32,659	(308)
9	Angeles Mesa El	12,448	12,464	(16)
10	Annalee El	12,858	12,819	39
11	Commonwealth El	19,578	19,579	(1)
12	Dyer El	22,432	22,803	(371)
13	Eshelman El	16,652	16,690	(38)
14	Grant El	26,462	26,746	(284)
15	Gulf El	20,395	20,863	(468)
16	Heliotrope El	23,011	23,090	(79)
17	Herrick El	17,430	17,453	(23)
18	Heliotrope El	2,881	2,914	(33)
19	Wilmington Park El	25,878	25,832	46
20	Henry MS	29,548	29,549	(1)
21	Edison MS	21,902	21,909	(7)
22	Griffith MS	39,569	39,588	(19)
23	Holmes MS	19,764	19,825	(61)
24	Dodson MS	16,908	17,156	(248)
25	Drew MS	23,912	23,823	89
26	Hollenbeck MS	37,803	36,841	962
27	Carnegie MS	30,303	28,275	2,028
28	Irving MS	19,609	19,613	(4)
29	Carver MS	46,082	46,849	(767)
30	Gage MS	44,151	45,362	(1,211)
31	Nimitz MS	33,497	33,344	153
32	San Fernando MS	17,352	17,366	(14)
33	Audubon MS	8,697	19,465	(10,768)
	<b>total variance</b>			<b>(11,784)</b>



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, 2011

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, 2011, and have issued our report thereon dated December 14, 2011. In planning and performing our audit of the basic financial statements of the District, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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-11-01 and FS 11-02 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 325 to 333.

We did not audit the District's response to the findings and comments identified in our audit, and accordingly, we express no opinion on it.



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

Very truly yours,

*Simpson E. Simpson*

**Current Year Management Letter Comments**

**ML-11-01 - Data Center Physical Access**

***Observation***

Access Badge Request forms for Data Center access could not be located for four (4) of the ten (10) individuals sampled with Data Center access. We also noted that, Data Center access system (AMAG) reports are not reviewed/certified and signed on a periodic basis by IT management.

***Impact***

Unauthorized physical access to the Data Center could increase the likelihood of theft and/or damage to production data, computer devices and other information technology resources.

***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.

***Management Response***

ITD management agrees with this recommendation and has begun discussions with the Beaudry headquarters building management to review access to the Data Center a minimum of every 6 months.

**ML-11-02 - Computer Operations Procedures**

***Observation***

Data Center operations procedures are not compiled and made accessible to ITD Computer Operations personnel, such procedures were only compiled into one set after auditor request was made.

***Impact***

Computer operations procedures may not be followed in a consistent and appropriate manner to ensure compliance with management's criteria.

***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 Year Management Letter Comments**

***Management Response***

ITD management agrees with this recommendation. At minimum, ITD plans to have multiple copies of the procedures by June 30, 2012.

**ML-11-03 - Batch Program Run Instructions**

***Observation***

Run book instructions identify the specific operational requirements of a production batch job that a computer operator needs to be aware of should an error in job execution occur. However, Run Book/Instructions could not be provided for a sample of 35 IFS production jobs.

***Impact***

Accounting system production job processing may not be effectively recovered in a timely manner in the event of a system “abend” or malfunction.

***Recommendation***

Run book instructions should be developed for all IFS production batch jobs.

***Management Response***

ITD management began a review all batch programs managed by Data Center Operations in early 2011. At the conclusion of the review, a full set of documentation (including run instructions) will be compiled for the batch programs.

**ML-11-04- IT Asset Inventory Management**

***Observation***

IT asset discovery functionality is an automated process that helps IT management identify computer devices and their respective locations on the computer network. However, such functionality is not currently utilized to support IT asset inventory management.

***Impact***

IT assets may not be accurately recorded, tracked and effectively utilized. This could adversely impact the integrity of IT asset management and accounting.



**Current Year Management Letter Comments**

***Recommendation***

An IT asset discovery tool should be implemented to support the management of IT asset inventory.

***Management Response***

ITD management agrees with this finding. ITD is currently reviewing various solutions to provide IT asset discovery. At this time, no vendor or solution has been selected.

**ML-11-05 - Wireless Encryption**

***Observation***

WEP encryption is used instead of a more secure wireless encryption standard, i.e., WPA, for the Administration's network wireless access points. We were informed that to facilitate WPA encryption, the Administration network's current wireless access point devices would need to be upgraded to be compatible with WPA encryption.

***Impact***

A less than robust wireless encryption standard, e.g., WEP encryption, could result in unauthorized access by a system intruder to the district's computer network and mission critical systems.

***Recommendation***

WPA encryption should be implemented for the district's Administration wireless network.

***Management Response***

ITD management agrees with this finding. New District sites will use WPA exclusively; existing sites with a wireless network will be transitioned to WPA as resources allow.

**ML-10-06 - Wireless Access Point Security**

***Observation***

Periodic War Driving is not performed to identify unsecured wireless network connections, e.g., rogue or unauthorized wireless access points, for the district's 333 Beaudry Administration's wireless network.

**Current Year Management Letter Comments**

***Impact***

Unauthorized wireless access points may not be detected in a timely manner to effectively prevent system intrusion.

***Recommendation***

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.

***Management Response***

ITD management agrees with the finding. When funding becomes available, ITD will contract for war driving services.

**ML-11-07 - Mainframe Utility Management**

***Observation***

Access to powerful mainframe system utilities (e.g., AMASPZAP, IMASPZAP, etc.) exists for a retired individual's RACF account (GCR6814).

***Impact***

The potential misuse of powerful system utilities could adversely impact the integrity of accounting system and data when assigned to individuals whose job function does not require them to have such access.

***Recommendation***

Inappropriate access should be deleted and RACF access profiles for System Utility access should be reviewed and approved on a periodic basis (e.g., every 6 to 12 months).

***Management Response***

The retired individual's RACF account will be removed by December 31, 2011.

**ML-11-08 - Mainframe System Dataset Access**

***Observation***

A retired employee's RACF account (GCR6814) has update/alter access to Systems production datasets, i.e., datasets with the Sys1.\* high-level qualifier.

**Current Year Management Letter Comments**

***Impact***

Inadequate restriction to modify/update access to production dataset/files can result in unauthorized changes that adversely impact the integrity of accounting and financial reporting information

***Recommendation***

Inappropriate access 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).

***Management Response***

The retired individual's RACF account will be removed by December 31, 2011.

**ML-11-09 - IFS Dataset Access**

***Observation***

The following Inactive RACF groupUIDs have Update or Alter access to IFS production datasets:

- BFSSEC2
- 1BFSSEC3
- BFSUSR4
- IFSBFTP

***Impact***

Unauthorized changes to accounting data and transactions may occur if access is not sufficiently restricted.

***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).

***Management Response***

ITD management will review the membership of the above inactive RACF groups and take appropriate action.

**Current Year Management Letter Comments**

**ML-11-10 - SMF Logging**

***Observation***

System Management Facility (SMF) Record type 14 (INPUT Data Set Activity) is not logged to track when a dataset is processed.

***Impact***

Unauthorized or erroneous accounting data file input may not be detected if data modifications are not logged and summary reports reviewed periodically.

***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 resource impact to the system.

***Management Response***

ITD management will take recommendation under advisement for further review. If SMF logging is found to be feasible, it will be implemented.

**ML 11-11 - 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 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 that some new construction and existing facilities projects

**Current Year Management Letter Comments**

amounting to about \$80.9 Million that have been completed but have not been transferred to depreciable capital assets. Furthermore, we noted certain Information Technology Department (ITD) projects amounting to about \$9.9 Million that were transferred as completed this year but were actually completed in the prior years. Depreciation expenses for these related assets should have been recorded in the prior years.

***Impact***

Lack of proper coordination between the Facilities Services Division and the General Accounting Branch resulted in a significant misstatement of construction in progress, depreciable capital assets and depreciation expenses.

***Recommendation***

We 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.

***Management Response***

Facilities Program Support Services acknowledges the discrepancies in the process for accounting for CIP and depreciable capital assets. A coordination meeting on lessons learned will be convened with General Accounting Branch and FSD to discuss corrective actions immediately after the CAFR audit is completed. First, all FSD projects and construction contracts will be reviewed for project completions and capitalized cost. Second, all entries in CIP and the depreciable capital assets accounts will be reviewed against FSD completed projects information. Third, to complete the analysis, FSD will provide a draft schedule of completed projects to General Accounting in March initiate the review the impact of transactions at June 30 at an earlier date.

**Current Year Management Letter Comments**

**ML 11-12 – Ineffective Accrual Process for Construction-Related Expenditures**

***Observation***

Generally accepted accounting principles for government entities require that expenditures be recorded in the period in which governments normally liquidate the related liability or when the transaction is expected to draw upon current spendable resources. Every year-end, the District, through Accounts Payable Department determines what expenditures need to be accrued in its financial statements by verifying through different departments what goods have been received or what services have been rendered from various vendors, and for which the District have not yet paid.

For goods and services related to construction of schools, due to the high volume of transactions, the District employs a separate group (Facilities Services Division) that administers the determination of accrual amounts at year-end. For fiscal year 2010-11, this group determined the accrual amounts by estimating what goods and services have been delivered based upon open contracts and purchase orders. It was later determined that the estimates were significantly more than actual expenditures and adjustments amounting to about \$67 Million had to be made. After the auditors verified the correctness of accrued amounts by searching for unrecorded liabilities, it was noted that expenditures mainly pertaining to professional services were under-accrued by about \$ 22.5 Million.

***Impact***

Ineffective coordination within the Facilities Services Division and miscommunication about the procedures in place for the year-end accrual process resulted in significant adjustments in expenditures to be reported in the financial statements for FY 2010-11.

***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.

***Management Response***

The District acknowledges the audit finding. Accounts Payable, General Accounting Branch, FSD and other divisions will convene to discuss lessons learned and corrective actions immediately after

**Current Year Management Letter Comments**

the CAFR audit is completed. FSD will implement a process to review and analyze FSD construction contracts and professional services agreements in January. As encumbrance and payment requests are processed by FPPS, an estimate of work to be performed through June 30 will be maintained in the Invoice Tracker system. As subsequent transactions are processed, this estimate will be adjusted and refined through June 30. Non-FSD encumbrances in capital funds will also be identified and forwarded to responsible department contacts for similar activity. FSD will coordinate with Accounts Payable more prior to June 30 to review draft accruals data against information in the financial system of record. At fiscal year-end, accruals entries will be provided solely from FSD's Invoice Tracker system.

**Status of Prior Year's Management Letter Comments**

**ML-10-01 - Audit Logging of SAP Infotypes**

**Recommendation**

Payroll and ITD management should enable audit logging for the Additional Off-Cycle Payments (267) and Payroll Results Adjustments (221) SAP infotypes.

**Current Status**

Corrective action(s) implemented. The Additional Off-Cycle Payments (267) and Payroll Results Adjustments (221) SAP infotypes are now logged.

**ML-10-02 - Information Security Function**

**Recommendation**

The information security function should be organized at a level commensurate with the level of risk and sensitivity associated with the district's mission critical systems and IT infrastructure. Accordingly, we recommend that the information security function be organized at a higher reporting level within the ITD organization to ensure sufficient independence, resources and visibility are given to security matters.

**Current Status**

Corrective action(s) implemented.

**ML-10-03 - IFS Data and Program Backups are not Periodically Tested**

**Recommendation**

Management should schedule periodic testing of IFS backup data and programs to ensure timely and effective recovery of accounting processing in the event the IFS system fails.

**Current Status**

Corrective action(s) implemented. IFS backup is not tested periodically.

**ML 10-04 - Construction in Progress and Transfers to Depreciable Capital Assets**

**Recommendation**

We recommend that the Facilities Services Division (FSD) perform a more thorough analysis of costs incurred for New Constructions, Existing Facilities and ITD projects, when deciding whether these



### **Status of Prior Year's Management Letter Comments**

projects are completed and are ready to be put into operation and therefore, are to be depreciated. This information should be verified by the facilities group supervisors and communicated to the General Accounting Branch. Same for ITD projects, ITD should thoroughly analyze all existing projects and evaluate each project's completion. The results of the evaluation should be communicated as well to the General Accounting Branch for proper recording of the assets' completion.

Specifically, the District should establish and implement a clearer policy that addresses proper identification of completed projects. Currently, FSD's trigger point in determining a project's completion is a "notice of completion" from the District's major construction contractors. Supposedly, this document denotes that a project is completed or substantially completed. This procedure may be appropriate for the Existing Facilities and ITD projects at Existing Facilities; however, as there are several major construction contractors for phases of a New Construction, the "notice of completion" does not appear to be the best document to trigger completion of those projects. We suggest that the "certificate of occupancy" seems to be a more accurate trigger of when New Construction projects should be moved to the completed asset category and depreciated.

#### **Current Status**

FSD will present a policy on Accounting for Capital Outlay Costs to align District processes with CSAM Procedure 770. The policy will provide requirements and criteria for capitalization of major repair project costs, public works project costs and other capital outlays. The policy will provide examples to differentiate between building repairs or maintenance costs and building fixtures, betterments and service systems.

ITD is in the process of reviewing current procedures in tracking completed projects. They are also currently reviewing procedures on soft costs allocation to the actual project. In addition, ITD is working on preparing their JV's to allocate the soft costs identified that need to be charged to the project.

#### **ML 10-05 – Recording of Non-Exchange Transactions**

##### **Recommendation**

For the recording of all non-exchange transactions that the District enters into, such as the State grants and reimbursements related to emergency repairs, we recommend that there should be more effective coordination between the department(s) monitoring the transactions and the General Accounting Branch. General Accounting has the technical knowledge on how to record the transactions properly and the departments that are responsible for the actual transactions are more familiar with the details and status of the transactions.

*The Honorable Board of Education  
Los Angeles Unified School District  
December 14, 2011*

**Status of Prior Year's Management Letter Comments**

**Current Status**

The District has implemented the audit recommendations and an accounting process is in place to appropriately record the amount of revenue deferred and revenue earned pertaining to non-exchange transactions and specifically, the Emergency Repair Program.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
Status of Prior Year Findings and Recommendations|  
June 30, 2011

**Findings Related to the Basic Financial Statements Reported in Accordance with *Government Auditing Standards***

**FS-10-01 - Lack of IFS Security Reporting - Material Weakness**

State Audit Guide Finding Code: 30000

***Recommendation***

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

***Current Status***

Corrective action(s) partially implemented. A manual review of user profile screen prints will be performed on annual basis.

**FS-10-02 - Lack of Logging and Security Monitoring Control Processes - Significant Deficiency**

State Audit Guide Finding Code: 30000

***Recommendations***

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

***Current Status***

Corrective action(s) implemented. Cisco Security Monitoring, Analysis, and Response System (MARS) has been implemented for network logging.

**FS-10-03 - IFS Program Change Approval - Significant Deficiency**

State Audit Guide Finding Code: 30000

***Recommendation***

IFS program changes should be consistently approved by accounting management with a signature to prevent unauthorized program changes. User acceptance testing signatures should also be documented.

***Current Status***

Corrective action(s) implemented. ITD has modified the transport form to require the signature of the business owner.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
Status of Prior Year Findings and Recommendations|  
June 30, 2011

**FS-10-04 - Lack of Sufficient Documentation for SAP Program Changes to the Production System - Significant Deficiency**

State Audit Guide Finding Code: 30000

***Recommendation***

The requirement for documenting and approving application changes should be consistently followed to prevent unauthorized program changes. This includes documenting and retaining management approvals to confirm that program changes are aligned with management intentions and user requirements.

***Current Status***

Corrective action(s) implemented. ITD has reviewed the transport request forms for appropriate signatures and updated the identified transport forms by obtaining the business owners signature.

**FS-10-05 - Developer Access to Payroll Production Data - Significant Deficiency**

State Audit Guide Finding Code: 30000

***Recommendation***

ITD-BTS management should continue to review access for all payroll infotypes and remove BTS' update access where possible. In the long term, ITD and Payroll management should develop a transition plan to migrate the need to update production payroll data from ITD-BTS personnel.

***Current Status***

Corrective action(s) partially implemented. Although ITD-BTS users do not have ongoing access to update any info types in production, update access to payroll Infotypes were noted for four (4) ITD-BTS personnel during this year's audit.

**FS-10-06 - SAP Time Management SOD Conflicts - Significant Deficiency**

State Audit Guide Finding Code: 30000

***Recommendation***

Management should remove conflicting access for the users identified in a timely manner. Also, prior to assigning access to a user, the user's existing role and transaction assignments should be reviewed via the use of a security matrix or other mechanism to determine if the new access requested presents a segregation of duties conflict.

***Current Status***

Corrective action implemented. Conflicting access removed.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2011

**Findings and Questioned Costs Related to Federal Awards**

**1. Finding F-10-01 – Allowable Costs – Payroll Certifications and Documentation for Specially Funded Employee Positions**

**Finding F-09-01 – Allowable Costs – Payroll Certifications and Documentation for Specially Funded Employee Positions**

**Finding F-07-01 – Allowable Costs – Payroll Certifications and Documentation for Specially Funded Employee Positions**

**Finding F-06-01 – Allowable Costs – Payroll Certifications and Documentation for Specially Funded Employee Positions**

**Program Identification:**

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

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

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

**Special Education Cluster:** Grants to States, Preschool Grants (American Recovery and Reinvestment Act of 2009), U.S. Department of Education, CFDA Nos. 84.391A, 84.391 and 84.392, Grant Agreements 08-15000-6473-01, 08-15003-6473-01, 09-15000-6473-01 and 09-15003-6473-01;

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

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

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

**Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP):** U.S. Department of Education (ED), CFDA No. 84.334, Grant Agreements P334A050008 and P334A050178;

**Reading First State Grants:** U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.357, Grant Agreements 07-14328-6473-00 and 07-14911-6473;

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Status of Prior Year Findings and Recommendations

Year Ended June 30, 2011

**English Language Acquisition Grants:** U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.365, Grant Agreements 09-10084-6473 and 10-10084-6473;

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

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

**Workforce Investment Act, Title II:** Adult Education and Family Literacy Act, Pass through the California Department of Education, CFDA No. 84.002, Grant Agreements 08-14508-64733-00, 08-14109-64733-00 and 09-1419-64733;

**Child and Adult Care Food Program:** U.S. Department of Agriculture (USDA), Passed through the California Department of Education, CFDA No. 10.558, Grant Agreement 19-2016-3;

**Twenty-First Century Community Learning Centers:** U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.287, Grant Agreement 08-14349-6473-4A;

**State Grants for Innovative Programs:** U.S. Department of Education (ED), Passed Through the California Department of Education, CFDA No. 84.298, Pass-Through Identification No. 1964733, Grant Agreement S298A060005;

**Education Technology State Grants:** U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.318, Grant Agreement

**Medical Assistance Programs:** U.S. Department of Health and Human Services, Passed through the California Department of Education, CFDA No. 84.778, Grant Agreement C-10606:08:09.

#### **Recommendation**

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

#### **Current Status**

Implemented

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2011

**2. Finding F-10-02 – Allowable Costs – Not Allowable Activities and Unsupported Documentation to NonPayroll Expenditures**

**Finding F-09-02 – Allowable Costs – Unsupported Adjusting Journal Vouchers Recorded to Non payroll Expenditure**

**Program Identification:**

**Title I Grants to Local Educational Agencies**, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA Nos. 84.010 and 84.389, Grant Agreements 09-14329-6473 (S010A070005) and 10-14329-6473;

**English Language Acquisition Grants**, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.365, Grant Agreement 10-10084-6473;

**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-07-02 – Allowable Costs – Unsupported Adjusting Journal Vouchers Recorded to Payroll Expenditure**

**Program Identification:**

**Title I Grants to Local Educational Agencies**, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.010, Grant Agreement 06- 14329-6473

**Vocational Education Basic Grants to States**: U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.048, Grant Agreements 06/07- 13924-64733-00 and 06-13923-64733-00;

**Twenty-First Century Community Learning Centers**, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.287, Grant Agreements 05-14349 6473-2A, 05 14349-6473-3A, and 06-14349-6473-1A;

**Reading First State Grants**, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.357, Grant Agreement 04-14328-6473-00;

**English Language Acquisition Grants**, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.365, Grant Agreements 03-14346-6473- 00 and 10084-6474-00;

**Improving Teacher Quality State Grants**, U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.367, Grant Agreement S367A040005A;

**Child Care and Development Fund**: Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund; U.S. Department of

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2011

Health and Human Services, Passed through the California Department of Education, CFDA Nos. 93.575 and 93.596, Contract CCTR-6164

**Recommendation**

We recommend the District enhance policies and procedures to ensure that all payment vouchers are adequately supported before recording them in the general ledger. We also recommend the District establish policies and procedures to ensure that salary allocations are made based on actual time and effort documentation and not based on estimated budgeted information.

**Current Status**

Implemented. The District provided its auditors copies of all journal vouchers and SAP and/or QMF print outs detailing the employee names for the payroll expenditures transferred with the period of the payroll incurred. This documentation provided support for all but \$7,585 related to the Vocational Education Program.

**4. Finding F-07-08 – Allowable Costs – Controls over Calculation of Indirect Costs Charged to Program**

**Program Identification:**

**Twenty-First Century Community Learning Centers:** U.S. Department of Education (ED); Passed through the California Department of Education, CFDA No. 84.287, Grant Agreements 05-14349-6473-2A and 06-14349-6473-1A;

**GEAR-UP:** U.S. Department of Education (ED), CFDA No. 84.334, Grant Agreements P334A000061-05, P334A050178-06, and P334A050205.

**Recommendation**

We recommend that the District provide additional guidance/training to its accountants to ensure that grants required to use the restricted indirect cost rate are calculated using the appropriate direct cost base in accordance with federal guidelines.

**Current Status**

Implemented

**5. Finding F-07-09 – Cash Management – Interest Income from Advances not Returned to Federal Government**

**Finding F-06-07 – Cash Management – Interest Income from Advances not Returned to Federal Government**

**Program Identification:**



## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Status of Prior Year Findings and Recommendations

Year Ended June 30, 2011

**Public Assistance Grants:** Department of Homeland Security (DHS), (CFDA 83.544), Passed through the California Governor's Office of Emergency Services (OES), FEMA 1008-DR, P.A. 037-91146, OES 93708.4;

**WIA - Adult Basic Education:** U.S. Department of Education (ED), Passed through the California Department of Education (CDE) Adult Education – State Grant Program (CFDA 84.002), Grant ID#29-R419-06AF;

**Title I Grants to Local Educational Agencies:** U.S. Department of Education (ED), Elementary and Secondary Act Title I, Part A; Passed through the California Department of Education (CDE) as Title I, Part A of the No Child Left Behind Act of 2001 (CFDA 84.010), PCA 14329;

**Vocational Education Basic Grants to States:** U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.048, Grant Agreements 07/08- 14893-74435-00, 07-14894-64733-00 and 07/08-14893-64733-00;

**Safe and Drug-Free Schools and Communities:** U.S. Department of Education (ED), Passed through the California Department of Education (CDE), Title VI, Part A, Safe and Drug-Free Schools & Communities (CFDA 84.186);

**Twenty-First Century Community Learning Centers:** U.S. Department of Education (ED), Elementary and Secondary Act Title IV, Part B; Passed through the California Department of Education (CDE) as 21st Century Community Learning Centers Grant (CFDA 84.287), PCA 14349;

**State Grants for Innovative Programs:** U.S. Department of Education (ED), Passed Through the California Department of Education, CFDA No. 84.298, Pass-Through Identification No. 1964733; Grant Agreement S298A06005;

**Education Technology State Grants:** U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.318, Grant Agreements 07-14368-6437, 06-14368-6473-14368 and 2006/07-14334-6437;

**Reading First State Grants:** U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.357, Grant Agreement 04-14328-6473-00;

**English Language Acquisition Grants:** U.S. Department of Education (ED), Elementary and Secondary Act Title III, Part A; Passed through the California Department of Education (CDE) as Limited English Proficient Student Program (CFDA 84.365), PCA 14346;

**Improving Teacher Quality State Grants:** U.S. Department of Education (ED), Elementary and Secondary Act Title II, Part A; Passed through the California Department of Education (CDE) as Teacher and Principal Training and Recruiting (CFDA 84.367), PCA 14341.

#### Recommendation

We recommend that the District strengthen controls to ensure the accuracy of the interest income calculation. The District may also consider recouping the interest income of \$118,309 from CDE.

#### Current Status

Implemented

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2011

**6. Finding F-10-03 – Eligibility- Lack of Effective and Timely Monitoring to CCTR Centers**

**Finding F-09-04 – Eligibility- Lack of Effective and Timely Monitoring to CCTR Centers**

**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-8159, CCTR-9129 and CSPP-9233.

**Recommendation**

We recommend the District strengthen its monitoring process to ensure that student files are reviewed on a regular basis in order to comply with the contract and records provision. The District should also provide training sessions for the center managers to ensure that they are aware of the federal requirements in relation to eligibility and that the required documentation is being maintained.

**Current Status**

Implemented

**7. Finding F-10-04 – Equipment – Equipment Management Policies**

**Program Identification:**

**Child Nutrition Cluster:** School Breakfast Program, National School Lunch Programs, 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;

**Title I Grants to Local Educational Agencies:** U.S. Department of Education (ED), Passed through the California Department of Education, CFDA Nos. 84.010 and 84.389, Grant Agreement 10-14329-6473;

**Vocational Education Basic Grants to States:** U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.048, Grant Agreements 09-14894-64733-00 and 09-14893-6733-00;

**Safe and Drug-Free Schools and Communities:** U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.186, Grant Agreements Q186A080005 and Q215E60268;

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2011

**English Language Acquisition Grants:** U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.365, Grant Agreement 10-10084-6473;

**Workforce Investment Act, Title II: Adult Education and Family Literacy Act,** Pass through the California Department of Education, CFDA No. 84.002, Grant Agreement 09-1419-64733.

**Recommendation**

We recommend the District continue to strengthen its controls over property management by providing adequate supervision/training to ensure that inventory management be performed properly.

**Current Status**

Implemented

**8. Finding F-08-07 – Matching, Level of Effort, and Earmarking – Administrative Cost**

**Finding F-07-15 – Matching, Level of Effort, and Earmarking – Administrative Cost**

**Finding F-06-15 – Matching, Level of Effort, and Earmarking – Administrative Cost**

**Program Identification:**

**Vocational Education Basic Grants to States:** U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.048, Grant Agreements 07- 14894-64733-00, 07/08-14893-74435-00 and 07/08-14893-64733-00;

**Twenty-First Century Community Learning Centers:** U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.287, Grant Agreements 07-14349-6473-3A and 07-14349-6473-4A;

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

**English Language Acquisition Grants:** U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.365, Grant Agreement T365A070005.

**Recommendation**

We recommend that the District strengthen its policies and procedures to ensure that administrative costs are appropriately computed and not charged over the allowable maximum per grant.

**Current Status**

Implemented

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2011

**9. Finding F-10-05 – Matching, Level of Effort, Earmarking, and Reporting – Matching Funds Reported**

**Finding F-10-06 – Matching, Level of Effort, Earmarking, and Reporting – Matching Funds Reported**

**Program Identification:**

**Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP):** U.S. Department of Education (ED), Grant Agreements P334A050008, P334A050217, and P334A050178;

**State Administrative Matching Grants for Food Stamp Program:** U.S. Department of Agriculture (USDA), Passed through the California Department of Health Services, CFDA No. 10.561, Grant Agreement 07-65328;

**Recommendation**

The District should establish sufficient controls, policies and procedures to ensure that (1) adequate support for matching be maintained; (2) the sources of matching contributions are from an allowable source; (3) the values placed on contributions (including third party in-kind contributions) are supported and accurate; and (4) the activities used for matching contributions are allowable costs/cost principles requirements and properly documented.

**Current Status**

Implemented

**10. Finding F-10-07 – Matching, Level of Effort, and Earmarking – Administrative Cost plus the Indirect Cost Rate Limitation**

**Finding F-09-08 – Matching, Level of Effort, and Earmarking – Administrative Cost plus the Indirect Cost Rate Limitation**

**Finding F-08-09 – Matching, Level of Effort, and Earmarking – Administrative Cost over the Restricted 2% Limit**

**Finding F-07-16 – Matching, Level of Effort, and Earmarking – Program Administrative Costs plus the Indirect Cost Rate Limitation**

**Finding F-06-14 – Matching, Level of Effort, and Earmarking – Administrative Cost**

**Finding F-05-17 – Matching, Level of Effort, and Earmarking – Administrative Cost over the Restricted 2% Limit**

**Program Identification:**

**Vocational Education Basic Grants to States:** U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.048, Grant Agreements 08-14894-64733-00, 08-14893-74435-00, 08-14893-6733-00, 09-14894-64733-00, and 09-14893-6733-00;

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Status of Prior Year Findings and Recommendations

Year Ended June 30, 2011

**Twenty-First Century Community Learning Centers:** U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.287, Grant Agreements 08-14535-6473-4A, 08-14349-6473-3A, 08-14349- 5A, and 08-14535-6473-5A;

**Reading First State Grants:** U.S. Department of Education (ED), Passed through the California Department of Education, CFDA Nos. 84.357 and 84.357A, Grant Agreement 07-14328-6473-00 and 07-14911-6473;

**English Language Acquisition Grants:** U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.365, Grant Agreement 09-10084-6473 and 10-10084-6473;

**Safe and Drug-Free Schools and Communities:** U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.186, Grant Agreements Q186A080005 and Q215E60268;

**Workforce Investment Act, Title II: Adult Education and Family Literacy Act,** Pass through the California Department of Education, CFDA No. 84.002, Grant Agreements 08-14508-64733-00, 08-14109-64733-00, and 09-1419-64733;

**Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP):** U.S. Department of Education (ED), CFDA No. 84.334, Grant Agreements P334A050008, P334A050217, and P334A050178;

**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, Contract CCTR-8159.

#### Recommendation

We recommend that the District establish policies and procedures to ensure that administrative cost are appropriately computed and accounted for separately by each federal program. The policies and procedures should also require employees whose duties crossover with multiple activities/functions which are apart from their original job descriptions, be required to prepare a personal activity report (PAR) in accordance with OMB A-87 to clearly identify the employees' daily activities supporting the hours worked outside of their normal positions.

#### Current Status

Implemented

#### 11. Finding F-10-08 – 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 (ED), Passed through the California Department of Education, CFDA No. 84.010, Grant Agreement 10-14329-6473.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2011

**Recommendation**

We recommend that the District revise its reporting procedures to exclude all of the choice-related transportation costs if the transportation did not meet the intent of Public School Choice Program that parents are given choices to transfer their child(ren) from their home schools (if it is a PI school) to a non-PI school.

**Current Status**

Implemented

**12. Finding F-10-09 – Period of Availability – Program Code Controls**

**Finding F-09-09 – Period of Availability – Program Code Controls**

**Finding F-08-12 – Period of Availability – Program Code Controls**

**Finding F-07-18 – Period of Availability – Program Code Controls**

**Finding F-06-17 – Period of Availability – Program Code Controls**

**Program Identification:**

**Title I Grants to Local Educational Agencies:** U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.010, Grant Agreements 09-14329-6473 and 10-14329-6473;

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

**Safe and Drug-Free Schools and Communities:** U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.186, Grant Agreement Q186A060005;

**State Grants for Innovative Programs:** U.S. Department of Education (ED), Passed Through the California Department of Education, CFDA No. 84.298, Pass-Through Identification No. 1964733, Grant Agreement S298A060005;

**English Language Acquisition Grants:** U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.365, Grant Agreements T365A070005 (03-14346 6473-00, 10084-6474-00, and 10-10084-6473);

**Improving Teacher Quality State Grants:** U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.367, Grant Agreements S367A070005A and PCA14344/14341;

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2011

**Vocational Education Basic Grants to States:** U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.048, Grant Agreements 07/08-14893-74435-00, 07/08-14893-64733-00, 07/08-14894-64733-00, 09-14894-64733-00, and 09-14893-6733-00;

**Education Technology State Grants:** U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.318, Grant Agreements 06-14368-6473, 07-14368-6437, and 2006/07-14334-6437;

**Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP):** U.S. Department of Education (ED), Higher Education Act Title IV, Part A; (CFDA 84.334), Project Title: Gear-up, Award No. P334A000061;

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

**Medical Assistance Program:** U.S. Department of Health & Human Services, Passed Through the California Department of Health Services (CDHS), CFDA No. 93.778, Grant Agreement C-10606:08:09.

**Recommendation**

We recommend that the District implement policies and procedures to closely monitor the expenditures charged to an appropriate grant award period. The District should also perform additional analysis for the grants that do not have separate program/project codes for each award year to ensure that reported program expenditures for each grant award year were claimed and obligated appropriately.

We further recommend that the District strengthen controls over its monitoring of outstanding obligations to ensure that all obligations are liquidated under the award not later than 90 days after the end of the funding periods; and unliquidated obligations are reconciled and adjusted so that the balance remaining in encumbrance is properly returned to the grantor.

**Current Status**

Implemented

**13. Finding F-10-09 – Period of Availability – Expenses Not Claimed in Proper Period and Liquidation of Obligations**

**Finding F-09-09 – Period of Availability – Expenses Not Claimed in Proper Period and Liquidation of Obligations**

**Finding F-08-13 – Period of Availability – Expenses Not Claimed in Proper Period and Liquidation of Obligations**

**Finding F-07-19 – Period of Availability – Expenses Not Claimed in Proper Period and Liquidation of Obligations**

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2011

**Finding F-06-18 – Period of Availability – Expenses Not Claimed in Proper Period**

**Finding F-06-19 – Period of Availability – Liquidation of Obligations**

**Finding F-05-19 – Period of Availability – Expenses Not Claimed in Proper Period**

**Program Identification:**

**Title I Grants to Local Educational Agencies:** U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.010, Grant Agreements 09-14329-6473 and 10-14329-6473;

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

**Safe and Drug-Free Schools and Communities:** U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.186, Grant Agreement Q186A060005;

**State Grants for Innovative Programs:** U.S. Department of Education (ED), Passed Through the California Department of Education, CFDA No. 84.298, Pass-Through Identification No. 1964733, Grant Agreement S298A060005;

**English Language Acquisition Grants:** U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.365, Grant Agreements T365A070005 (03-14346-6473-00, 10084-6474-00, and 10-10084-6473);

**Improving Teacher Quality State Grants:** U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.367, Grant Agreements S367A070005A and PCA14344/14341;

**Vocational Education Basic Grants to States:** U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.048, Grant Agreements 07/08-14893-74435-00, 07/08-14893-64733-00, 07/08-14894-64733-00, 09-14894-64733-00, and 09-14893-6733-00;

**Education Technology State Grants:** U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.318, Grant Agreements 06-14368-6473, 07-14368-6437, and 2006/07-14334-6437;

**Twenty-First Century Community Learning Centers:** U.S. Department of Education (ED), Elementary and Secondary Act Title IV, Part B; Passed through the California Department of Education (CDE) as 21st Century Community Learning Centers Grant (CFDA 84.287), PCA 14349;

**Reading First State Grants:** U.S. Department of Education (ED), Elementary and Secondary Act Title I, Part B; Passed through the California Department of Education (CDE) as Reading First (CFDA 84.357), PCA 14328;

**Child Care and Development Fund:** Child Care and, Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund; U.S. Department of



## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Status of Prior Year Findings and Recommendations

Year Ended June 30, 2011

Health and Human Services, Passed through the California Department of Education, CFDA Nos. 93.575 and 93.596, Contract CCTR-6164;

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

**Medical Assistance Program:** U.S. Department of Health & Human Services, Passed Through the California Department of Health Services (CDHS), CFDA No. 93.778, Grant Agreement C-10606:08:09.

#### **Recommendation**

We recommend that the District implement policies and procedures to closely monitor the expenditures charged to an appropriate grant award period. The District should also perform additional analysis for the grants that do not have separate program/project codes for each award year to ensure that reported program expenditures for each grant award year were claimed and obligated appropriately.

We further recommend that the District strengthen controls over its monitoring of outstanding obligations to ensure that all obligations are liquidated under the award not later than 90 days after the end of the funding periods; and unliquidated obligations are reconciled and adjusted so that the balance remaining in encumbrance is properly returned to the grantor.

#### **Current Status**

Implemented

#### **14. Finding F-10-10 – Procurement, Suspension, and Debarment – No Evidence of Required Quotations or Waivers for Competitive Bidding**

**Finding F-09-10 – Procurement, Suspension, and Debarment – No Evidence of Required Quotations or Waivers for Competitive Bidding**

**Finding F-08-14 – Procurement, Suspension, and Debarment – No Evidence of Required Quotations or Waivers for Competitive Bidding**

**Finding F-07-21 – Procurement, Suspension, and Debarment – No Evidence of Required Quotations or Waivers for Competitive Bidding**

**Finding F-06-21 – Procurement, Suspension, and Debarment – No Evidence of Required Quotations or Waivers for Competitive Bidding**

**Finding F-05-21 – Procurement, Suspension, and Debarment – No Evidence of Required Quotations or Waivers for Competitive Bidding**

#### **Program Identification:**

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Status of Prior Year Findings and Recommendations

Year Ended June 30, 2011

**Food Stamp Cluster:** State Administrative Matching Grants for Food Stamp Program, U.S. Department of Agriculture (USDA), Passed through the California Department of Health Services, CFDA No. 10.561, Grant Agreement 19-64733-0000000-01;

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

**Title I Grants to Local Educational Agencies:** U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.010, Grant Agreements 09-14329-6473 and 10-15005-6473;

**Title I Grants to Local Educational Agencies:** U.S. Department of Education (ED), American Recovery and Reinvestment Act (Recovery Act), Passed through the California Department of Education, CFDA No. 84.010, Grant Agreement S389A090005 (PSA 15005);

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

**Special Education Cluster:** Grants to States, Preschool Grants, U.S. Department of Education, Passed through the California Department of Education, CFDA Nos. 84.027, and 84.173, Grant Agreement 08-13682-6473-01 and 08-13379-6473-01;

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

**Fund for the Improvement of Education:** U.S. Department of Education (ED), CFDA No. 84.215, Grant Agreements V215L052108, S215L080570, and S215L060084;

**Twenty-First Century Community Learning Centers:** U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.287, Grant Agreements 07-14535-6473-4A, 08-14349-6473-4A, 08-14349-6473-5A, and 08-14535-6473-5A;

**Education Technology State Grants:** U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.318, Grant Agreements 05-14334-6473, 06-14368-6473, 07-14368-6437, and 08-14368-64733;

**Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP):** U.S. Department of Education (ED), CFDA No. 84.334, Grant Agreements P334A050178-08, P334A050008-08, and P334A050205-08;

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

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

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Status of Prior Year Findings and Recommendations

Year Ended June 30, 2011

**Improving Teacher Quality State Grants:** U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.367, Grant Agreement PCA 14344/14341;

**Child and Adult Care Food Program:** U.S. Department of Agriculture (USDA), Passed through the California Department of Education, CFDA 10.558, Grant Agreement 19-2016-3A;

**State Grants for Innovative Programs:** U.S. Department of Education (ED), Passed Through the California Department of Education, CFDA No. 84.298, Pass-Through Identification No. 1964733, Grant Agreement S298A06005;

**Child Care and Development Fund:** Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund; U.S. Department of Health and Human Services, Passed through the California Department of Education, CFDA Nos. 93.575 and 93.596, Contract CCTR-6164.

#### Recommendation

We recommend the District strengthen its controls over its procurement approval process and document retention policies to ensure that required policies of the District are being followed with proper documentation maintained in the procurement files.

#### Current Status

Implemented

### 15. Finding F-09-11 – Procurement, Suspension, and Debarment – No Certification and No Documentation to Investigation

#### Program Identification:

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

**Food Stamp Cluster:** State Administrative Matching Grants for Food Stamp Program, U.S. Department of Agriculture (USDA), Passed through the California Department of Health Services, CFDA No. 10.561, Grant Agreement 19-64733-0000000-01;

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

**Special Education Cluster:** Grants to States, Preschool Grants, U.S. Department of Education, Passed through the California Department of Education, CFDA Nos. 84.027, and 84.173, Grant Agreement 08-13682-6473-01;

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

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Status of Prior Year Findings and Recommendations

Year Ended June 30, 2011

**Twenty-First Century Community Learning Centers:** U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.287, Grant Agreements 07-14535-6473-4A and 08-14535-6473-5A;

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

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

**Fund for the Improvement of Education:** U.S. Department of Education (ED), CFDA No. 84.215, Grant Agreements U215X070162 and S215L080570;

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

**Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP):** U.S. Department of Education (ED), CFDA No. 84.334, Grant Agreements P334A050178 and P334A050008;

**Improving Teacher Quality State Grants:** U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.367, Grant Agreement PCA 14344/14341.

#### Recommendation

We recommend that the District continue to monitor the internal controls as documented in the new procurement policy manual to ensure compliance with federal suspension and debarment regulations. It is also our recommendation that the District continue to provide training to the appropriate procurement staff on the new procurement manual and hold periodic meetings for any future updates or revisions.

#### Current Status

Implemented

### 16. Finding F-10-14 – Reporting – Not Retaining the Meal Tickets Collected

#### Program Identification:

**Child Nutrition Cluster:** School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children, U.S. Department of Agriculture (USDA), Passed through the California Department of Education, CFDA Nos. 10.553, 10.555, and 10.559, Grant Agreement 19-64733-0000000-01.

#### Recommendation

Pursuant to findings from previous years audits, which included the same finding, the District had already issued a policy memorandum dated July 16, 2010, effective from that day, addressed to food

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2011

service managers, mandating that meal tickets must be kept on hand and available for review for three years, plus the current school year, keeping in line with federal compliance requirements. Additionally current year tickets were to be maintained at the school site. However, for our entire audit year, that is fiscal year 2009-10, schools did not maintain meal tickets for the federally required time-period of three years. As such, we recommend that the District strengthen its controls regarding the meal counting process. The District should also ensure all cafeteria managers comply with the District's retention policy.

**Current Status**

Implemented

**17. Finding F-10-15 – Reporting – Discrepancies between APRs and the Report generated from the FRDB**

**Finding F-09-13 – Reporting – Discrepancies between APRs and the Report generated from the FRDB**

**Finding F-08-17 – Reporting – Discrepancies between APRs and the Report generated from the FRDB**

**Program Identification:**

**Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP):** U.S Department of Education (ED), CFDA No. 84.334, Grant Agreements P334A050008, P334A050217, and P334A050178.

**Recommendation**

The District should implement a policy to formalize the documentation of the procedures of APR reporting and to strengthen its controls over the reporting process.

**Current Status**

Implemented

**18. Finding F-10-11 – Financial and Performance Reporting**

**Finding F-09-15 – Reporting – Financial and Performance Reporting**

**Finding F-08-18 – Reporting – Financial and Performance Reporting**

**Finding F-07-25 – Reporting – Performance Reporting**

**Finding F-07-27 – Reporting – Performance Reporting**

**Finding F-06-25 – Reporting – Financial and Performance Reporting**

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Status of Prior Year Findings and Recommendations

Year Ended June 30, 2011

#### **Program Identification:**

**Vocational Education Basic Grants to States:** U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.048, Grant Agreements 08-14894-64733-00, 09-14894-64733-00, and 09-14893-6733-00;

**State Administrative Matching Grants for Food Stamp Program:** U.S. Department of Agriculture (USDA), CFDA 10.561, Passed through the California Department of Health Services (DHS) as California Nutrition Network, Agreement No. 04-35450;

**Fund for the Improvement of Education:** U.S. Department of Education (ED), Elementary and Secondary Act Title V, Part D; (CFDA 84.215), Project Title: Teaching American History, Award No. U215X030096;

**Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP):** U.S. Department of Education (ED) Pass-Through Entity: California Department of Education Award Number: Grant Agreements P334A050178, and P334A050205.

#### **Recommendation**

The District should implement policies and procedures to strengthen its controls over reporting for the Secondary Vocational Education program, to ensure that reports are accurately reconciled to the actual data. The District should consult with CDE to determine if it is required to resubmit the revised reports with corrections.

#### **Current Status**

Implemented

#### **19. Finding F-10-12 – Reporting – Not Sufficient Control over the Review and Approval of Monthly Attendance Sheets**

**Finding F-09-16 – Reporting – Not Sufficient Control over the Review and Approval of Monthly Attendance Sheets**

**Finding F-08-19 – Reporting – Not Sufficient Control over the Review and Approval of Monthly Attendance Sheets**

#### **Program Identification:**

**Twenty-First Century Community Learning Centers:** U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.287, Grant Agreements 07-14349-6473-4A, 08-14349-6473-3A, 08-14349-6473-4A, 08-14349-6473-5A, 08-14535-6473-5A, 09-14349-6473-4A, 09-14349-6473-5A, 09-14535-6473-4A, and 09-14535-6473-5A.

#### **Recommendation**

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2011

The District should strengthen its controls to ensure attendance data is compiled and reported accurately and include only schools authorized for the program. The District should also maintain sufficient documentation to support its results of the reconciliation between the SAR and QAR.

**Current Status**

Implemented

**20. Finding F-10-13 – Reporting**

**Program Identification:**

**Medical Assistance Programs (Medicaid; Title XIX):** U.S. Department of Health and Human Services, Passed through the California Department of Education, CFDA No. 93.778, Grant Agreement C-10606:08:09.

**Recommendation**

The District should implement policies and procedures to strengthen its controls over reporting to ensure that reports are accurately reconciled to the accurate data and for the proper reporting period. We recommend that the District implement policies and procedures for inclusion of journal entries recorded on the IFS to be part of the claims process to ensure all activities are accounted for.

**Current Status**

Partially Implemented

**21. 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),** CDFA No. 84.334, U.S. Department of Education (ED), Grant Agreements P334A050008, P334A050217, and P334A050178.

**Twenty-First Century Community Learning Centers,** U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.287, Grant Agreements 07-14349-6473-4A, 07-14535-6473-4A, 08-14349-6473-3A, 08-14349-6473-3B, 08-14349-6473-4A, 08-

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Status of Prior Year Findings and Recommendations

Year Ended June 30, 2011

14535-6473-4A, 08-14349-6473-5A, 08-14535-6473-3A, 08-14535-6473-3B, 08-14535-6473-3C, 08-14349-6473-5A, 08-14535-6473-5A, 09-14349-6473-4A, 09-14349-6473-5A, 09-14535-6473-4A, 09-14535-6473-5A, 09-14535-6473-6A, 09-14535-6473-6B, 09-14603-6473-6B, 09-14535-6473-6C, 09-14603-6473-6C, 09-14535-6473-6D, and 09-14603-6473-6D.

#### **Recommendation**

We recommend that the District establish policies and procedure to ensure that the subrecipient monitoring compliance requirement be met with the federal requirements.

Subsequent to our audit fieldwork and exit conference, the District' Procurement Services Branch provided us with a copy of the amendment number one to the original agreements for the 3 agencies. The purpose of the amendment was to extend the contract period for 2010-11 and the award identification was added to the amendment. It is our recommendation that the District strengthen its controls to ensure that all federal award identification is included on the original pass-through agreements and all amendments.

#### **Current Status**

Implemented. (Pending CDE confirmation.)

### **22. Finding F-07-31 – Special Tests and Provisions (Participation of Private School Children) – Per-Pupil Allocations offered to Participating Private Schools**

#### **Program Identification:**

**Safe and Drug Free Schools and Communities:** U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.186, Grant Agreement Q186A060005;

**English Language Acquisition Grants:** U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.365, Grant Agreements 03-14346-6473- 00, and 10084-6474-00;

**Improving Teacher Quality State Grants:** U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.367, Grant Agreement S367A040005A.

#### **Recommendation**

We recommend that the District enhance its policies and procedures to ensure participating private schools are timely notified of any changes in per-pupil allocation amounts available.

#### **Current Status**

Implemented

### **23. Finding F-10-17 – Special Tests and Provisions (Highly Qualified Paraprofessionals) – Qualifications**



**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2011

**Finding F-09-19 – Special Tests and Provisions Highly Qualified Teachers and Paraprofessionals**

**Finding F-08-23 – Special Tests and Provisions Highly Qualified Teachers and Paraprofessionals**

**Finding F-07-34 – Special Tests and Provisions Highly Qualified Teachers and Paraprofessionals**

**Finding F-06-34 – Special Tests and Provisions (Highly Qualified Paraprofessionals) – Qualifications**

**Program Identification:**

**Title I Grants to Local Educational Agencies:** U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.010, Grant Agreement 09-14329-6473 and 10-14329-6473.

**Recommendation**

We recommend that the District implement policies and procedures to ensure that non-highly qualified paraprofessionals are not funded by any NCLB programs where a highly qualified status is required to comply with NCLB requirements.

**Current Status**

Implemented

**24. Finding F-10-18 – Special Tests and Provisions (Parent Notification Letters) – Support for Notifications**

**Program Identification:**

**English Language Acquisition Grants:** U.S. Department of Education (ED), Passed through the California Department of Education, CFDA No. 84.365, Grant Agreement 10-10084-64733-00.

**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 that supporting documentation be maintained on file to support the schools' compliance.

**Current Status**

Implemented

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Status of Prior Year Findings and Recommendations

June 30, 2011

**Findings and Questioned Costs Related to State Awards**

**(1) S-10-01 Regular and Special Day Classes – Elementary Schools – Attendance Computations**

**State Audit Guide Finding Codes:** 10000 and 40000

**Schools Affected**

- Winnetka Elementary School
- Sunland Elementary School
- Broad Avenue Elementary School

***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.

**(2) S-10-02 Regular and Special Day Classes – Secondary Schools – Attendance Computations**

**State Audit Guide Finding Codes:** 10000 and 40000

**Schools Affected:**

- White Middle School
- Roosevelt High School

***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.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Status of Prior Year Findings and Recommendations

June 30, 2011

**(3) S-10-03 Attendance Accounting – Continuation Education – Attendance Computations**

**State Audit Guide Finding Codes:** 10000 and 40000

**School Affected**

- Mission High School
- Monterey High School

***Recommendation***

We recommend that the District strengthen its review process over the compilation of the *Monthly Statistical Reports* to ensure that the report accurately reflects student attendance data.

***Current Status***

Corrective action was implemented.

**(4) S-10-04 Attendance Accounting – Independent Study – Attendance Computations**

**State Audit Guide Finding Codes:** 10000 and 40000

**School Affected**

- Venice Skill Center AEWC

***Recommendation***

We recommend that the District strengthen its review process over independent study to ensure proper reporting of attendance through appropriate evaluation of pupils' work based on all required documentation on file.

***Current Status***

Corrective actions were implemented by the subject school.

**(5) S-10-05 Attendance Accounting – Dependent Charter School – Attendance Computations**

**State Audit Guide Finding Codes:** 10000 and 40000

**Schools Affected**

- Alexander Science Center

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Status of Prior Year Findings and Recommendations

June 30, 2011

***Recommendation***

We recommend that the District continue to strengthen its review process over dependent charter schools' attendance reporting.

***Current Status***

Corrective actions were implemented by the subject school.

**(6) S-09-06 – After School Education and Safety Program**

**State Audit Guide Finding Codes:** 40000

**School Affected**

Belvedere Middle School	Vista Middle School
Normont Elementary School	Ritter Elementary School
Glassell Park Elementary School	Glenhill Street Elementary School
Columbus Avenue Elementary School	Sharpe Elementary School
Pio Pico Elementary	122 <sup>nd</sup> St. Elementary School
Haddon Elementary School	San Antonio Elementary School
San Gabriel Elementary School	Hughes Elementary School
Rowan Avenue Elementary School	Ellen Ochoa Learning Center
San Miguel Elementary School	Ascot Elementary School
Hughes Elementary School	Marvin Elementary School
24 <sup>th</sup> Street Elementary School	Liberty Elementary School
Loma Vista Elementary School	Magnolia Elementary School
Harrison Elementary School	Hawaiian Elementary School
Hoover Elementary School	Miramonte Elementary School
Norwood Elementary School	

***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.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Status of Prior Year Findings and Recommendations

June 30, 2011

***Current Status***

Beyond the Bell (BTB) has undertaken policy and procedures improvements to address the above findings.

**(7) S-10-7 After School and Safety Program**

**State Audit Guide Finding Codes:** 40000

**Schools Affected**

Belvedere Middle School

Vista Middle School

Ritter Elementary School

Ritter Elementary School

Gratts Elementary School

Glenhill Street Elementary School

Harrison Elementary School

Hoover Elementary School

Pio Pico Elementary

Miramonte. Elementary School

Norwood Elementary School

75<sup>th</sup> Street Elementary School

Wadsworth Elementary School

Haddon Elementary School

San Antonio Elementary School

San Gabriel Elementary School

Sharp Elementary School

Ellen Ochoa Learning Center

***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***

Beyond The Bell Branch has implemented the procedures to ensure that they are providing training on attendance policies and procedures as well as how the procedures are being implemented at the sites to ensure documentation of reported attendance figures is readily available and accurate for auditing purposes.

**(8) S-10-08 – Kindergarten Continuance**

**State Audit Guide Finding Codes:** 40000

**School Affected**

- Gridley Elementary School

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Status of Prior Year Findings and Recommendations

June 30, 2011

**Recommendation**

We recommend that the District strengthen its controls in implementing policies about students who need to stay in kindergarten for more than a year.

***Current Status***

Corrective actions were implemented by the subject school.