

LOS ANGELES UNIFIED SCHOOL DISTRICT

Accounting and Disbursements Division

RAMON C. CORTINES
Superintendent



TIMOTHY S. ROSNICK
Controller

MEGAN K. REILLY
Chief Financial Officer

V. LUIS BUENDIA
Deputy Controller

February 10, 2009

To Whom It May Concern:

Re: 2006-2007 Comprehensive Annual Financial Report – Revised Pages

Please be advised that the Auditor's Report on State Compliance (Report) of the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ended June 30, 2007 has been revised as follows:

Procedures regarding the Instructional Materials Funding Realignment Program for K-8 and Grades 9-12 were performed and updated from "Not applicable" to "Yes" (page 198).

Please replace the appropriate pages with the attached Report.

Should you have any questions or concerns regarding the CAFR, please feel free to contact Accounting Controls Branch at (213) 241-7983.

Sincerely,

Timothy S. Rosnick

TSR:ae

Attachment



KPMG LLP
 Suite 2000
 355 South Grand Avenue
 Los Angeles, CA 90071-1568

Auditors' Report on State Compliance

The Honorable Board of Education
 Los Angeles Unified School District:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Los Angeles Unified School District (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 5, 2008.

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

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

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

	Number of Procedures in Education Audit Appeals Panel Audit Guide, Standards and Procedures for Audits of California K-12 Local Educational Agencies	Procedures performed
Adult Education	9	Yes
Regional Occupational Centers and Programs	6	Yes
Instructional Time for:		
School Districts	6	Yes
County Offices of Education	3	Not applicable
Community Day Schools	9	Yes
Morgan-Hart Class Size Reduction Program	7	Yes
Instructional Materials:		
General Requirements	12	Yes
K-8 only	1	Yes
Grades 9-12 only	1	Yes
Ratio of Administrative Employees to Teachers	1	Yes
Early Retirement Incentive Program	4	Not applicable
Gann Limit Calculation	1	Yes
School Construction Funds:		
School District Bonds	3	Yes
State School Facilities Funds	1	Yes
Alternative Pension Plans	2	Not applicable
Excess Sick Leave	2	Yes
Notice of Right to Elect California State Teachers Retirement System (CalSTRS) Membership	1	Yes
Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000)	2	Yes
State Lottery Funds (California State Lottery Act of 1984)	2	Yes
California School Age Families Education (CAL-SAFE) Program	3	Yes
School Accountability Report Card	3	Yes

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

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

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

KPMG LLP

December 5, 2008